

WINNIE MADIKIZELA-MANDELA LOCAL MUNICIPALITY



FINAL REDUCTION STRATEGY ON UNAUTHORISED, IRREGULAR AND FRUITLESS & WASTEFUL (UIFW) EXPENDITURE

2025/26

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1. PURPOSE

The purpose of this policy is to develop and implement a reduction strategy designed to address current, historical and future UIFW expenditures figures and to improve internal controls and thereby improving the audit outcomes of the municipality on occurrence and completeness of UIFW expenditures.

The strategy's main goal is to reduce the current, historical and future audited UIFW expenditure figures by 50% over the 5-year medium term strategic framework period. However, Winnie Madikizela-Mandela Local Municipality proposes to reduce 100% annually thus 100% within each of the 5 years.

2. PROBLEM STATEMENT

The Auditor-General findings for the past financial years highlighted a number of issues in the Consolidated Report on Local Government that include, amongst others, persistent non-adherence to financial management policies and prescripts, as well as the need to improve governance arrangements. A significant number of municipalities have also incurred unauthorised, irregular as well as fruitless and wasteful expenditure and a brief view suggests that amounts in this regard have been increasing year on year.

The municipality has incurred unwanted expenditures in contravention of provision of the Act i.e. in the case of unauthorised expenditure resulting from over expenditure on votes; in the case of irregular expenditure flouting of the Supply Chain Management (SCM) legislative requirements; and in the case of fruitless & wasteful expenditure failure to pay various suppliers on time after receipt of invoices thus resulting in interest payments.

3. SITUATIONL ANALYSIS

Municipalities have for a number of years, struggled with an ever-increasing amount of UIFW expenditure. This is mainly due to the following:

- No preventative mechanisms to eliminate reoccurrence
- No effective internal controls measures
- No detailed reasons for incurring of UIFW expenditures as captured in the registers according to National Treasury Circular 68 Annexure A
- **Lack of meaningful investigation on identified UIFW**
- Lack of knowledge of processes to be followed when dealing with UIFW
- **Lack of consequence management (Financial Misconduct)**

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In order to mitigate the above-mentioned challenges, the Accounting Officer (AO) and/or the Chief Financial Officer (CFO) should ensure that municipality's expenditure transaction records incorporate all but not limited to the following SCM legislative requirements per transaction (Where applicable in terms of pricing) with a view to curb irregular expenditure:

- Three quotations
- Purchase Order
- Invoice
- Payment report
- Goods or service delivery register (Awards Register)
- Evaluation report by SCM i.e. Bid Evaluation Committee (BEC)
- Approved deviation report by the Accounting Officer (signed) and tabled to Council
- Proof of bid advertisements & results published on the municipality's website.
- Proof of projects registered in the register of construction contracts with the CIDB
- Preference point system to be utilized should be included in the advert.
- Central Supplier Database (CSD) Printout reflecting declarations and tax status of supplier or service provider.
- Municipal Bidding Documents (MBDs) applicable to ranges of procurements.
- Service Level Agreement/contract to be attached on payment batches

The **main contributor** to irregular expenditure in terms of monetary value is the awarding of contracts/tenders ***without following proper SCM legislative guidelines or inconsistencies in applying these.***

The Auditor-General has identified that the effective and appropriate disciplinary steps were not taken against officials who made or permitted unauthorised, irregular and fruitless & wasteful expenditure, as required by section 32(4) of the MFMA.

4. RELEVANT LEGISLATION

As per the requirements of ***the Municipal Finance Management, 2003 (Act No. 56 of 2003) (MFMA) Section 32(2)*** states that a municipality must recover unauthorised, irregular, fruitless & wasteful expenditure from a person liable for that expenditure ***unless*** the expenditure, in case of unauthorized expenditure, is authorized in an adjustment budget or certified to be irrecoverable and written off by council ***after investigations*** by a council committee.

In addition, the Act states that in case of irregular or fruitless and wasteful expenditure, the expenditure must be recovered **unless** it is certified to be irrecoverable and written off by council **after investigation** by a council committee.

In addition, **MFMA section 32(4)** indicates that the Accounting Officer must **promptly inform** the Mayor, the MEC for local government in the province and the Auditor-General in writing of any UIFW expenditure incurred by the municipality, whether any person is responsible or under investigation for such unwanted expenditure, and steps that have been taken to recover or rectify such expenditure and to prevent a reoccurrence of such expenditure.

The MFMA through **section 62** sets out the general financial management responsibilities of the accounting officer. The accounting officer is required to take all reasonable steps to ensure that the resources of the municipality are effectively, efficiently and economically utilised and that unauthorised, irregular, fruitless and wasteful expenditure are prevented. In addition, section 62 also obliges the accounting officer to ensure that disciplinary or when appropriate, criminal proceedings are instituted against any official of the municipality who has allegedly committed an act of financial misconduct or an offence in terms of the Act (Chapter 15 of MFMA). The same responsibilities have also been placed upon other municipal officials.

Section 62(1) (b) of MFMA states; "*The accounting officer of a municipality ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards*".

Moreover, to give effect to the priorities outlined above in government outcomes, and to deal effectively with matters of financial misconduct and to give effect to the concept of consequence management, the **Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings** were promulgated on 31 May 2014 to complement the **Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) ("MSA")** as amended and the regulations issued in terms thereof. These Regulations must be read together when implemented.

The Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings will support measures to expeditiously address financial misconduct and mismanagement.

The objective of the Regulations is to **set out processes and procedures** that a municipality and municipal entities must follow when dealing with allegations of financial misconduct. **The regulations will apply to all officials and political office bearers within municipalities and municipal entities.**

5. STRATEGY GOALS

The main goal of the municipality is to reduce levels of historical UIF&W expenditures and to maintain an unqualified audit opinion with no material findings in the 2021/22 financial year. In order to achieve such the municipality has to implement interventions designed to reduce/eliminate unwanted expenditures and improvement of internal control to address weaknesses related thereto.

In line with the government 5-year medium term strategic framework, the reduction plan is as follow:

Reduction plan	Baseline (2020/2021 Audited)	Year 1 2021/2022	Year 2 2022/2023	Year 3 2023/2024	Year 4 2024/2025	Year 5 2025/2026
<i>Percentage reduction</i>		100%	100%	100%	100%	100%
Unauthorised expenditure	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00
<i>Percentage reduction</i>		100%	100%	100%	100%	100%
Irregular expenditure	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00
<i>Percentage reduction</i>		100%	100%	100%	100%	100%
Fruitless Wasteful expenditure	R 21 912	-R 21 912	R0.00	R0.00	R0.00	R0.00
New UIFW -	Address it immediately as it occurs					

6. STRATEGY RESOURCES AND TEAM MEMBERS

The resources that will be implementing the strategy are the currently employed officials who are also responsible for their day to day activities. The strategy has an appointed champion. The roles and responsibilities for the identified project team members are summarised below:

MEMBER	ROLE	PROJECT TEAM	ROLE/RESPONSIBILITY
Head of Administration (Municipal Manager)	Owner	AO – L. Mahlaka	Project leader
Management	Project Champion	CFO – Z.A Zukulu	Project leader and coordinator
Management	Team member	L. Gwala	Operational
Internal Audit	Team member	N. Mgxiva	Operational
Manager Supply Chain Management	Team member	Z. Khala	Operational
Manager: Revenue and Expenditure	Team member	S. Morlock	Operational
Manager: Public Participations and Council Support	Team member	N. Ngejane	Operation

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7. STRATEGY DELIVERABLES

DELIVERABLES	TARGET DATE
Develop UIFW reduction strategy	Jan – Feb 2022
Develop and implement standard operating procedure on the identification, recording and reporting of UIFW expenditure.	Mar – Apr 2022
Conduct monthly meetings to identify instances of UIFW expenditure for current expenses	Monthly - after 10 working days
Conduct training on the identification, recording and reporting of UIFW expenditure	July each year
Assign officials to populate and manage the UIFW expenditure register on a monthly basis	31 Mar 2022
Register of UIFW expenditure be submitted to PT on a monthly basis as per NCPT Instruction Note 1	Monthly - after 10 working days
Detailed supporting documentation be prepared and tabled in council/DC board for investigations on a bi-annual basis	End of December End of May
Quantitative percentage targets of reduction vs. the total historical UIFW audited figures	Once a year
Implementation of recommendations by the MPAC or DC board.	Bi-annually Middle of Dec Middle of June

8. STRATEGY ACTIVITIES

Task	Activity	Desired Outcome	Completion date	Responsible Official
1. Start-up phase	Initiate a meeting with the Project team members to agree on the approach thus developing and adopting the UIFW reduction strategy	Approved project plan/strategy document	30 Nov 2021	CFO
2. Policy and Standard Operating Procedures	Develop and implement standard operating procedure on the identification, recording and reporting of UIFW expenditure.	Approved SOPs	Completed and documented	
3. Conduct monthly meetings	Conducts monthly meetings to identify instances of UIFW expenditure	Compliance to procurement checklist	Monthly	
4. Conduct training	Conduct training on the identification, recording and reporting of UIFW expenditure	Training	Ongoing	
	Assign officials to populate, manage and monitor the UIFW expenditure register on a monthly basis	Job assignment	Completed	

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Task	Activity	Desired Outcome	Completion date	Responsible Official
5. Assign officials responsible for UIFW register	Register of UIFW expenditure be submitted to PT on a monthly basis as per NCPT Instruction Note 1.	Updated register	Completed and ongoing	
6. Investigations	Detailed supporting documentation be prepared and tabled in council/DC board for investigations on a bi-annual basis	Bi-annual reports on UIFW expenditure	Bi-annually	
	Breakdown of reduction percentage targets vs. the total historical UIFW audited figures	Annual investigation report on UIFW expenditure	Once a year	
	Implementation of recommendations by the MPAC or DC board.	Bi-annual investigation report on UIFW expenditure	Bi-annually	

9. FINANCIAL IMPLICATIONS

The strategy will be implemented by the existing employees within the available and agreed upon working hours, therefore it is not expected that the strategy would attract any additional financial resources.

10. ASSUMPTIONS

It is assumed that all role-players will be committed to the time schedule and avail themselves to ensure full and successful implementation of the strategy.

11. RISKS IDENTIFICATION

The following are the identified potential risks: -

RISK DESCRIPTION	PROBABILITY	IMPACT
Lack of MPAC/DC board investigative capacity	High (1)	Likely (2)
Non-adherence to procurement processes	Meduim (2)	Likely (2)
Limited information to deal with historical UIFW expenditures	Meduim (2)	Likely (2)

A 3-point scale where 1 is the lowest and 3 the highest is used.

12. STRATEGY MONITORING AND EVALUATION

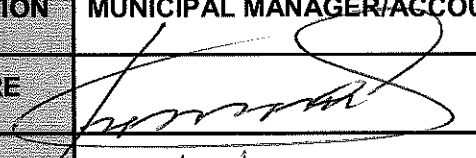
Progress on the implementation of the strategy on reduction of UIFW expenditures will be monitored by the municipality as well as by the Audit Committee and other stakeholders such as the Auditor-General and Provincial Treasury. Regular evaluation of the plan will be done.

This will be done on a monthly basis

13. UIFW REDUCTION STRATEGY APPROVAL

This Project Plan has been developed and approved by the Accounting Officer who has been satisfied with its content and deliverables

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NAME	Luvuyo Mah/aka
DESIGNATION	MUNICIPAL MANAGER/ACCOUNTING OFFICER
SIGANTURE	
DATE	30/05/2025

14. ANNEXURES, GUIDELINES & COUNCIL DECISIONS

Identify and attach documents, guidelines and Council decisions (Minutes) that inform or affecting strategy

DOCUMENT	DATE	SOURCE

- Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA)
- Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) ("MSA")
- Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings
- MFMA Circular No. 68 Unauthorised, Irregular, Fruitless and Wasteful Expenditure updated 13 October 2021
- MFMA Circular No. 76 Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings 19 October 2015
- MFMA Circular No. 111 Unauthorised, Irregular, Fruitless And Wasteful Expenditure Reduction Strategy And Plans 16 November 2021