



LEPELLE-NKUMPI **LOCAL MUNICIPALITY**

INTERNAL MEMO

BUDGET AND TREASURY

TO : BUDGET AND TREASURY PORTFOLIO COMMITTEE
FROM : DEPARTMENT OF BUDGET AND TREASURY
DATE : 07 July 2026
SUBJECT : UIFW (UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE) REPORT FOR THE QUARTER ENDING 30 June 2026

1. PURPOSE

The purpose of the report is to outline the unauthorized, irregular or fruitless and wasteful expenditure for the quarter ending 30 June 2026.

2. BACKGROUND

Unauthorized expenditure means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and include;

- (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 and Conditions of the allocation; or
- (f), a grant by the municipality otherwise than in accordance with this Act.

Irregular expenditure in relation to a municipality or municipal entity means—

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170.
- (b) expenditure incurred by a municipality or municipal entity in contravention of or that is not in accordance with a requirement of the Public Office-Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Public Office-supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure"

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

In accordance with Municipal Finance Management Act 56 of 2003, section 32(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*
- (c) *the steps that have been taken*
 - (i) *to recover or rectify such expenditure and*
 - (ii) *to prevent a recurrence of such expenditure.*

3. DISCUSSION

The municipality developed the UIF&W Expenditure reduction strategy. The main goal is to reduce increasing levels of historical UIF&W expenditures as outlined in the government 5-year medium term strategic framework. In order to achieve such the municipality has to implement interventions designed to reduce unwanted expenditures and improvement of internal control to address weakness related thereto.

3.1. Unauthorized Expenditure

There was no unauthorized expenditure incurred for the quarter ending 30 June 2026.

3.2. Irregular Expenditure

The municipality has incurred irregular expenditure for the quarter ending 30 June 2026 (See Annexure A)

3.2.1 The municipality has incurred irregular expenditures for the quarter ending 30 June 2026 amounting to R6 342 069.79

ANNEXURE A (FOR THE QUARTER ENDED 30 JUNE 2026)				
Name of Service Provider	General comments	Total Amount (APRIL 2026)	Total Amount (MAY 2026)	Total Amount (JUNE 2026) QUARTER ENDED 30 JUNE 2026
MALERATE CONSTRUCTION	The municipality has appointed Malerate Construction for upgrading of Mamaolo to Mampiki road 2km internal road to tar with stormwater control (taxi rank to Lekgwareng) ward 22 multi years - LNM032/2024/25. The irregular expenditure is subsequent to the Auditor General Findings that Pricing schedule page 1200 to 5800 not signed or initialled, Page 1800 alteration not signed, Summary page on pricing schedule not signed on behalf of tenderer or initialled, Municipal rates not attached. The expenditure incurred for February 2025 is as results of the subsequent irregular expenditure identified.	R2 555 237.19	R0.00	R0.00 R2 555 237.19
MALERATE CONSTRUCTION	The municipality has appointed Malerate Construction for upgrading of Mamaolo to Mampiki road 2km internal road to tar with stormwater control (taxi rank to Lekgwareng) ward 22 multi years - LNM032/2024/25. The irregular expenditure is subsequent to the Auditor General Findings that Pricing schedule page 1200 to 5800 not signed or initialled, Page 1800 alteration not signed, Summary page on pricing schedule not signed on behalf of tenderer or initialled, Municipal rates not attached. The expenditure incurred for February 2025 is as	R0.00	R1 765 240.91	R0.00 R1 765 240.91

	results of the subsequent irregular expenditure identified.				
PHEKISO CONSULTING ENGINEERS	The municipality has appointed Phekiso Consulting Engineers for appointment for a panel of professional civil engineering services for a period of three (03) years for Lepelle-Nkumpi local municipality. The irregular expenditure is subsequent to the Auditor General Findings that Director Pheeha LL shares the same address and surname with Director Pheeha MC of MAPCO. The two companies also share the same address. No disclosure on MBD 4. The expenditure incurred for June 2026 is as results of the subsequent irregular expenditure identified.	R0.00	R0.00	R2 021 591.69	R2 021 591.69
MAPCO PROJECTS AND DEVELOPMENTS					
TOTAL PAYMENTS					
WRITTEN OFF (ALREADY INVESTIGATED BY MPAC)		R2 555 237.19	R1 765 240.91	R2 021 591.69	R6 342 069.79
TOTAL NOT YET INVESTIGATED		R2 555 237.19	R1 765 240.91	R2 021 591.69	R6 342 069.79

3.3. Fruitless and Wasteful Expenditure

There was no fruitless and wasteful expenditure incurred for the quarter ending 30 June 2026

4. LEGAL IMPLICATIONS

In compliance with Section 32(4) of the Municipal Finance Management Act 56 of 2003.

5. FINANCIAL IMPLICATION(S)

The amount of R6 342 069.79 for irregular expenditure identified during the month of April, May and June 2026.

6. RECOMMENDATIONS

- 6.1. Cognisance be taken of irregular expenditure for the quarter ending **30 June 2026**.
6.2. No Unauthorised , fruitless and wasteful expenditure incurred for the quarter ending **30 June 2026**.
6.4. Refer the irregular expenditure of **R6 342 069.79** for the month ending 30 June 2026 to MPAC for further investigations as required in terms of Section 32(2) of MFMA

.....
MAVHUNGU E
SCM MANAGER

07/07/2026
.....
DATE

Reviewed by:
MATHEKGA MD
DELEGATED CHIEF FINANCIAL OFFICER

10/07/2026
.....
DATE

Approved/Not approved

.....
CHAUKE ML
ACTING MUNICIPAL MANAGER

10/07/2026
.....
DATE