



LIMPOPO

PROVINCIAL GOVERNMENT

REPUBLIC OF SOUTH AFRICA

DEPARTMENT

OF

PUBLIC WORKS

Policy Name	Policy on unauthorised Expenditure , Irregular Expenditure and Fruitless & Waste Expenditure
The revision/ version of the Policy	01
Domain	Strategic Finance

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DEFINITIONS

“Client Department” another government department/institution to whom Department of Public Works or the PMTE renders services, which may be on a recoverable or non-recoverable basis;

“Condonation” means writing off of irregular and/or fruitless and wasteful expenditure in terms of the policy;

“Department / LDPW” means The Provincial Department of Public Works and its District Offices.

“Fruitless and wasteful expenditure” means expenditure which was made in vain and would have been avoided had reasonable care been exercised;

“HO/DO” means Head office or District Office

“Irregular expenditure” means expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including – (a) the PFMA, or (b) the State Tender Board Act, or any regulations made in terms of that Act;

“Official” means an employee of the Department employed in terms of Public Service Act, 1994;

“PFMA” means Public Finance Management Act, 1999, as amended;

“SCM” means Supply Chain Management

“SMS member” or **“Senior Manager”** means an official at salary level 13 to 16.

“Unauthorised expenditure” means (a) overspending of a vote or a main division within a vote; (b) expenditure not in accordance with the purpose of a vote or, in a transaction of main division, not in accordance with the purpose of the main division;



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Responsibility Manager” means an official at a level of a Manager and above at Head Office, or an official who is a head of a unit at District Offices, and has been allocated a budget to manage and control, and includes officials that are so designated.



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PURPOSE

- 1.1. The purpose of this policy is to guide officials in the Department of Public Works, on the policy framework to prevent, detect and report unauthorised, irregular and fruitless and wasteful expenditure. The policy also serves to outline the responsibility that each employee has towards effective and efficient financial management and observing applicable legislative framework.

2. BACKGROUND

- 2.1. Section (38)(1)(a) of the PFMA enjoins that the accounting officer must ensure that his/her Department has and maintains effective, efficient and transparent systems of financial and risk management and internal controls. Treasury Regulations 9.1.1 requires that "The accounting officer of an institution must exercise all reasonable care to prevent and detect unauthorized, irregular, fruitless and wasteful expenditure, and must for this purpose implement effective, efficient and transparent processes of financial and risk management."
- 2.2. Section 45(c) of the PFMA requires that an official in a department "must take effective and appropriate steps to prevent, within that official's area of responsibility, any unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure and any under collection of revenue due."
- 2.3. Treasury Regulations 2.1.3 prescribes that "Without limiting the right of the accounting officer to assign specific responsibilities, the general responsibility of the chief financial officer is to assist the accounting officer in discharging the duties prescribed in Part 2 of Chapter 5 of the Act and the annual Division of Revenue Act."

3. LEGISLATIVE FRAMEWORK

- 3.1. This policy derives its existence from, and must be read together with, but not limited to, the following:
- 3.1.1. Constitution of the Republic of South Africa, 1996
- 3.1.2. Public Finance Management Act No 1 of 1999, as amended;
- 3.1.3. Treasury Regulations, issued in March 2005;
- 3.1.4. Practice Notes issued by the National Treasury from time to time;



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- 3.1.5. Supply Chain Management Policy and its directives;
- 3.1.6. Departmental circulars and instructions issued from time to time;

4. ROLES AND RESPONSIBILITIES

4.1. CHIEF FINANCIAL OFFICER

- 4.1.1. Maintaining effective, efficient and transparent systems of financial and risk management and internal controls;
- 4.1.2. Put processes and procedures in place to ensure that unauthorised, irregular and fruitless and wasteful expenditure are avoided;
- 4.1.3. Report to the Provincial Treasury, in writing, in a format prescribed all transactions of unauthorised, irregular and fruitless and wasteful expenditure discovered and validated;
- 4.1.4. Taking disciplinary steps against any official in the service of the department who makes or permits unauthorised, irregular and fruitless and wasteful expenditure;

4.2. RESPONSIBILITY MANAGER

- 4.2.1. Before proceeding with any procurement, the Budget Controller must ensure that there are sufficient funds available to that item to be purchased or service to be rendered;
- 4.2.2. If there are no funds available, or supply chain management processes have not been followed, the Budget Controller must cease immediately with such procurement;
- 4.2.3. Ensure that the budget allocated is utilised effectively and efficiently within their limit of approved delegations;
- 4.2.4. May reallocate budget within the limit of budget and economic classification in consultation with Management Accounting;
- 4.2.5. All expenditure must be in line with total budget allocation and economic classification. Any deviation must be approved by Management Accounting.

4.3. ALL OTHER OFFICIALS

- 4.3.1. All officials must at all times adhere to the prescripts when procuring goods, services and works, recruitment of officials and processing of payments;

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- 4.3.2. All officials must utilise a system of internal controls and all business systems available when procuring and processing payments;
- 4.3.3. Comply with the provisions of the PFMA, Treasury Regulations, SCM policies and all other directives and circulars issued by any controlling body or the Department;
- 4.3.4. Proper management of all resources and assets within that official's area of responsibility;

5. PREVENTION AND DETECTION OF UNAUTHORISED, IRREGULAR AND FRUITLESS & WASTEFUL EXPENDITURE

- 5.1. All officials/employees of the Department must take effective and appropriate steps to prevent, within that official/employee's area of responsibility, any unauthorised, irregular and fruitless and wasteful expenditure;
- 5.2. All officials/employees of the Department must at all times follow the supply chain management processes and all policies in place when procuring;
- 5.3. To prevent transactions of unauthorised, irregular and fruitless & wasteful expenditure in the department, officials/employees must utilise checklists that have been developed at various stages of procurement;
- 5.4. No official order will be issued if the relevant checklist is not completed and attached, or not properly completed;
- 5.5. No payment will be processed if the relevant checklist has not been completed and
- 5.6. attached to the batch, or if it is not properly completed; The Line Manager approving the procurement or expenditure relating to the transaction has the responsibility to ensure that the checklist is completed correctly and attached to the batch.

6 REPORTING OF UNAUTHORISED, IRREGULAR AND FRUITLESS & WASTEFUL EXPENDITURE

- 6.5 Any employee who suspects the occurrence of, or discovers unauthorised, irregular and fruitless and wasteful expenditure must report in writing such transaction(s) to head of Finance and SCM, in case of District Offices, or Corporate Governance and Risk Management, in case of head office;
- 6.6 Heads of Finance and SCM at District Offices must on a monthly basis report all transactions of unauthorised, irregular and/or fruitless and wasteful expenditure to

Corporate Governance and Risk Management;6.7Management Accounting Directorate must report unauthorised expenditure to National Treasury in the format prescribed as and when it occurs and has been confirmed as unauthorised expenditure and also to Manager: Financial Accounting to disclose in the financial statements of the Department in the format prescribed;

6.6All transactions of irregular and fruitless and wasteful expenditure discovered, condoned and recovered must be reported to Manager: Financial Accounting to disclose in the financial statements of the Department;

7 INVESTIGATION OF UNAUTHORISED, IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

7.5Senior Managers at District Offices will be responsible for appointing Investigating Officer for each case identified;

7.6Heads of Programmes at Head Office will be responsible for appointing Investigating Officer for each transaction relevant to their Branches;

7.7The Investigating Officer must prepare a report with recommendations to the Senior Manager at the District or Head of Programme;

8 CONDONATION OF IRREGULAR AND FRUITLESS EXPENDITURE

8.5If an investigation report recommends condonation of the transaction, an approval for condonation must requested from the delegated authority via the relevant Bid Adjudication Committee;

8.6An approved copy of condonation must be filed with Corporate Governance and Risk Management unit by the Senior Manager at the District Office or Head of Programme;

8.7Where condonation must be granted by another institution (e.g. the Provincial Treasury), a submission for condonation must be presented to the relevant Bid Adjudication Committee and the Chief Financial Officer for a recommendation;

8.8If supported by the aforementioned, a cover letter to the institution from which approval is requested must be signed by the Director-General.

8.9The following delegations regarding condonation of irregular and/or fruitless and wasteful expenditure per transaction are applicable: District Senior Manager, on recommendation of DBAC up to R300 000, Chief Financial Officer, on recommendation of BAC up to R5 000 000 Accounting Officer, on recommendation of NBAC/RBAC above R5 000 000

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8.9 All transactions condoned by the relevant authority must be reported to Inspectorate and Compliance Directorate in a prescribed schedule. Inspectorate and Compliance Directorate must report to Provincial Treasury on a monthly basis in the format prescribed;

8.10 Where another institution requires approval from the Department of Public Works, the matter must be referred to the National Bid Adjudication Committee for recommendation. Approval for condonation may only be granted by the Director-General;

9 RECOVERY OF IRREGULAR AND FRUITLESS EXPENDITURE FROM CLIENT DEPARTMENT

9.1 Where an investigation has revealed that the amount, or part thereof, must be recovered from the client department and/or disclosure by that department, all copies of supporting documents relating to the matter must be forwarded to the client department;

9.2 A letter, together with all supporting documents and a register of irregular and/or fruitless expenditure, transferring such transaction(s) to client department, must be signed by the Chief Financial Officer.

9.3 All transactions transferred to client departments must be reported to Corporate Governance and Risk Management on a monthly basis;

10 RECOVERY OF IRREGULAR AND FRUITLESS EXPENDITURE FROM EMPLOYEES AND/OR FORMER EMPLOYEES

10.1 Where an investigation has determined that the amount, or part thereof, must be recovered from an employee(s), or former employee, of the Department, the matter with all supporting documents must be referred to Financial Accounting directorate, in the case of Head Office, or Head of Finance and SCM, in the case of District Office.

10.2 The expenditure must be reversed and a debtor must be raised;

10.3 The policy on debt management must be enforced to recover the amount(s) in full or in instalments from the employee(s) and former employee(s);

11 UNAUTHORISED EXPENDITURE

11.1 Any Responsibility Manager who gives rise to unauthorised expenditure may be guilty of financial misconduct towards unauthorised expenditure of the Department;

11.2 All matters deemed unauthorised expenditure must be investigated;



- 11.3 If the Department realises unauthorised expenditure as a result of paragraph 11.1 above, the individual Responsibility Manager shall be held jointly and severally liable for financial misconduct depending on the outcome of investigation;

12 CLEARING OF UNAUTHORISED EXPENDITURE

- 12.1 Unauthorised expenditure will only be cleared when Exco approves the expenditure Either by making additional funds available to the Department or by requiring the Accounting Officer to fund it from future savings;
- 12.2 Unauthorised expenditure will only be written off in the books of the Department once the President has assented to the Finance Act.

13 PROCEDURE MANUAL & BUSINESS PROCESSES ON TREATMENT OF UNAUTHORISED, IRREGULAR AND FRUITLESS & WASTEFUL EXPENDITURE

- 13.1 The Chief Financial Officer develop and issue procedure manual and business process on the treatment of unauthorised, irregular and fruitless and wasteful expenditure which is not contradictory to this policy.

14 REVIEW OF POLICY

- 14.1 The policy will be reviewed regularly or as and when necessary.

15 EFFECTIVE DATE

- 15.1 This policy on unauthorised, irregular and fruitless & wasteful expenditure takes effect from date of approval thereof and must be adhered to by all officials of the Department of Public Works.

16 DISPUTE RESOLUTION

- 16.1 Should there be a dispute with the application of this policy, the aggrieved party may Lodge a dispute with the Chief Financial Officer. The Chief Financial Officer must ensure that the dispute is addressed within 30 days from date of receipt of dispute.
- 16.2 A dispute raised in terms of the application of this policy must be lodged with the Chief Financial Officer and Manager: Labour Relations.

17 APPROVAL

- 17.1 This policy on unauthorised, irregular and fruitless and wasteful expenditure is hereby approved by the Executive Authority in terms of Section 38 Part 2 of Chapter 5 of the Public Finance Management Act (PFMA).

Approved by:



EXECUTIVE AUTHORITY

25/07/13

Date



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