



# NAMA KHOI MUNISIPALITEIT

## BUDGET AND TREASURY OFFICE

**NAAM/NAME:** Financing costs: UNAUTHORISED EXPENDITURE

**DOEL/GOAL:** To report to Council on Section 32 of the MFMA (Municipal Finance Management Act), Unauthorised Expenditure for Council Approval.

**“Unauthorised Expenditure (MFMA)”** “in relation to a Municipality, means any expenditure incurred by a Municipality otherwise than in accordance with section 15 or 11(3), and includes:-

- (a) overspending of the total amount appropriated in the Municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the Municipality otherwise than in accordance with this Act;”

**“Virement”** means the process of transferring an approved budgetary provision from one operating cost element or capital project to another within a vote during a municipal financial year and which results from changed circumstances from that which prevailed at the time of the previous budget adoption.

The municipality did not have unauthorised expenditure in terms of votes, however there was expenditure on RDP housing which was not budgeted. The necessary process was followed in terms of Section 29 and the information was referred to the Mayor for approval.

The salaries which so overspending needs to be corrected on the financial system as it was budgeted.

**FINANSËLE IMPLIKASIES/FINANCIAL IMPLICATION :**

**WETLIKE IMPLIKASIES/LEGAL IMPLICATION: Section 32 of the MFMA**

32. (1) Without limiting liability in terms of the common law or other legislation—  
(a) a political office-bearer of a municipality is liable for unauthorised expenditure if that office-bearer knowingly or after having been advised by the accounting officer of the municipality that the expenditure is likely to result in unauthorised expenditure, instructed an official of the municipality to incur the expenditure;

(d) any political office-bearer or official of a municipality who deliberately or negligently made or authorised a fruitless and wasteful expenditure is liable for that expenditure.

(2) (b) in the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.

(3) If the accounting officer becomes aware that the council, the mayor or the executive committee of the municipality, as the case may be, has taken a decision which, if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, the accounting officer is not liable for any ensuing unauthorised, irregular or fruitless and wasteful expenditure provided that the accounting officer has informed the council, the mayor or the executive committee, in writing, that the expenditure is likely to be unauthorised, irregular or fruitless and wasteful expenditure.

(4) The accounting officer must promptly inform the mayor, the MEC for local government in the province and the Auditor-General, in writing, of—  
(a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;

(b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and

(c) the steps that have been taken—  
(i) to recover or rectify such expenditure; and  
(ii) to prevent a recurrence of such expenditure.

(5) The writing off in terms of subsection (2) of any unauthorised, irregular or fruitless and wasteful expenditure as irrecoverable, is no excuse in criminal or disciplinary

proceedings against a person charged with the commission of an offence or a breach of this Act relating to such unauthorised, irregular or fruitless and wasteful expenditure.

(8) The Minister, acting with the concurrence of the Cabinet member responsible for local government, may regulate the application of this section by regulation in terms of section 168.

**AANBEVELINGS/RECOMMENDATION:**

Council to take note of the report.

That the Council should follow Section 32 of the MFMA (Municipal Finance Management Act) in dealing with this issue.

Acting Chief Financial Officer

**W Bowers**