

## Irregular, unauthorised & fruitless and wasteful expenditure

	<b>Irregular</b> Non-compliance with legislation in process leading to expenditure	<b>Unauthorised</b> Expenditure more than budget or not in accordance with grant conditions	<b>Fruitless and wasteful</b> Expenditure made in vain – could have been avoided if reasonable care was taken
<b>How much was disclosed in 2020-21?</b>	<b>R21,95 billion at 238 municipalities (93%)</b>  26% decrease from R29,73 billion in 2016-17 (i.e. first year of administration)	<b>R20,45 billion at 166 municipalities (65%)</b>  40% decrease from R14,64 billion in 2016-17 (i.e. first year of administration)	<b>R1,96 billion at 193 municipalities (75%)</b>  9% decrease from R2,16 billion in 2016-17 (i.e. first year of administration)
<b>Is all of it 2020-21 expenditure?</b>	<b>No</b>  R4,47 billion (20%) was expenditure in prior years only uncovered and disclosed in 2020 -21  R17,48 billion (80%) was expenses in 2020 -21, including: <ul style="list-style-type: none"> <li>• R6,53 billion (37%) in payments made on ongoing contracts irregularly awarded in prior years</li> <li>• R10,95 billion (63%) representing non-compliance in 2020-21</li> </ul>	<b>Yes</b>	<b>No</b>  R0,65 billion (33%) was expenditure in prior years only uncovered and disclosed in 2020 -21  R1,31 billion (67%) was expenses in 2020 -21
<b>How much of the 2020-21 budget does it represent?</b>	<b>4%</b>	<b>4%</b>	<b>0,3%</b>
<b>Is this the total amount? (Based on completed audits)</b>	<b>No</b>  72 municipalities (31%) were either qualified on the completeness of their disclosure and/or did not know the total amount and were still investigating to determine the total amount  We could also not audit procurement processes for contracts valued at R1,22 billion due to missing or incomplete documentation – it is not known whether any part of this amount might represent irregular expenditure	<b>No</b>  20 municipalities (9%) were qualified on the completeness of their disclosure	<b>No</b>  15 municipalities (6%) were qualified on the completeness of their disclosure

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<b>What was main cause?</b>	<b>Non-compliance with supply chain management legislation (96%),</b> related to: <ul style="list-style-type: none"> <li>• Procurement without following competitive bidding or quotation process – R3,92 billion (19%)</li> <li>• Non-compliance with other procurement process requirements – R13,65 billion (64%)</li> <li>• Inadequate contract management – R3,53 billion (17%)</li> </ul>	<b>Overspending of budget (99%)</b> – R20,28 billion  R13,25 billion (65%) related to non-cash items, representing the poor estimation of, for example, asset impairments	<b>Penalties and interest</b> on overdue accounts and late payments <b>(62%)</b> – R1,22 billion  <b>Litigation and claims (2%)</b> – R0,04 billion  <b>Other (36%)</b> – R0,70 billion
<b>Did the municipalities detect this expenditure?</b>	<b>85% was identified by municipalities</b> and the remainder in the audit process  Many municipalities put processes in place to fully uncover irregularities of prior years – partly to address prior year qualifications on irregular expenditure (R0,19 billion) but also to correct and address past irregularities	<b>91% was identified by municipalities</b> and the remainder in the audit process	<b>91% was identified by municipalities</b> and the remainder in the audit process
<b>Does it mean this money was wasted?</b>	<b>Possibly</b> – it can only be determined through a council investigation  Goods and services were received for R17,51 billion (83%) of the expenditure related to supply chain management, but were not received for < R0,01 billion (< 1%), while we did not audit the remaining 17%  We cannot confirm if value for money was received for all of these goods and services	<b>No</b>	<b>Yes</b>
<b>How much of the current and prior year expenditure has not yet been dealt with (i.e. what is the current year closing balance)?</b>	<b>R119,07 billion</b>	<b>R86,46 billion</b>	<b>R11,04 billion</b>