

KAROO HOOGLAND MUNICIPALITY



UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE POLICY 2018 2019

Reviewed May 2018

DATE OF ADOPTION: _____

DATE OF IMPLEMENTATION: _____

SIGNATURE OF SPEAKER: _____

DATE: _____

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1. BACKGROUND

- 1.1 The purpose of this policy is to define and regulate unauthorised, irregular or fruitless and wasteful expenditure. The aim is to prevent unauthorised, irregular or fruitless and wasteful expenditure; to identify and investigate unauthorised, irregular or fruitless and wasteful expenditure; to respond appropriately in accordance with the law and to address instances of unauthorised, irregular or fruitless and wasteful expenditure conclusively.
- 1.2 In terms of section 4(2)(a) of the Municipal Systems Act (MSA) the Council has a duty to use the resources of the municipality in the best interest of the local community. This duty is extended to individual Councillors through the Code of Conduct for Councillors which states that a Councillor must:
- i. “perform the functions of office in good faith, honestly and in a transparent manner; and
 - ii “at all times act in the best interests of the community and in such a way that the credibility and integrity of the municipality are not compromised.”
- 1.3 Municipalities are often challenged with unauthorised, irregular or fruitless and wasteful expenditure.

2. OBJECTIVE

- 2.1 The objectives of this policy include amongst other things:
- (a) Emphasising the accountability of employees;
 - (b) Ensuring that employees have a clear and comprehensive understanding of the procedures they must follow when dealing with unauthorised, irregular or fruitless and wasteful expenditure;
 - (c) Ensuring that resources made available to employees are utilized efficiently, effectively, economically and for authorised official purposes;
 - (d) Ensuring that the Municipality’s resources are managed in compliance with the MFMA, the Municipal Budget and Reporting Regulations and other relevant legislation; and
 - (e) Ensure that irregular, unauthorised or fruitless and wasteful expenditure is detected, processed, recorded, and reported timeously.

3. DEFINITIONS

“**allocation**”, in relation to a municipality, means –

- (a) a municipality’s share of the local government’s equitable share referred to in section 214(1)(a) of the Constitution;
- (b) an allocation of money to a municipality in terms of section 214(1)(c) of the Constitution;
- (c) an allocation of money to a municipality in terms of a provincial budget; or
- (d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

“**fruitless and wasteful expenditure**” means expenditure that was made in vain and would have been avoided had reasonable care been exercised. *The phrase ‘made in vain’ indicates that the municipality derived no value for money from the expenditure or the use of other resources.* Fruitless and wasteful expenditure must fulfil both the conditions in the definition, namely, that it was made in vain and it would have been avoided had reasonable care been exercised.

“**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 the MFMA, 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 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”.

“**overspending**” –

- (a) In relation to the budget of a municipality, means causing the operational or capital expenditure incurred by the municipality during financial year to exceed the total amount appropriated in that year’s budget for its operational or capital expenditure as the case may be;
- (b) In relation to a vote, means causing expenditure under the vote to exceed the

- amount appropriated for that vote; or
- (c) In relation to expenditure under section 26, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section.

“unauthorised expenditure”, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, 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” in the MFMA otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with the MFMA.

“Vote” means –

- (a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different department or functional areas of the municipality; and
- (b) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different department or functional areas of the municipality; and

4. REGULATORY FRAMEWORK

4.1 The following Laws and regulations, amongst others, inform this policy:

- (a) Section 32 of the MFMA
- (b) Sections 170 and 173 of the MFMA
- (c) Regulations 23 and 74 of the Municipal Budget and Reporting Regulations
- (d) Relevant GRAP Standards
- (e) MFMA Circular 68 of 2013

5. SCOPE OF APPLICATION

5.1 From a responsibility perspective, this policy is relevant to all employees of the Municipality, whether full-time or part-time. It is, however, specifically applicable to the Council, Accounting Officer, Chief Financial Officer, Senior Manager's, **and all others** and all employees. In particular, the duly appointed Directorate and responsibility managers have significant roles in:

- (a) Identifying the identity of the person who is liable for unauthorised, irregular or fruitless and wasteful expenditure.
- (b) Reporting in transaction in line with Section 32 of the MFMA to all the required structures of Council.
- (c) Deciding on how to recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure.
- (d) Determining the amount of unauthorised, irregular or fruitless and wasteful expenditure to be recovered, written off or provided for.

6. RELATIONSHIPS WITH OTHER POLICIES

6.1 The unauthorised, irregular, or fruitless and wasteful expenditure policy has additional parts that cover the unique nature of the broad spectrum of expenditure generated by municipality. These policies are to be managed by all the executive managers. The following **legal relationships exist**:

- (a) System of Delegations
- (b) SCM policy
- (c) Debit Collection and Credit policy
- (d) Debt writing off policy
- (e) Budgets and Medium-Term Revenue and Expenditure Framework (MTREF)

7. ROLES AND RESPONSIBILITY

7.1 The MFMA outlines the responsibilities of the Accounting Officers which include amongst others:

- (a) To exercise all reasonable care to prevent and detect irregular, unauthorised, fruitless and wasteful expenditure and must for this purpose implement effective, efficient and transparent processes of financial and risk management.
- (b) To inform, in writing the mayor, and Council, as the case may be, if a decision is taken which, if implemented, is likely to result in irregular, unauthorised, fruitless and wasteful expenditure.
- (c) On discovery of any irregular, unauthorised, fruitless and wasteful expenditure

- to report promptly in writing, the particulars of the expenditure to the Accounting Officer or Senior Manager (whichever is applicable)
- (d) Section 32 of The MFMA further prescribe the process that must be followed to deal with irregular, unauthorised, fruitless, and wasteful expenditure.

8. PRINCIPLES OF UNAUTHORISED EXPENDITURE

- 8.1 Essentially, “unauthorised expenditure” includes overspending on the total amount of the budget, overspending on a vote, the incurring of expenditure unrelated to a vote and the incurring of expenditure for a purpose other than the approved purpose.

9. PROCESS DEALING WITH UNAUTHORISED EXPENDITURE

- 9.1 Any employee who becomes aware of, or suspects the occurrence of unauthorised expenditure must immediately report, in writing, such expenditure to the Accounting Officer or his/her delegate.
- 9.2 On discovery of alleged unauthorised expenditure, such expenditure must be left in the account i.e. relevant vote and the Accounting Officer or his/her delegate should record the details of the expenditure in an unauthorised expenditure register. (Attached as “Annexure A”.)
- 9.3 The accounting officer or his/her delegate must investigate the alleged unauthorised expenditure to determine whether the expenditure meets the definition of unauthorised expenditure.
- 9.4 During the period of investigation, the expenditure must remain in the expenditure account. The results of the investigation will determine the appropriate action to be taken regarding the expenditure.
- 9.5 Should the investigation reveal that the expenditure is in fact valid expenditure and therefore does not constitute unauthorised expenditure the details of the expenditure should be retained in the register for completeness purposes (and to provide an appropriate audit trail). The register must then be updated to reflect the outcome of the investigation.
- 9.6 If the investigation indicates that the expenditure is in fact unauthorised expenditure the Accounting Officer must immediately report, in writing, the particulars of the expenditure to the Mayor.
- 9.7 If Council subsequently condones the unauthorised expenditure, the municipality requires no further action as the amount has already been expensed in the statement of financial performance. The register should be updated to reflect the fact that the unauthorised expenditure was condoned.
- 9.8 If however, the Council does not condone the amount, the accounting officer must take effective and appropriate action to recover the amount from the responsible

person.

10. AUTHORISING UNAUTHORISED EXPENDITURE

10.1 In considering authorisation of unauthorised expenditure, Council must consider the following factors:

- (a) Has the matter been referred to Council for a determination and decision?
- (b) Has the nature, extent, grounds and value of the unauthorised expenditure been submitted to Council?
- (c) Has the incident been referred to a Council committee for investigation and recommendations?
- (d) Has it been established whether the accounting officer or official or public office bearer that made, permitted or authorised the unauthorised expenditure acted deliberately or in a negligent or grossly negligent manner?
- (e) Has the accounting officer informed Council and the mayor that a particular decision would result in unauthorised expenditure as per section 32(3) of the MFMA?
- (f) Are there good grounds shown as to why an unauthorised expenditure should be authorised? For example:
 - (i) the mayor, accounting officer or official was acting in the best interests of the municipality and the local community by making and permitting unauthorised expenditure;
 - (ii) the mayor, accounting officer or official was acting in good faith when making and permitting unauthorised expenditure; and
 - (iii) the municipality has not suffered any material loss as a result of the action.

In these instances, the Council may authorise the unauthorised expenditure. If unauthorised expenditure is approved by Council, there would be no further consequences for the political office-bearers or officials involved in the decision to incur the expenditure.

10.2 **10.2 Adjustments budgets to authorise unauthorised expenditure:**

Council may only authorise unauthorised expenditure in an adjustments budget. This can be addressed in three different adjustments budgets as follows:

(a) ***Adjustments budget for unforeseen and unavoidable expenditure:***

An adjustments budget to allow Council to provide ex post authorisation for unforeseen and unavoidable expenditure that was authorised by the mayor in terms of section 29 of the MFMA must be tabled in Council at the “first available opportunity” or within the 60 days after the expenditure was made. Should either of these timeframes be missed, the unforeseen and unavoidable expenditure must be treated in the same manner as any other type of unauthorised expenditure and may still be authorised in one of the other adjustments budgets process described below.

(b) ***Main adjustments budget:***

Council may authorise unauthorised expenditure in the adjustments budget which may be tabled in Council “at any time after the mid-year budget and performance assessment has been tabled in the Council, but not later than 28 February of the current year”. Where unauthorised expenditure from this period is not identified or investigated in time to include in this adjustments budget, it must be held over to the following adjustments budget process noted below.

(c) ***Special adjustments budget to authorise unauthorised expenditure:***

Council may authorise unauthorised expenditure in a special adjustments budget tabled in Council when the mayor tables the annual report. This special adjustment budget “may only deal with unauthorised expenditure from the previous financial year which the Council is being requested to authorise in terms of section 32(2)(a)(i) of the Act.”

11. RECOVERY OF UNAUTHORISED EXPENDITURE

11.1 All instances of unauthorised expenditure must be recovered from the liable official or political office-bearer unless the unauthorised expenditure has been authorised by Council in an adjustment budget.

- (a) The Accounting Officer (or his/her delegate) must determine who the responsible party is from whom the amount should be recovered. This information would normally become evident while performing the investigation.
- (b) The Accounting Officer (or his/her delegate) must in writing request that the liable official or political office-bearer to pay the amount relating to such unauthorised expenditure within 30 days. If the person/s fails to comply with the request, the matter may be handed to the municipality’s legal division for the recovery of the debt through normal debt collection process.

12. PRINCIPLES ON IRREGULAR EXPENDITURE

12.1 Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Remuneration of Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy or system of delegation.

12.2 Categories of irregular expenditure

Irregular Expenditure incurred as a result of a non-compliance with a Treasury regulation, the MFMA and the «insert name» municipal Supply Chain Management Policy.

Example:

Procuring of goods or services by means of quotations where the value of the goods/services exceed the set threshold as determined in the SCM policy quotations.

Irregular Expenditure incurred as a result of procuring goods or services by means of other **than** through competitive bids where the reason for deviating from the prescribed processes have not been recorded or approved in terms of section 17 of the SCM regulations.

Irregular Expenditure resulting from non-adherence to the delegation of authority as approved.

Irregular Expenditure incurred as a result of expenditure outside contracts or contracts expired and not extended in terms of MFMA section 116.

Expenditure resulting from non-adherence to an institution's delegation of authority is also regarded as irregular expenditure.

12.3 Procedures for the condonation of irregular expenditure

- (a) In terms of section 32(2)(b) *irregular expenditure* may only be written-off by *Council* if, after an investigation by a *Council* committee, the irregular expenditure is certified as irrecoverable. In other words, writing-off is not a primary response, it is subordinate to the recovery processes, and may only take place if the irregular expenditure is certified by *Council* as irrecoverable, based on the findings of an investigation.
- (b) In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations. The treatment of expenditure associated with the non-compliance is therefore the responsibility of the *Council*.

- (c) There is no provision in the Local Government: Municipal Systems Act 32 of 2000 (MSA) that allows for a contravention of the Act to be condoned. Nevertheless, should a *municipality* wish to request that an act of non-compliance with any provision of the MSA be condoned, then the *Accounting Officer* should address the request to the Minister of Cooperative Governance and Traditional Affairs (COGTA), who is responsible for administering the MSA. The expenditure should however be dealt with in terms of section 32(2) of the MFMA.
- (d) There is no provision to allow irregular expenditure resulting from a contravention of the Public Office-Bearers Act to be condoned. This is consistent with section 167(2) of the MFMA, which provides that such irregular expenditure cannot be written-off and must be recovered from the political office-bearer/s concerned.
- (e) *Council* may condone a contravention of the council approved Supply Chain Management (SCM) policy or a by-law giving effect to such policy, provided that the contravention, is not also a contravention of the MFMA or the SCM regulations, in which case only National Treasury can condone a contravention of the SCM regulations. Any such requests must be accompanied by a full motivation and submitted to the National Treasury for consideration.
- (f) Once the *Accounting Officer* or *Council* becomes aware of any allegation of *irregular expenditure*, such allegation may be referred to the *Municipality's* own Internal Audit Unit or any other appropriate investigative body for investigation, to determine whether or not grounds exist for a charge of financial misconduct to be laid against the official / *political office bearer* liable for the expenditure.

13. PRINCIPLES ON FRUITLESS AND WASTEFUL EXPENDITURE

- 13.1 No particular expenditure is explicitly identified by the MFMA as fruitless and wasteful.
- 13.2 Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.
- 13.3 Fruitless and Wasteful expenditure will always emanate from an action instigated by an official that resulted in a financial loss to the institution.
- 13.4 Fruitless and wasteful expenditure can arise from a range of events, activities and actions from a simple oversight in performing an administrative task to a deliberate and/or an intentional transgression of relevant laws and regulations.
- 13.5 The most logical approach to address or assess **whether** or not expenditure can be

classified as fruitless and wasteful expenditure is to ask a few elementary questions prior to the spending of municipal funds such as the following: -

Did the intended spending relate to the formal powers of the municipality?

A municipality may perform only those functions and powers conferred to it by the Constitution of the Republic of South Africa Act 108 of 1996 and relevant legislation. Any expenditure incurred relating to an act or conduct exercised outside those functions and powers will result in fruitless and wasteful expenditure notwithstanding sufficient provision has been made on the budget and correct procedures were followed in incurring the expenditure.

Would the expenditure further the interest of the municipality?

The expenditure incurred to obtain a service, inventory, asset or to render a service, etc. must have been necessary and ideally unavoidable to enable the Municipality to exercise its functions and powers in accordance with the relevant legislation.

Was it essential to incur the intended expenditure?

It is of paramount importance to incur expenditure only when it is really necessary or essential for purposes as mentioned above. One should be satisfied that no incurrence of such expenditure will have a negative impact on the lawful activities of the Municipality.

Was any other option perhaps available to prevent the intended expenditure or to reduce it?

This question overlaps to some extent with question above but it is more specific in the sense that it put pressure on the Municipality to apply its mind and to consider all possible options. Should it appear after the expenditure has been incurred that a more effective and perhaps a less expensive option was at the disposal of the Municipality but that it was ignored or disregarded without good cause the expense will be regarded as fruitless and wasteful.

14. PROCESS DEALING WITH IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

- 14.1 Any official who becomes aware of or suspects the occurrence of irregular - or fruitless and wasteful expenditure should immediately report in writing, the particulars of such expenditure which are within his or her knowledge, to the Accounting Officer or his or her delegate;
- 14.2 Once the Accounting Officer or his or her delegate has received the report alleging the occurrence of irregular - or fruitless and wasteful expenditure, the details of such expenditure must be recorded in a register for irregular or fruitless and wasteful expenditure. An example of such register is attached as "Annexure A";
- 14.3 The Accounting Officer or his or her delegate should investigate the alleged irregular - or fruitless and wasteful expenditure to determine whether the expenditure meets the

definition of irregular or fruitless and wasteful expenditure;

- 14.4 For accounting records purposes, during the investigation, the expenditure must remain in the expense account i.e. the vote of the department within the municipality. The results of the investigation will determine the appropriate action to be taken regarding such expenditure. Should the investigation reveal that the expenditure is not irregular - or fruitless and wasteful expenditure as defined; the details of the expenditure should be retained in the register for record purposes and to provide a full audit trail. The register must be updated to reflect the outcome of the investigation;
- 14.5 Should the investigation reveal that the expenditure is irregular - or fruitless and wasteful expenditure as defined above, the Accounting Officer must immediately report, in writing, the particulars of such expenditure to the Mayor. The register must be updated to reflect the outcome of the investigation;
- 14.6 The Accounting Officer must also include the expenditure in the relevant department's monthly revenue and expenditure report submitted to Council in terms of the MFMA; and
- 14.7 For accounting records purposes, the irregular - or fruitless and wasteful expenditure must be treated as an asset in the books of the municipality until such time as the expenditure is recovered from the responsible person or certified by Council as irrecoverable and written off in the Annual Financial Statements

15. ROLE OF COUNCIL COMMITTEE

- 15.1 In terms of section 74 of the Municipal Budget and Reporting Regulations contained in Government Notice 393 of 17 April, 2009, a Council committee appointed to investigate the recoverability or otherwise of any unauthorised, irregular or fruitless and wasteful expenditure must consider –
- (a) the measures already taken to recover such expenditure;
 - (b) the cost of the measures already taken to recover such expenditure;
 - (c) the estimated cost and likely benefit of further measures that can be taken to recover such expenditure; and
 - (d) submit a motivation explaining its recommendation to the Council for a final decision.
- 15.2 The accounting officer must provide the committee concerned with such information it may require for the purpose of conducting a proper investigation.
- 15.3 The aforesaid committee may only be constituted as provided for in the relevant legislation.
- 15.4 It should be noted that the Council is required by resolution to certify that the expenditure concerned is considered irrecoverable and that it should be written off. This power may not be delegated by the Council.
- 15.5 An audit committee established in terms of section 166 of the Act is not precluded

from assisting the appointed committee with its deliberations.

16. INVESTIGATIONS AND DISCIPLINARY ACTIONS

- 16.1 In terms of sections 172 and 173 of the MFMA, an Accounting Officer is guilty of financial misconduct and an offence respectively if he or she:
- (a) wilfully or negligently fails to take effective and appropriate steps to prevent unauthorised, irregular or fruitless and wasteful expenditure as required by the MFMA;
 - (b) fails to take effective and appropriate disciplinary steps against an official in the department who makes or permits unauthorised, irregular or fruitless and wasteful expenditure; and
 - (c) fails to report unauthorised, irregular or fruitless and wasteful expenditure in terms of the MFMA.
- 16.2 As soon as the accounting officer becomes aware of an allegation of financial misconduct against an official, the Accounting Officer has a responsibility to ensure that the Mayor initiates an investigation into the matter and if the allegations are confirmed, holds a disciplinary hearing in accordance with the prescripts of the applicable legislation.
- 16.3 In terms of section 172 of the MFMA, an official of a department to whom a duty or power has been assigned commits an act of financial misconduct if that official willfully or negligently fail to perform that duty or exercise that power in line with applicable legislation.
- 16.4 In terms of the MFMA, the accounting officer must take appropriate and effective disciplinary steps against an official who makes or permits unauthorised, irregular or fruitless and wasteful expenditure.
- 16.5 When an accounting officer determines the appropriateness of disciplinary steps against an official in terms of applicable legislation, he or she must take into account the following:
- (a) circumstances of the transgression;
 - (b) extent of the expenditure involved; and
 - (c) nature and seriousness of the transgression.
- 16.6 **Ratification of minor breaches of the procurement process**
- The accounting officer may ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely technical in nature provided that this provision is included in the municipality's supply

chain management policy and the official or committee who committed the breach had the delegated authority to perform the function.

16.7 **Disciplinary charges for Irregular or Fruitless and Wasteful Expenditure**

If, after having followed a proper investigation, the Council concludes that the political office-bearer or official responsible for making, permitting or authorising irregular expenditure did not act in good faith, then the municipality must consider instituting disciplinary action and/or criminal charges against the liable person/s.

If the irregular expenditure falls within the ambit of the above description, then the Council, mayor or accounting officer (as may be relevant) must institute disciplinary action as follows:

- (i) *Financial misconduct in terms of section 171 of the MFMA:* in the case of an official that deliberately or negligently:
 - contravened a provision of the MFMA which resulted in irregular expenditure; or
 - made, permitted or authorised an irregular expenditure (due to noncompliance with any of legislation mentioned in the definition of irregular expenditure);
- (ii) *Breach of the Code of Conduct for Municipal Staff Members:* in the case of an official whose actions in making, permitting or authorizing an irregular expenditure constitute a breach of the Code; and
- (iii) *Breach of the Code of Conduct for Councillors:* in the case of a political office-bearer, whose actions in making, permitting or authorizing an irregular expenditure constitute a breach of the Code. This would also include instances where a Councillor knowingly voted in favour or agreed with a resolution before Council that contravened legislation resulting in irregular expenditure when implemented, or where the political office-bearer improperly interfered in the management or administration of the municipality.

16.8 Criminal charges arising from an act of Irregular or Fruitless and Wasteful expenditure:

- (a) If, after following a proper investigation, the Council concludes that the official or political office-bearer responsible for making, permitting or authorising an instance of irregular expenditure acted deliberately or negligently, then the Council must institute disciplinary procedures and lay criminal charges against the liable official or political office-bearer.
- (b) The irregular expenditure was the result of a breach of the definition of irregular expenditure it must be considered in terms of section 173 of the MFMA.

16.9 It is also critically important that the Municipal Regulations on Financial Misconduct

(dated 30 May 2014 Government Gazette number 37682) be taken into account when dealing with disciplinary matters relating to alleged financial misconduct.

17. RECOVERY

- 17.1 Notwithstanding the disciplinary process, the accounting officer must identify the official who is responsible for the unauthorised -, irregular or fruitless and wasteful expenditure.
- 17.2 The relevant information would normally be evident from the investigation process.
- 17.3 The amount of the expenditure should be recovered from the official concerned by taking the following steps:
- (a) The accounting officer must write to the official concerned and request him or her to pay the amount within 30 days or in reasonable instalments. Reasonable instalments will vary from case to case depending on such factors as
 - (b) the total amount involved and the affordability level of the official concerned.
 - (c) The accounting officer is expected to apply his or her discretion judiciously.
- 17.4 Should the official refuse or fail to pay as requested, the matter may be referred to an attorney for recovery.
- 17.5 If the amount is not recoverable, the accounting officer may request Council to certify the debt as irrecoverable and write it off in terms of the municipal adopted policy.
- 17.6 All instances of irregular expenditure must be recovered from the liable official or political office-bearer, unless the expenditure is certified by the municipal Council, after investigation by a Council committee, as irrecoverable and is written off by the Council.
- 17.7 Irregular expenditures resulting from breaches of the Public Office-Bearers Act is an exception in that the irregular expenditure must be recovered from the political office-bearer to whom it was paid, who might not have been responsible for making, permitting or authorising the irregular expenditure.
- 17.8 Once it has been established who is liable for the irregular expenditure, the accounting officer must in writing request that the liable political office-bearer or official pay the amount within 30 days or in reasonable instalments. If the person fails to comply with the request, the matter must be recovered through the normal debt collection process of the municipality.

18. REPORTING

- 18.1 The accounting officer must comply with the following reporting requirements: attached as "Annexure B";

- 18.2 Immediately upon discovery of unauthorised, irregular or fruitless, and wasteful expenditure, the accounting officer must report the details of the unauthorised, irregular or fruitless, and wasteful expenditure to the Mayor. The report must include the following details:
- (a) amount of the unauthorised, irregular or fruitless and wasteful expenditure;
 - (b) name of the vote from which the expenditure was made;
 - (c) reason why the unauthorised, irregular or fruitless and wasteful expenditure could not be avoided;
 - (d) name and title of the responsible official;
 - (e) details of any recovery steps taken or to be taken by the municipality; and
 - (f) details of any disciplinary steps taken or to be taken by the municipality
- 18.3 The accounting officer must also include the expenditure in the relevant department's monthly revenue and expenditure report submitted to the Council in terms of the MFMA.
- 18.4 All unauthorised, irregular or fruitless and wasteful expenditure must be reported as a note to the annual financial statements.
- 18.5 The Accounting Officer must record the reasons for any deviations in terms of SCM regulations and report to the next Council meeting and disclose this expenditure in a note to the annual financial statements.

19. REGULAR REVIEW OF THE UNAUTHORISED IRREGULAR, OR FRUITLESS AND WASTEFUL EXPENDITURE REGISTER

- 19.1 The unauthorised, irregular or fruitless and wasteful expenditure register should be reviewed on a monthly basis by the chief financial officer (CFO) of the municipality. This review will ensure that unauthorised -, irregular or fruitless and wasteful expenditure are adequately disclosed, dealt with, recorded and that no mathematical errors exists.

20. ACCOUNTING TREATMENT OF UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

- 20.1 Unauthorised, irregular or fruitless and wasteful expenditure identified during one financial period, but not paid in the specific period should be recorded in the following financial year.
- 20.2 The cumulative unauthorised, irregular or fruitless and wasteful expenditure incurred at financial year end should be adequately and appropriately disclosed in the financial statements of the municipality.
- 20.3 Recognition and measurement of unauthorised, irregular or fruitless and wasteful expenditure shall be treated in terms of the latest available guidelines for the compilation of the Annual Financial Statements issued to municipalities by National

Treasury on an annual basis and be in line with the latest GRAP requirements.

20.4 **DISCLOSURE OF UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE**

MFMA section 125 require accounting officers and accounting authorities to disclose in the notes to the Annual Financial Statements of the municipality particulars of any material unauthorised, irregular or fruitless and wasteful expenditure incurred during the financial year.

20.5 Particulars of any criminal or disciplinary steps taken as a result of such unauthorised, irregular or fruitless and wasteful expenditures should be disclosed in the notes to the Annual Financial Statements.

21. **PROCESS OF IDENTIFYING UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE**

21.1 Transaction is identified during its primary stage by the Directorate/Sub Directorate. If not identified at this stage the transaction can also be identified by the Accountant responsible for the Directorate or Sub Directorate.

21.2 During this process the transaction must be classified according to the necessary category.

22. **OPERATIONALISING THE POLICY**

22.1 The *Accounting Officer* will set up relevant Committee/s that may include officials from the (i) Internal Audit Unit, (ii) Office of the City Manager, (iii) Office of the Chief Operating Officer, (iv) the *Budget and Treasury*, and any relevant stakeholder (internally or externally) in order to operationalise the *Policy* administratively. Structures such as the Municipal Public Accounts Committee (MPAC) are established by Council and mandated as such.

23. **POLICY REVIEW**

This policy will be reviewed at least once per financial year, preferable during the process of approving the budget, or whenever there is an urgent need to do so.

Register of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Name of Municipality:																
Month:																
No.	Date of Discovery	Date reported to Accounting Officer	Transaction Details				Person Liable (Official or Political Office Bearer)	Type of Prohibited Expenditure	Status							
			Date of Payment	Payment Number/EFT or Cheq Number	Amount R	Description of Incident			U I	D P	CC	TR	p	WO	General Comments	
1																
2																
3																
Total					0.00											

Abbreviations:

- UI Under Investigation
- DP Disciplinary Process initiated against responsible person
- CC Criminal Charges laid with SAPS
- TR Transferred to recievables for recovery
- P Paid or in process of paying in instalments
- WO Written-off by council as irrecoverable

REPORTING REQUIREMENTS

The following diagram provides guidance as to the reporting requirements regarding unauthorised, irregular, fruitless and wasteful expenditure:

