**NATIONAL ASSEMBY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER: 578 [NW684E]**

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**578.     Ms N I Tarabella Marchesi (DA) to ask the Minister**

With reference to each metropolitan municipality and based on the 2014-15 audited annual financial statements, what amount of (a) irregular expenditure, (b) unauthorised expenditure and (c) fruitless and wasteful expenditure was (i) reported, (ii) condoned, (iii) written off in an adjustment budget and (iv) recovered in terms of section 32 of the Municipal Finance Management Act 56 of 2003?

      NW684E

**REPLY:**

The Honourable Member should note that the Municipal Finance Management Act (MFMA) provides in section 32(2) that the Municipal Council must recover all irregular expenditure incurred unless the municipal council has, after an investigation by a council committee, certified the expenditure as irrecoverable and has decided to write it off. The municipal council is the only appropriate authority that should take action in relation to the irregular, unauthorised, fruitless and wasteful expenditure that has been incurred. The overall accountability process for municipal budget and expenditure must take place in a municipality, Provincial and national oversight is ‘distant’ and intervention by the two spheres only warranted as a last resort where local government has collapsed. Therefore, detailed information in this regard is therefore best obtained from the municipality concerned.

The following response is provided based on the disclosures in municipal audited annual financial statements, monitoring reports submitted by the municipality and engagements during mid-year meetings with municipal officials. The Honourable Member should also note that National Treasury has recently introduced consequence management measures that were elaborated on in MFMA Circular 76 issued in October 2015. This provided practical information on how municipalities should address such matters. It must therefore be understood within the context of the phased-in approach to implementation; hence, please noted that further actions may have been taken since these engagements with municipalities which are not reflected in this response as they are subject to ongoing monitoring and reporting.

1. **Irregular expenditure** relates to categories of expenditure incurred in contravention of or not in accordance with the MFMA, Municipal Systems Act, Public Office-Bearers Act, and Supply Chain Management policy. These are listed below for metropolitan municipalities:

***Buffalo City*** incurred R1.8 billion irregular expenditure of which none was condoned. No information was reported on amounts to be recovered, although MPAC was tasked with the responsibility to investigate such matters. During mid-year engagements the municipality advised that 8 employees were dismissed, however, no information was provided on write-offs or recovery.

***City of Cape Town*** incurred R1 million irregular expenditure of which R85 000 was condoned. Disciplinary procedures were in place. A forensic unit was established to investigate allegations; however, no information was available on write-offs or recovery.

***Ekurhuleni*** incurred R794 million of irregular expenditure of which R32 million was condoned; however, the majority of the cases were still under investigation by MPAC and other organs of state. In instances where MPAC had concluded investigations, these were reported to council for condonement. Section 32 processes will be used to follow up on recoveries.

***eThekwini*** incurred R500 000 of irregular expenditure of which R400 000 was condoned. The municipality advised that it is addressing this matter in terms of the legislated processes.

***City of Johannesburg*** incurred R1.5 billion of irregular expenditure of which R4 million was condoned. 83 cases are being investigated and 10 have been completed. The municipality has implemented measures to recover money. For example, when an employee resigns before the disciplinary case has been completed, the municipality withholds the employees pension payout. No information was available on write-offs and recoveries.

***Mangaung*** incurred R289 million of irregular expenditure of which none was condoned. A special adjustments budget in terms of Section 32 was passed. No information was available on write-offs and recoveries.

***Nelson Mandela Bay*** incurred R2.1 billion of irregular expenditure of which R12 million was condoned. Investigations are being conducted by Internal Audit and reports are tabled at MPAC from time to time, for recommendations and follow-up actions, including those instances where amounts are write-off and recoveries instituted. No further details were available.

***City of Tshwane*** incurred R1.6 billion of irregular expenditure of which R28 million was condoned. A number of cases are currently under investigation. No information was available on write-offs and recoverable.

1. **Unauthorised expenditure** means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of MFMA and includes overspending of total amount appropriated in the municipality’s approved budget or overspending of the total amount appropriated for a vote in the approved budget or expenditure from a vote unrelated to the department or functional area covered by the vote or expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose or spending that is inconsistent with any conditional allocation, amongst others. These are listed below for metropolitan municipalities:

***Buffalo City*** incurred R432 million of unauthorised expenditure of which none was authorised through a special adjustment budget in terms of section 28 of the MFMA read with regulation 23(6) of the Municipal Budget and Reporting Regulations. No information was available on any recoveries. However, a report was submitted to MPAC for investigation and recommendation.

***City of Cape Town*** had reported no unauthorised expenditure.

***Ekurhuleni*** had reported no unauthorised expenditure.

***eThekwini*** had reported no unauthorised expenditure.

***City of Johannesburg*** incurred R2.7 billion of unauthorised expenditure. No information was provided on amounts authorised through an adjustment budget in terms of section 28 of the MFMA read with regulation 23(6) of the Municipal Budget and Reporting Regulations, or on amounts recovered.

***Mangaung*** incurred R2.1 billion of unauthorised expenditure. A special adjustments budget in terms of Section 28 of the MFMA read with regulations 23(6) of the Municipal Budget and Reporting Regulations was passed by council. No information was available on recoveries.

***Nelson Mandela Bay*** incurred R780 million of unauthorised expenditure, of which R623 million was authorised through a special adjustment budget. No information was available on recoveries.

***City of Tshwane*** incurred R2 billion of unauthorised expenditure, of which R1.2 billion was authorised through an adjustment budget. A report was tabled in Council to address accounting-related transactions, such as over-expenditure relating to provision for depreciation, loss on disposal of assets, finance charges and debt impairment.

1. **Fruitless and Wasteful Expenditure** relates to expenditure incurred that could have been avoided had reasonable care been exercised. These are listed below for metropolitan municipalities:

***Buffalo City*** incurred R5 million of fruitless and wasteful expenditure. No expenditure was condoned and no information was available on write-offs or recoveries. However, a report was submitted to MPAC for investigation and recommendations.

***City of Cape Town*** incurred R440 00 of fruitless and wasteful expenditure, of which none was condoned; however, R146 000 was recovered. The municipality is in the process of condoning the outstanding amounts.

***Ekurhuleni*** incurred R181 million of fruitless and wasteful expenditure, of which R1.2 million was condoned. These have been referred to MPAC and other organs of state for investigation.

***eThekwini*** had reported no fruitless and wasteful expenditure.

***City of Johannesburg*** incurred R20 million fruitless and wasteful expenditure of which R23 000 was condoned, and R361 000 was still to be recovered. The remainder is subject to the outcome of further investigations.

***Mangaung*** incurred R29 million of fruitless and wasteful expenditure. A special adjustments budget in terms of Section 32 was passed by council. No information was available on condoned amounts, write-offs or recoveries.

***Nelson Mandela Bay*** incurred R551 million of fruitless and wasteful expenditure of which R226 000 was condoned. MPAC are still investigating. No confirmation of outcomes was received with regard to write-offs or recoveries.

***City of Tshwane*** incurred R19 million of fruitless and wasteful expenditure of which R513 000 was condoned. A number of cases are still under investigation. No confirmation of outcomes were received on write-offs or recoveries.