

AM AHLATHI LOCAL MUNICIPALITY



IRREGULAR EXPENDITURE POLICY AND PROCEDURE MANUAL

<i>Name of policy</i>	
Policy Number	
Policy Name	Irregular expenditure policy
Policy Status	Active
Version	
Date of Approval	
Date of First Implementation	
Date Last Amended	
Date of Next Review	
Purpose	The purpose of this policy is therefore to communicate across the Municipality, the objectives, principles and processes associated with Irregular Expenditure management within the Municipality so as to guide and ensure unambiguous understanding and interpretation, an improved system, an appropriate control environment, acceptable compliance and accountability levels and effective and efficient management thereof
Aims and Objectives	The objective of this policy is to provide a policy directive and regulatory framework on the procedures to be followed when dealing with irregular expenditure, accountability, reporting, disclosure of irregular expenditure in the Annual Financial statements (AFS) and accounting thereof in the books and records of the Municipality.
Policy Custodian	Budget and Treasury Office
Related Policies and Legislation	<ul style="list-style-type: none"> • Section 62 and 95 of the Municipal Finance Act 56 of 2003, as amended • National Treasury Guidelines - Supply Chain Management: A Guide for Accounting Officers of Municipalities and Municipal Entities • Section 32 of the Municipal Finance Act 56 of 2003, as amended
Approving Authority	Council
Applicability	
Policy Benchmark and References	
Stakeholders Consulted	

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LIST OF ACRONYMS

AFS	Annual Financial Statements
Executive/Top Management	S57 Managers
Municipality	Amahlathi Local Municipality
IFS	Interim Financial Statements
IR	Irregular Expenditure
M&E	Monitoring and Evaluation
MFMA	Municipal Finance Management Act
PER	Performance
POS	Position
Accounting Officer	Municipal Manager

ACKNOWLEDGEMENTS

The Office of the Municipal Manager wishes to acknowledge and appreciate all those who participated and contributed in the development of the Irregular Expenditure management policy of the Municipality. This policy will contribute greatly in the change of behaviour regarding one of the financial management responsibilities which is to effectively manage irregular expenditure across the Municipality.

1. INTRODUCTION

The policy and procedure manual on Irregular Expenditure gives effect to the Municipal Finance Management Act, 56 of 2003 and associated National Treasury Regulations. The policy is a broader strategy on improving financial management in the Municipality and attempts to outline the basics of irregular expenditure, the systems, the controls, the accountability arrangements, and best practice irregular expenditure management

2. SCOPE OF APPLICATION

This policy and procedure is applicable to the Municipality and all its officials

3. PROBLEM STATEMENT

3.1 The officials of the Municipality continually/repeatedly cause irregular expenditure due to non-compliance with:

- procurement policies and procedures
- the Municipal Finance Management Act 56 of 2003; Regulations; other laws and prescripts

The Auditor-General has in the past financial years raised and reported findings on irregular expenditure incurred by the Municipality and the fact that there is no approved and adopted Irregular Expenditure policy. The absence of this policy manifests itself into the following challenges and resultant shortcomings;

3.1.1 Improper and non-uniform implementation or application, control, monitoring, evaluation and reporting of irregular expenditure

3.1.2 Non-compliance with governing Acts, Regulations and best practices

3.1.3 Lack of accountability

3.1.4 Tainting the performance, image and reputation of the Municipality

4. PURPOSE

In an attempt to address and rectify the problems above, the purpose of this policy is therefore to communicate across the Municipality, the objectives, principles and processes associated with Irregular Expenditure management within the Municipality so as to guide and ensure unambiguous understanding and interpretation, an improved system, an appropriate control environment, acceptable compliance and accountability levels and effective and efficient management thereof.

5. OBJECTIVE

The objective of this policy is to provide a policy directive and regulatory framework on the procedures to be followed when dealing with irregular expenditure, accountability, reporting, disclosure of irregular expenditure in the Annual Financial statements (AFS) and accounting thereof in the books and records of the Municipality.

6. ANTICIPATED OUTCOMES

- 6.1 Clear common understanding, interpretation and practices
- 6.2 Sustaining standardised and uniform application, best practice and management thereof
- 6.3 Enhanced levels of compliance in all different levels of transaction processes
- 6.4 An acceptable culture of accountability and responsibility
- 6.5 Improved image and reputation of the Municipality
- 6.7 Improved Auditor General audit outcome

7. LEGISLATIVE REQUIREMENTS / OBLIGATIONS

7.1 This policy is informed by and based on the following prescripts:

- 7.1.1 Section 62 and 95 of the Municipal Finance Act 56 of 2003, as amended
- 7.1.2 National Treasury Guidelines - Supply Chain Management: A Guide for Accounting Officers of Municipalities and Municipal Entities
- 7.1.3 Section 32 of the Municipal Finance Act 56 of 2003, as amended

8. PRINCIPLES

8.1 The following principles have been identified and will serve as the basis for ensuring adherence to this policy;

8.1.1 Identification of irregular expenditure recording and reporting of information must be accurate, reliable, complete and free from significant omissions (How to identify and what to do when identified)

8.1.2 Recorded and reported information must be:-

- credible, based on qualitative and quantitative data that is fairly interpreted and presented
- consistent, namely the ability to measure and present information consistently from one period to another and being able to reasonably explain any deviation of consistencies

- honest, free from bias, with checks and balances against subjectivity
- verifiable and timely accessible to be retrieved and presented when requested
- must enhance the Municipality's operations and performance through proactively addressing challenges with appropriate remedial action

9. DEFINITION

9.1 Irregular expenditure comprises expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

9.1.1 Section 62 and 95 of the Municipal Finance Management Act 56 of 2003, as amended

9.1.2 the State Tender Board Act, 1968, Act No. 86 of 1968, or any regulation made in terms of that Act; or

9.1.3 National Treasury Guidelines - Supply Chain Management: A Guide for Accounting Officers of Municipalities and Municipal Entities

9.1.4 Section 32 of the Municipal Finance Management Act 56 of 2003, as amended

9.2 In terms of the abovementioned definition, expenditure is only "Irregular" once the payment has been made. However, it may occur that the payment must be made even though it is identified as "irregular" prior to payment thus proper defined procedures are necessary to identify and report "irregular" expenditure when identified.

10. ACCOUNTING POLICY

Irregular expenditure is recognised as expenditure in the statement of financial performance. Details relating to the nature, amount and follow up procedures should be disclosed in the annual financial statements.

11. ADVANTAGES AND BENEFITS OF ACCURATE AND TIMELY REPORTING

11.1 The Municipality will be able to determine if;

11.1.1 The policy and procedures are understood and properly followed by officials.

11.1.2 Legitimate capacity challenges exist within the Cluster components of the Municipality and remedy such.

11.1.3 Unacceptable risks are identified and appropriate controls are put in place to mitigate said risks to a tolerable level.

11.1.4 The system, inclusive of the policy and procedures, realize the desired objectives in this case and where there are deficiencies, to improve on such.

11.1.5 Recording and reporting are compliant with the policy and procedures and complied with at all times.

11.1.6 Said information is adequate, complete, accurate and verifiable for Auditor-General purposes and is readily available on request.

12. SANCTIONS FOR NON-COMPLIANCE

12.1 Failure to comply with this policy will be considered as a serious act of financial misconduct and all transgressors will be disciplined in terms of MFMA, Act 56 of 2003 as amended

12.2 Furthermore, non-compliance with this policy creates an environment that;

12.3.1 Undermines the performance of the Municipality

12.3.2 Permits managers to conduct themselves in an unacceptable manner

12.3.3 Contributes to the contravention of prudent financial management obligations of Municipality structures

12.3.4 Fosters insubordination by official's not following lawful and reasonable orders and instructions

12.3 All Managers have a responsibility to comply with the Supply Chain Management Policy

13. ROLE OF MANAGERS MUNICIPALITY-WIDE

13.1 The role of managers, Municipality-wide from junior manager to middle manager to senior manager, all have a performance responsibility in this functional area and must; responsibility in terms of

13.1.1 Have and ensure a full understanding of the policy and procedure within their functional area including communicating clear instructions to other officials

13.1.2 Ensure that all related information and supporting documentation is available at all times

13.1.3 Ensure that all related information is monitored and quality reviewed and signed-off as evidence thereof

13.1.4 Take full responsibility and accountability where applicable for the performance of this functional area

13.1.5 Ensure compliance with this policy and procedure

14. RESPONSIBILITIES OF EXECUTIVE / TOP MANAGEMENT MUNICIPALITY-WIDE

14.1 The role of Executive / Top Management, Municipality-wide must;

14.1.1 Take responsibility for the quality and content of information and reports presented by their immediate sub-ordinates

14.1.2 Scrutinize the completeness, quality and timeliness of information and reports submitted

14.1.3 Sign-off on reports submitted to the AO, AG, other stakeholder as a true reflection of what is being reported

14.1.4 Take ownership of the report from submission from their immediate sub-ordinates by ensuring that necessary support documents are available and support the report

15. ROLE OF THE AO's OFFICE

15.1 Facilitates and co-ordinates communication to Executive authority and relevant stakeholders

15.2 Upholds the Batho Pele principles of communication (requests) and service standards (48 hrs)

15.3 Ensures proper recording of all communication

15.4 Determines the level of delegated power of authority relevant to all Department's

15.5 Submits to AG such information, returns, documents, explanation and motivation as may be required by AG

15.6 Submits the AFS and Annual Report to AG within stipulated timeframes

16. INFORMATION AND KNOWLEDGE MANAGEMENT

16.1 The Communications Unit shall upload and include this policy, procedure and related information on the Municipality's central information repository so that it is available and accessible to all role-players, Municipality-wide

16.2 Any formal response, feedback, input and/or comment on the policy, procedure or related processes is welcomed and will be considered in the best interests and value-add of the effective and efficient management over the functional area and holistic Municipality responsibility of Irregular Expenditure management

16.3 The Municipality's central information repository will be updated with any such consideration and consequent amendment

17. POLICY REVIEW

The policy will be reviewed annually or earlier where necessary.

18. CONCLUSION

The policy on Irregular Expenditure will go a long way in clarifying the requirements, in this regard, in the Municipality. The proper understanding of all the elements (prevention, identification/discovery, evaluation, recording, maintaining, investigation and resolution) will contribute toward improved financial management and performance of the Municipality. All officials are urged to encourage a culture of effective implementation, compliance and quality reporting so that collective accountability may be taken for commensurate successes and challenges

Annexure A: Procedures (Identification, Investigation, Condonation, Recovery, Maintenance, Reporting)

1. IDENTIFICATION

Areas where irregular expenditure occur or might occur.

- 1.1 Any employee who becomes aware of or suspects the occurrence of irregular expenditure must immediately report, in writing, such expenditure to the Accounting Officer through his/her delegate supervisor. (See **Annexure B** for standard format). This report which is signed by the official should be submitted by the official within 48 hours (working days) of awareness/identification.
- 1.2 A full copy of the relevant supporting documentation must be included with the report, and this will be filed by the SCM Manager.
- 1.3 On discovery of any irregular expenditure, the Accounting Officer through his/her delegate must immediately report, in writing, particulars of the expenditure to the Council and in the case of irregular expenditure involving the procurement of goods or services, also to the relevant procurement authority/ supplier.
- 1.4 All actual and potential irregular expenditure reported is immediately captured onto the Irregular Expenditure Register in detail – see **Annexure F** for the prescribed format.
- 1.5 Irregular expenditure must be reported monthly by the SCM Manager to the Chief Financial Officer.
- 1.6 The Accounting Officer or his/her delegate must investigate the alleged irregular expenditure to determine whether the expenditure meets the definition of irregular expenditure.
- 1.7 The investigation official will have the powers to obtain written explanation from all parties involved in order for him / her to gather sufficient information to support an informed recommendation to the Accounting Officer.
- 1.8 The results of the investigation will determine the appropriate action to be taken regarding the expenditure.
- 1.9 All investigations regarding irregular expenditure must be finalised within 30 days of the assignment thereof.
- 1.10 The investigation must determine if the expenditure is irregular and also identify who was responsible for the irregular expenditure and whether it must be condoned or recovered from the responsible official(s). Evidence must be sufficient to support a disciplinary hearing (for the responsible official(s)) where applicable.
- 1.11 Should the investigation reveal that the expenditure is in fact valid expenditure and therefore does not constitute irregular expenditure, the details of the expenditure should be retained in the register for the purposes of completeness (and to provide an appropriate audit trail). The register must then be updated to reflect the outcome of the investigation.
- 1.12 If as a result of the investigation, the liability for the irregular expenditure can be attributed to an official(s), steps need to be followed to recover this amount from the official(s) concerned.

- 1.13 Irregular expenditure, not identified by the Municipality, but which has subsequently been identified by the Auditor General and reported to the Municipality, must be reported to the Accounting Officer by the Chief Financial Officer and necessary investigation/s as per above process should be followed and irregular expenditure recorded and reported thereafter
- 1.14 When a bid is awarded, the order will be the legally binding document that gives rise to the commitment irrespective of a contract being issued. This fact will be alluded to in the letter to the supplier to confirm of the award.
- 1.15 All reported cases and disciplinary processes should be followed up in order to ensure that said officials are trained on compliance issues.

2. CONDONATION

- 2.1 Where liability for the irregular expenditure cannot be attributed to an official(s), steps must be initiated to have the expenditure condoned by the relevant authority. (See **Annexure C** for standard format.)
- 2.2 As per NT Guidelines the relevant authority for condonement of irregular expenditure is "the person or institution whose approval would have been required prior to entering into the transaction or incurring such expenditure or the institution responsible for the relevant legislation". It is important to note that in terms of the institution's delegations of authority issued by the AO in the context of the MFMA (SCM and Finance delegations), these delegations are limited to "approving and doing the right thing". In other words, **delegations do not include the condonation** of irregular expenditure or any F&W or any unauthorised expenditure for that matter.
- 2.3 NT SCM guidelines also provides examples of irregular expenditure and the relevant/applicable authority that is empowered to condone such expenditure:

Type of irregular expenditure	Relevant Authority
Irregular expenditure incurred as a result of non-compliance with a policy, MFMA or Treasury Regulation where prior written approval was required. For example the awarding of tenders greater than the delegated threshold requires treasury approval.	Council in the case of a Municipality.
Irregular expenditure incurred as a result of non-compliance with a Treasury Regulation which required cognisance to be taken of a National Treasury determination. For example, if the Municipality procured goods or services by means of price quotations where	Council in the case of a Municipality.

Type of irregular expenditure	Relevant Authority
the value of the purchase exceeded the threshold values determined by the National Treasury for price quotations.	
Irregular expenditure incurred as a result of the procurement of goods or services by means other than through competitive bids and where reasons for deviating from inviting competitive bids have not been recorded and approved by the accounting officer or accounting authority.	<p>The Accounting Officer.</p> <p>In matters where the threshold value of the procurement delegations has been exceeded, prior to Condonation, such matters must be referred to Accounting Officer and Council.</p>
Irregular expenditure incurred as a result of non-compliance with a requirement of the institution's delegations of authority issued in terms of the MFMA. (Supply Chain delegations and Finance Delegations).	The Accounting Officer.
Irregular expenditure incurred as a result of non-compliance with a requirement of the institution's delegations of authority.	The Accounting Officer.
Irregular expenditure incurred as a result of non-compliance with a provision contained in any applicable legislation. For example, a Municipality grants performance rewards to personnel without maintaining and implementing a Performance Management and Development System, as required by Part VIII B of the Public Service Regulations).	The Municipality of Public Service and Administration or the Municipality responsible for the legislation.

- 2.4 Applications for Condonation (see **Annexure C** for standard application) must contain detailed motivation as to why the irregular expenditure in question should be considered for condonation as well as steps taken to avoid the reoccurrence of this type of irregular expenditure
- 2.5 If the irregular expenditure is subsequently condoned by the appropriate relevant authority no further action is required by the Municipality as the amount has already been expensed in the statement of financial performance. The register should be updated to reflect the fact that the irregular expenditure was condoned.
- 2.6 Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements (no journal is passed).
- 2.7 Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned (no journal is passed).
- 2.8 If the irregular expenditure has not been condoned and no official(s) is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register (no journal is passed).
- 2.9 Other examples are as follows:

Type of irregular expenditure	Relevant Authority for approval
Approval of expenditure above the delegated limits – Supply Chain Delegations and Finance delegations	The Accounting Officer
Use of conditional grant money for equitable share expenses and vice versa	The Accounting Officer

3. RECOVERY IF NOT CONDONED

- 3.1 The Accounting Officer must determine from the investigation who the responsible party is and from whom the amount should be recovered. This information would normally become evident while performing the investigation.
- 3.2 The Accounting Officer must take effective and appropriate action to recover the amount from the responsible official(s), these actions may also include disciplinary steps.
- 3.3 Should the liability for irregular expenditure be attributed to an official(s), a debt account must be created if such official(s) was negligent or had malicious intent.
- 3.4 Immediate steps must be taken thereafter to recover the amount from the official(s) concerned.
- 3.5 If recovery is not possible, the accounting officer may write off the debt as a bad debt in line with the Municipality write-off policy. The write-off amount must be disclosed in the relevant note to the AFS. The Irregular expenditure register must be updated accordingly.

- 3.6 The Accounting Officer must in writing request that the responsible official(s) pay the amount within 30 days or in reasonable instalments.
- 3.7 Irregular expenditure that was incurred and identified during the current financial year (whether condoned or not) by the *relevant authority* must be appropriately recorded in the Irregular expenditure Register.

4. MAINTENANCE

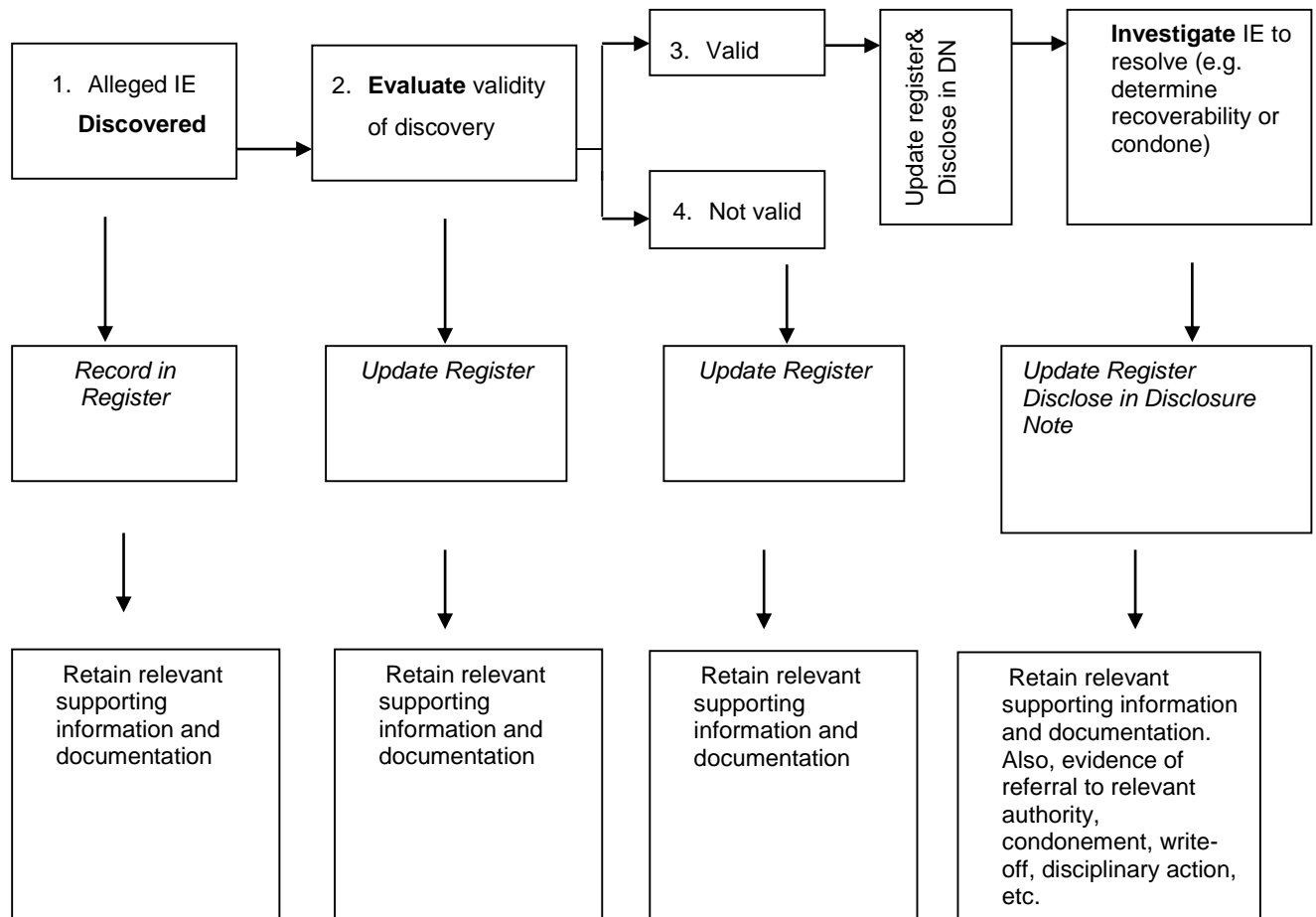
- 4.1 This register must be maintained to track all irregular expenditure (including potential irregular expenditure) and record all follow-up activities that have taken place subsequent to the discovery of the alleged irregular expenditure. This register must be maintained for sound internal control purposes and also for internal and external audit purposes.
- 4.2 All items must be individually recorded in one consolidated register, the total of which must agree to monthly management accounts, quarterly IFS and annual AFS (disclosure note).
- 4.3 Each instance of irregular expenditure (potential and actual) reported will be captured on the register and will be allocated a unique number. The register will have the following headings per **Annexure G**;
- Date of discovery
 - Reported to Accounting Officer (date)
 - Reported to Council (date)
 - Transaction details – payment date
 - Transaction details – payment number
 - Transaction details - Amount
 - Transaction details – Incident description
 - Responsible official(s) (committed the IR)
 - Status – Under investigation
 - Status – Disciplinary Process
 - Status – Transferred to Revenue
 - General comments
- 4.4 Additional columns can be added to monitor the management of Irregular expenditure items to its resolution.
- 4.5 The register is to be used as a control sheet to monitor all irregular items and to identify at what stage they are at in the process to its resolution, and to also provide an audit trail.
- 4.6 The allocation of the amount to the current or prior year will depend on the date that the obligation to pay arose (this is the date of receipt of the goods or services).
- 4.7 On a monthly basis, the complete register must be printed and reviewed by the Chief Financial Officer to satisfy himself / herself that all items are being investigated and resolved within reasonable timeframes and remedial action is being taken where this has not been done.

- 4.8 This register must be printed and signed off by the Chief Financial Officer as evidence of this review.

5. REPORTING

- 5.1 On discovery of any irregular expenditure, the particulars thereof must immediately be reported, in writing, to the Accounting Officer and in the case of irregular expenditure involving the procurement of goods or services.
- 5.2 If the investigation indicates that the expenditure is in fact irregular expenditure the Accounting Officer must immediately report, in writing, the particulars thereof to the Council.

Annexure A: The process for the evaluating of audit findings to be completed prior to the finalisation of the audit



Annexure B: Template for reporting Irregular expenditure to the Accounting officer

INTERNAL MEMORANDUM

REPORTING IRREGULAR EXPENDITURE TO THE ACCOUNTING OFFICER

TO :	The Accounting Officer
CC:	Chief Financial Officer
FROM:	
RESPONSIBLE DEPARTMENT:	
SUBJECT:	Report of discovery of Irregular expenditure (potential or actual).
DATE:	

1. PURPOSE:

This memo is to report the discovery of potential or actual *(Delete non applicable one)* Irregular expenditure to the Accounting Officer.

2. BACKGROUND:

(Provide full details of the expenditure including what the expenditure was for and why it is irregular. Also include the supplier name, date of supply of goods or services and the amount.)

STATUS

(Provide full details of the status of the reported irregular expenditure, namely whether the matter is being investigated, is in the process of being investigated, is a clear case of either negligence or recoverability / irrecoverability, is resolved, etc. or other)

3. PREVENTATIVE MEASURES

(This application should indicate what preventative measures are to be implemented to prevent the re-occurrence of irregular expenditure.)

4. **FINANCIAL IMPLICATIONS (details of where posted to and if budget is available)**

Operational/ Capital	
Department	
Relevant Cost/ Section	
Line Item within Cost Centre	
Amount	R
Budget available	R

5. **See attached copy of batch for your records.**

Name:	Signature	Date
Official		

Name:	Signature	Date
Relevant Manager		

Name:	Signature	Date
CFO		

Annexure C: Template for Application for Condonation

INTERNAL MEMORANDUM

REQUEST FOR APPROVAL TO CONDONE IRREGULAR EXPENDITURE

TO :	<i>(Insert name of relevant authority)</i>
FROM:	MUNICIPAL MANAGER
SUBJECT:	CONDONATION OF IRREGULAR EXPENDITURE
DATE:	

1. PURPOSE:

This purpose of this memorandum is to obtain approval for the condonation of irregular expenditure.

2. BACKGROUND:

(This paragraph must summarize your application and must give a concise overview of the circumstances and events or actions that led to the Municipality incurring irregular expenditure. Also include the supplier name, date of supply of goods or services and the amount.)

3. FULL MOTIVATION

(This paragraph must motivate fully and explain why this irregular expenditure could not have been avoided. The motivation must also certify that:

- *Reasonable care and action was taken to prevent this;*
- *The expenditure did not originate as a result of negligence;*
- *Goods and or services have been received and delivered satisfactorily and requisite value was received in relation to said expenditure.*
- *Payment can be effected (where it is known and potential and not yet paid) and that no payment has been made previously.*

OUTCOME OF THE INVESTIGATION

(This paragraph must include the outcome of the investigation into the incident(s) and provide confirmation that this motivation is as a result of no negligence on behalf of any official(s))

4. PREVENTATIVE MEASURES

(The application should indicate what preventative measures are to be implemented to prevent the re-occurrence of irregular expenditure at your office or institution.)

6. FINANCIAL IMPLICATIONS

Operational/ Capital	
Department	
Relevant Cost/ Section	
Line Item within Cost Centre	
Amount	R
Budget available	R

7. RECOMMENDATION

(Your submission concludes with your recommendation. Escalate the report to the Chief Financial Officer, and submit to the Relevant Authority.)

Name:	Signature	Date
Chief Financial Officer		

Name:	Signature	Date
Municipal Manager		

Annexure D: Monthly confirmation of Irregular Expenditure

Irregular Expenditure Confirmation for the month of.....

Division name:

I confirm that:

- I have received the consolidated reports of Irregular Expenditure (received by email) <insert date>.
- I have reviewed all supporting documentation applicable to the Department.
- All potential and actual irregular expenditure has been captured on the consolidated Irregular Expenditure register.
- The Register is complete and accurate, and contains all instances of potential and actual irregular expenditure.
- Any errors / omissions / updates necessary after the review have been provided to the SCM Manager to update said consolidated register for submission to the Chief Financial Officer.

Name:	Signature	Date
Relevant Manager		

Name:	Signature	Date
CFO		

Annexure E: Comparison of Unauthorised Expenditure to IR and Fruitless and Wasteful Expenditure

	Unauthorised Expenditure	Irregular Expenditure	Fruitless and Wasteful Expenditure
Definition	<i>The overspending of a vote or a main division within a vote; or expenditure that was not made in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.</i>	<i>Comprises expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:</i> <ul style="list-style-type: none"> • the MFMA • the State tender Board Act, 1968; or any local government legislation providing for the procurement procedures in that local government entity. 	<i>Means expenditure which was made in vain and would have been avoided had reasonable care been exercised.</i>
Accounting policy/ recognition	<u>Disclosed in Note</u> Disclose in notes to the financial statements	<u>Disclosed in Note</u> (Expenditure - Against actual expense line item) Receivable, if not condoned) <ul style="list-style-type: none"> • Recover from official • Write off 	<u>Disclosed in Note</u> (Expenditure - Against actual expense line item) Receivable, if not condoned) <ul style="list-style-type: none"> • Recover from official • Write off
Other considerations	N/A	<ul style="list-style-type: none"> • Relates to CY or PY? • Arises at transaction date 	<ul style="list-style-type: none"> • Relates to CY or PY? • Arises at transaction date
Examples	<ul style="list-style-type: none"> • Overspending on budget • Earmarked funds used for other purposes 	Incurred as a result of: <ul style="list-style-type: none"> • Purchase exceeding threshold • Procuring without inviting competitive bid • Non-compliance with Delegations of Authority • Non-compliance with legislation e.g. MFMA, SCM guidelines 	<ul style="list-style-type: none"> • Negligence - (reasonable man's test/ accounting officer's judgment e.g. miss a flight – cancellation fees incurred) • Interest on overdue accounts • Penalties • Committing 10 officials to training and 8 attend • Procuring 10 desks when 8 is required
Conclusion	There has to be expenditure incurred before consideration of whether or not it is unauthorised. The entity must spend only funds provided and spend it only for the purposes provided.	There has to be expenditure incurred before consideration of whether or not it is irregular. The entity may only incur expenditure if expenditure is within the legislative framework	There has to be expenditure incurred before consideration of whether or not it is fruitless or wasteful. Management's judgement required to determine fruitless and wasteful expenditure within the ambit of prevailing legislation and law.

Annexure G: Prescribed format of Irregular Expenditure Register

Register for Irregular expenditure (IR)

Municipality:

[illegible]

Key: UI - Irregular expenditure Under Investigation
 DP - Disciplinary process initiated against responsible official
 TR - Transferred to receivables for recovery