

28 September 2021

To : The Speaker
Cllr M. Nkoane

UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (UIFWe) REDUCTION PLAN: 2021-2024

1 PURPOSE

To obtain approval of the Unauthorized, Irregular, Fruitless and Wasteful Expenditure (UIFWe) Reduction Plan/ Strategy.

2 STRATEGIC INTENTS

To ensure that Council through relevant processes and structures;

- ✚ Prevent unauthorised, irregular, fruitless and wasteful expenditure;
- ✚ Identify and investigate unauthorised, irregular, fruitless and wasteful expenditure;
- ✚ Respond appropriately in accordance with the law; and
- ✚ Address instances of unauthorised, irregular, fruitless and wasteful expenditure conclusively.

3 FOR DECISION / CONSIDERATION BY

MPAC/ Council

4 BACKGROUND AND PROGRESS MADE TO DATE

The Auditor-General has highlighted an escalating trend in unauthorised, irregular, fruitless and wasteful expenditure for Mangaung Metropolitan Municipality over

recent years, and the details of the UIFWe were summarised in the Annual Financial Statements of the municipality.

The 2020/21 Annual Financial Statements reflects the following:

Description	Amount
Unauthorized Expenditure	R 3 912 056 378
Irregular Expenditure	R 3 459 000 711
Fruitless and Wasteful Expenditure	R 83 762 135

Council had already referred all the UIFWe for 2019/20 and prior financial years to Municipal Public Accounts Committee for further handling and investigation in line with MFMA Circular 68.

To date, the municipality is currently performing an investigation through the Intervention Team as support structure to the MPAC and the progress report will be submitted to Council in the second quarter of the 2021/22 financial year.

Most of the items in the Unauthorized Expenditure relates to non-cash items like Depreciation and Debt Impairment. Furthermore, the Irregular Expenditure was increased by the misinterpretation of Supply Chain Management Regulations in relation to composition of the Bid Adjudication Committee. All these matters are part of the Reduction Plan reflected on Annexure A of this report.

5 UIFWe REDUCTION PLAN – 2021/22 TO 2023/24

Annexure A of this Report provides detailed Unauthorized, Irregular, Fruitless and Wasteful Expenditure (UIFWe) Reduction Plan/ Strategy.

6 LEGAL IMPLICATIONS

Municipal Finance Management Act, 56 of 2003;

MFMA Circular Number 68

7 FINANCIAL IMPLICATIONS

None

8 RECOMMENDATIONS

- a) That Council takes note on progress made in addressing Unauthorised, Irregular, Wasteful and Fruitless Expenditure; and
- b) That Council approves the Unauthorised, Irregular, Wasteful and Fruitless Expenditure Reduction Plan/ Strategy (Annexure A) for implementation between 2021/22 and 23/2024 financial years;
- c) That MPAC and Audit Committee monitor implementation of the Unauthorised, Irregular, Wasteful and Fruitless Expenditure Reduction Plan/ Strategy;
- d) That Unauthorised, Irregular, Wasteful and Fruitless Expenditure Reduction Plan/ Strategy be submitted to National Treasury

Submitted by:



Mr S.E. Mofokeng
Chief Financial Officer

Supported by:



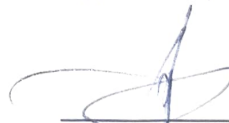
Mr S. More
HOD: Corporate Services

Ratified by



Mr. T.L. Mkaza
Exco Representative

Approved by



Cllr M. Siyonzana
Executive Mayor