

C I R C U L A R 15 OF 2019

TO : ALL VENDORS AND SUPPLIERS DOING BUSINESS WITH THE MUNICIPALITY

FROM : ACTING / CITY MANAGER

DATE : 18 SEPTEMBER 2019

AN AWARENESS MADE TO ALL VENDORS AND SUPPLIERS THAT ARE DOING BUSINESS WITH THE NELSON MANDELA BAY MUNICIPALITY (NMBM)

This communication serves as an awareness to all vendors and suppliers whose companies are procured through following NMBM's Supply Chain Management (SCM) processes to conduct business with the municipality.

You may have read in various modes of communication (e.g. newspapers) lately of instances where the NMBM may have delayed in processing or settling payments within the legislated 30 days of receipt of invoice. Amongst the main reasons for the delays in settling invoices, it became apparent that in certain cases service providers may have been allowed to undertake work which was not within the "scope of work" of the original contract, which if settled without properly conducting internal processes, the action taken will result to an irregular expenditure being created, and such action is not acceptable in terms of the laws/regulations that govern the municipal environment.

As you may be aware this municipality is unfortunately rated as number 1 (one) in the country for its high value of "irregular expenditure" that exceeded **R12.4 billion** as at 30 June 2018 and has since escalated to over **R14 billion** as at 30 June 2019. This is the situation that cannot be left unattended and surely as the respected business communities I am certain that you would not want your business to be labelled to have undertaken an irregular transaction with an organ of state "unknowingly". At the same breath it is critically important for the city to indicate unequivocally that the city is not in the business or does not have an agenda of killing / destroying businesses as we are fully aware of the economic situation we operate in.

I therefore urge you to ensure that when doing business with the city you observe the terms and conditions of the original contract, **with a valid order**. If there is an instruction for your business to undertake work that may be outside the scope of work of the original contract, a need for an extension of the contract, and anything beyond the original contract, **please ensure that a proper authority is in place for you to do so**. If, as an example, your original contract had to do with the "Painting of Mfanasekhaya Gqobose Building – Govan Mbeki Avenue" and suddenly upon completion of the assignment / work, you are instructed to paint another municipal building, please start by enquiring about authorities prior continuing with such work as that will lead to a problem with your invoice being unable to be settled timeously **"or not settled at all"** as that is a definite irregular expenditure.

In order for you to understand the meaning of the term **“Irregular Expenditure”** the following is extracted from Chapter 1 of the Municipal Finance Management Act (56 of 2003): -

“Irregular expenditure”, as defined in the Local Government: Municipal Finance Management Act 56 of 2003, 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 the MFMA, and which has not been condoned by National Treasury 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 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 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”.

Incurring Irregular Expenditure has negative consequences as contained in the MFMA and as such all organs of state (including municipalities) are forbidden from incurring such kind of expenditure.

In the event that you need any clarities on this communique, **which serves as an instruction going forward**, you are at liberty to direct your enquiries to the City Manager’s office and or Chief Financial Officer’s office at cm@mandelametro.gov.za or cfo@mandelametro.gov.za respectively.

Please help us so that we can at all times help you, in order to avoid destroying your business.



ANELE QABA
ACTING CITY MANAGER