

MATJHABENG MUNICIPALITY

MINUTES

of

THE

SPECIAL MPAC COMMITTEE MEETING

Held on

WEDNESDAY, 28 AUGUST 2019

at

14:00

**ROOM 428,4TH FLOOR, CIVIC CENTRE
WELKOM**

SECTION APROCEDURAL MATTERS	
1.	OPENING AND WELCOME: The chairperson; Cllr Masienyane welcomed everyone present and declared the meeting opened.
1.1	<p>PRESENT CLLRS</p> <ol style="list-style-type: none"> 1. Cllr D Masienyane -MLM 2. Cllr M Molefi -MLM 3. Cllr M Nqeobo -MLM 4. Cllr J Mosia -MLM 5. Cllr I Poo -MLM 6. Cllr M Chaka -MLM 7. Cllr P Botha -MLM 8. Cllr J Marais -MLM 9. Cllr LE Khetsi -MLM <p>DIRECTORS</p> <p>Mr T E Tsoaeli :Accounting Officer Mr T Makofane :Executive Director Strategic Support Services Mr T Panyani :Chief Financial Officer Mr FF Wetes :Executive Director Corporate Support Services Mrs Z Tindleni :Ex Director Community Services</p> <p>OFFICIALS</p> <p>Mr T Goralotse: Expenditure/ Asset Manager Ms T Xaba :Acting Manager Supply Chain Matshidiso Pheko MPAC Secretary Ms Maria Musapelo_Scriber Council Administration</p> <p>FREE STATE TREASURY</p> <p>Mr H Leburu Mr Raphael Musa</p> <p>FEZI</p> <p>O Ngande</p>

2.	APPLICATIONS FOR LEAVE OF ABSENCE Cllr D Mafa Mr B Golele
3.	OFFICIAL ANNOUNCEMENTS The Chairperson: Cllr Masienyane have notified the MPAC committee members that we had Free State Treasury representative in our mist.
4.	MOTION OF SYMPATHY AND CONGRATULATIONS None
5.	DISCLOSURE OF INTEREST None
6.	DEPUTATIONS AND INTERVIEWS None
7.	CLOSURE: 14:45

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PURPOSE

To submit to the MPAC committee report on Irregular, Fruitless and Wasteful Expenditure incurred for the financial period 2017/18.

BACKGROUND

The municipality is required to disclosed particulars of unauthorised ,irregular or fruitless and wasteful expenditure as part of the notes to the annual financial statements in terms in terms of the requirements of section 125(2) (D) of the Municipal Finance Management Act.

DISCUSSIONS

Before the presentation started; the Chairperson Councillor Masienyane informed the committee that the item of Irregular Expenditure is not going to serve, for some reason they must get a detailed breakdown for the course of the Irregular Expenditure.

FRUITLESS AND WASTEFUL EXPENDITURE (definition)

THE MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003 UNDER PARAGRAPH 1 DEFINES:

“Fruitless and Wasteful Expenditure” means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Chief Financial Officer; Mr T Panyani was allowed to present the fruitless and wasteful expenditure register for the period of **17/18**.

He indicated that some of items on the register were due to interest of overdue accounts that were not transferred to receivables for recovery.

Furthermore the Fruitless Expenditures was due to cash flow accounts, and if it was possible for the MPAC committee to request the Council to write it off.

The following were examples of fruitless and wasteful expenditure presented.

- Expenditure due to negligence e.g., cancellation of fees incurred for missing a flight or claims for damages to vehicles of road users due to potholes.
- Interests on overdue accounts e.g. Eskom.
- Penalties paid e.g. incorrect PAYE or vat calculations resulting in penalties payable from SARS.
- Procuring of goods and services that are not beneficial to the Municipality.
- Costs of goods and services are in excess of what would have been the case have proper procedures been followed (quotes etc.)
- Renting of property when sufficient and appropriate unoccupied property is owned by the entity.
- Exuberant costs on parties, entertainment, subsistence and travel etc.
- Back pay as a result of unfair dismissal or suspensions.

IT WAS RESOLVED ON THE 28 AUGUST 2019

1. That the MPAC **CERTIFIES** the amount of **R167 709 893, 26** as irrevocable and to request council for write off if possible.
2. That the 13 items of fruitless and wasteful expenditure **BE REFERRED** to council for write off on condition that the municipality **TABLE A FUNDED** budget in the future to avoid **RE-OCCURRENCE** of these fruitless and wasteful expenditure.
3. That the Accounting Officer; Mr T Tsoaeli should **NOT ALLOW** an unrealistic budget to be tabled in council without expressing his reservation that he would not be able to execute an unfunded budget ,otherwise the Accounting Officer would **BE HELD LIABLE** and council would **RECOVER** the Fruitless and Wasteful Expenditure from him personally.
4. That the Accounting Officer should **NOTIFY** council of the challenges of unfunded budget during the time of tabling of budget.

UNAUTHORISED FRUITLESS EXPENDITURES:

“DEFINITION “To exceed the amount appropriated for that vote; or in relation to a main division within a vote, **means** when **expenditure** under the main division exceeds the amount appropriated for that main division, subject to the specific rules contained in section 43 of the PFMA.

Chief Financial Officer was then allowed to explain the presentation of Unauthorized Expenditure before the MPAC committee, He further indicated that the main reason was because of the bulk purchases worth millions.

He further explained that Unauthorized Expenditure was calculated at the value of **R12 880 705** and it was due to overspending, some of the causes of the irreversible damage were employee related costs such as salary bills, acting allowances and overtime costs so on, he said among other things ,it was due to the lack of general expenses.

Furthermore he explained the value of **R41 846 944**, the reason being hiring contractors, some of the contractors were consultants. This is where the committee requested that the municipality should take responsibility for its own performance, reducing its reliance on consultants.

Hence the amount of **R136 734 987 .47** tabled as a saving and deducted from the total amount of Unauthorized Expenditure.

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The said total of **R145 013 039** was described as capital expenditure after considering non-cash items.

However this practice was opposed by the members of the MPAC as it clearly meant that the authorities understood the unspecified costs of **R136 734 987 .47**.

The correct level should be **R145 013 039 + R136 734 987 .47 = R281 748 026**.

The Councillors were concerned that as it turns out to be the non-cash items, it was not realistic to pursue unfunded items for instance, expenditures that did not authorized in that regard.

The MPAC Councillors requested the CFO and Accounting officer to ensure and review the budget in terms of the Section 28 of the MFMA.

The decision was to authorize unauthorized expenditures whether recoverable or irrecoverable.

The committee has requested that the list of unauthorized expenditure from overspending be cleared and detailed.

Based on the following factors for instance, the total worth of **R145 013 039** was meant to be a capital expenditure after considering non-cash items.

However this practice was opposed by the members of the MPAC committee, as it clearly meant that the officials understood the unspecified costs of **R136 734 987 .47**.

The correct level should be **R145 013 039 + R136 734 987 .47 = R281 748 026 .47**.

Alternatively, the submission emphasized that the officials had ordered a total of

R136 734 .47 inappropriate expenditure by making the said change.

IT WAS RESOLVED ON THE 28 AUGUST 2019

1. That the MPAC committee recommend Unauthorized Expenditure emanating from non-cash items amounting to **R591 376 542** to be Authorized by Council.
2. That other Unauthorized Expenditure was referred back so that adequate information and relevant supporting documents with sufficient details be submitted.
3. That MPAC committee also requested for more training on understanding unauthorized expenditure and basic understanding of budgeting.
4. That the item of irregular expenditure **2017/18** must serve in the next MPAC meeting.
5. That the item of Fruitless Expenditure and Unauthorized Expenditure must serve to the next council.

IN SUBSEQUENT THE OFFICIALS FROM TREASURY GAVE THE FOLLOWING ADVICE TO MPAC COMMITTEE.

OFFICIALS FROM PROVINCIAL TREASURY GAVE THE FOLLOWING ADVICE TO MPAC:

- In terms of revised MFMA circular 68, MPAC should deal with unauthorised expenditure issues early and table finalised issues for authorisation when the Annual Report is tabled. This will give MPAC opportunity to include on unauthorised expenditure that may be identified during audit by Auditor General during the audit cycle.
- MPAC siting should be made early in the year to avoid backlogs and give MPAC opportunity to deal with issues.
- MPAC requested Provincial Treasury to access the draft Budget for Matjhabeng LM.

WAY FORWARD

A training covering Unauthorised, Irregular, Fruitless & Wasteful Expenditure; budgets and Key Control Matrix (KCM) be done to new MPAC members and be extended to other Councillors who are not MPAC members so that Councillors have adequate understanding of such issues. The MPAC chair will communicate to Provincial Treasury once the dates for the training were confirmed.

THE MEETING ADJOURNED AT 14:45

CHAIRPERSON: COUNCILLOR MD MASIENYANE

SIGNATURE: _____

