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CIRCULAR 01 OF 2024

TO : ALL VENDORS AND SUPPLIERS DOING BUSINESS WITH THE MUNICIPALITY

FROM : ACTING / CITY MANAGER

DATE : 22 JULY 2024

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) 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, is apparent that in certain instances service providers may have been allowed to undertake work which was, for example, not within the "original 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 incurred.

We must be aware that incurring irregular expenditure in Local Government is not permissible in terms of the Local Government: Municipal Finance Management Act (MFMA) (56 of 2003).

In certain instances, work is undertaken outside the valid contract period or without a valid purchase order, also resulting to the expenditure to be incurred being outside the requirements of the MFMA, either being classified as unauthorised / irregular / fruitless and wasteful. All these types of expenditure are forbidden in terms of the MFMA, resulting in delays of the payment process as other internal processes **must** be followed in such instances, prior payment is released.

If there is an instruction for your business to undertake work that may be outside the scope of work of the original contract, or a need for an extension of the original contract, and anything beyond the original contract, **please ensure that a proper authority has been granted by an authorised municipal representative for you to do so.**

[NB: 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 the existence of an authority to do so, prior continuing with such work as that will lead to a problem with your invoice/s being unable to be settled timeously "or not settled at all" as that is a definite irregular expenditure caused in your company's name].

To understand the meaning of the term "Irregular Expenditure" the following is extracted from Chapter 1 of the Local Government: 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 Local Government - Municipal Systems Act (32 of 2000), 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.

I therefore urge you to ensure that when doing business with the city you must, always, observe the terms and conditions of the original contract **with a valid purchase order**.

In the event that you need any clarities on this communique, which serves as guidance / advice 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 help you, to avoid destroying your business, as failure thereto may lead to delayed or non-payment for goods / services received or rendered in an irregular manner.

Additionally, this may also lead to lengthy litigation processes to the detriment of your company.



M GEORGE (Mr)
ACTING CITY MANAGER

