

Department of Public Works, Roads and Transport
MPUMALANGA PROVINCIAL GOVERNMENT

POLICY ON UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

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MPUMALANGA
THE PLACE OF THE RISING SUN

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DEFINITIONS

Accounting Officer	Means	A person mentioned in Section 36 of the Public Finance Management Act, 1999 (Act No.1 of 1999) and includes any person acting as the Accounting Officer;
Condonation	Means	A process whereby the relevant authority acknowledges the irregular expenditure and pardons the action that has resulted in the incurrence of irregular expenditure;
Determination	Means	An informal assessment conducted by the Loss Control Function or another relevant function to examine or analyze the particulars of non-compliance in order to establish the facts and to determine the loss(es) related to the transaction;
Employee	Means	A person employed by the Department in terms of the Public Service Act, 1994 (Act No. 103 of 1994);
Executive Authority	Means	Member of the Executive Council;
Fruitless and Wasteful Expenditure	Means	Expenditure which was made in vain and would have been avoided had reasonable care been exercised;
Investigation	Means	A formal probe conducted by a function performing investigations to analyse the particulars of non-compliance in order to establish the facts about the transaction and determine whether any fraudulent, corrupt or criminal act has taken place;

Irregular Expenditure	Means	Expenditure, other than unauthorized expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable prescripts;
Overspending	Means	When expenditure under the vote exceeds the amount appropriated for that vote or in relation to a main division when expenditure under the main division exceeds the amount appropriated for that main division, not in accordance with the purpose of the main division;
Relevant Authority	Means	A person or delegate whose approval would have been required prior to entering into that transaction or incurring such expenditure;
Removal	Means	The process of eliminating the irregular expenditure from the register and annual report if it was not condoned by the relevant authority.
Responsibility Manager	Means	An official at a level of a Manager and above at Head Office or an official who is the head of a Programme at District Offices, and has been allocated a budget to manage and control, and includes official that are so designated;
The Act	Means	The Public Finance Management Act,1999 (Act No.1 of 1999);
The Department	Means	The Department of Public Works, Roads and Transport;
Unauthorized Expenditure	Means	Overspending of a vote or main division within a vote and expenditure that is made not 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; and
Virement	Means	Movement of budget allocations/savings between programs and economic categories.
Vain	Means	An expenditure incurred without value being derived from it.

1. INTRODUCTION

This document sets out the Department of Public Works, Roads and Transport Policy on the identification, recording and disclosure of unauthorized, irregular, fruitless and wasteful expenditure in terms of sections 38(1) (c) (ii) and (g) of the Public Finance Management Act, 1999 (Act No. 1 of 1999).The aim of the policy is to ensure effective, efficient and transparent systems of financial and risk management and internal control.

2. OBJECTIVES

The objectives of the policy are to:

2.1 Comply with relevant prescripts applicable to unauthorized, irregular, fruitless and wasteful expenditure, and;

2.2 Create awareness to all employees in the Department to prevent and detect unauthorized, irregular, fruitless and wasteful expenditure;

2.3 To promote proper recording, reporting, investigation, Identification and management of unauthorized, irregular, fruitless and wasteful expenditure, and;

2.4 To strengthen the internal control environment with regards to the management of unauthorized, irregular, fruitless and wasteful expenditure.

3. LEGISLATIVE FRAMEWORK

3.1. Departmental Delegations of Authority

3.2. Public Finance Management Act, 1999 (Act No. 1 of 1999)

3.3. Public Service Act, 1994 (Act No. 103 of 1994)

3.4. Treasury Regulations

3.5. Supply Chain Management Prescripts

3.6. National Treasury Instruction No 4 of 2022/2023

4. SCOPE

This policy is applicable to the relevant authority, delegated officials and all employees in the Department.

5. POLICY STATEMENT

5.1 UNAUTHORIZED EXPENDITURE

5.1.1 Unauthorized Expenditure occurs when there is overspending of a vote or main division within a vote or expenditure that is made not 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 vote;

5.1.2 The Department only spend funds provided and for the purpose for which they were provided for;

5.1.3 Overspending on the budget is normally identified before final closure of the Department's books and after virement;

5.1.4 Funds not utilized for the purpose of the vote are identified timeously; and

5.1.5 There must be a financial transaction (a payment) before unauthorized expenditure can occur. The unauthorized expenditure occurs only when payment is made and not when funds are over-committed.

5.2 UNAUTHORIZED EXPENDITURE AND IRREGULAR EXPENDITURE

5.2.1 If a Department carries out a transaction that contravenes legislation, the transaction meets the definition of irregular expenditure. The

same transaction may be outside the mandate of the Department or may cause overspending on a programme or a vote which meets the definition of unauthorized expenditure;

5.2.2 A transaction of this nature is not accounted for as both unauthorized expenditure and irregular expenditure. Unauthorized expenditure takes precedence over irregular expenditure, in this instances, the transaction shall be accounted for an unauthorized expenditure.

5.3 IRREGULAR EXPENDITURE

5.3.1 This is a transgression of a provision contained in applicable legislation, or any approved internal policy, procedures and directives issued by the Accounting Officer;

5.3.2 For the Department to incur irregular expenditure, the non-compliance is linked to a financial transaction. Although a transaction or an event triggers irregular expenditure, the Department usually identifies irregular expenditure only when a payment is made;

5.3.3 When irregular expenditure is confirmed it is recorded in the financial statement of the Department;

5.3.4 Non-compliance with the Act or other relevant legislation/prescripts is not necessarily be regarded as irregular expenditure, unless the expenditure, i.e. actual payments related to such non-compliance is inconsistent with any prescripts; and

5.3.5 Expenditure resulting from non-adherence to the Department's delegations of authority shall be regarded as irregular expenditure since such delegations are issued in terms of section of 44 of The Act.

5.4 FRUITLESS AND WASTEFUL EXPENDITURE

5.4.1 For determining whether fruitless and wasteful expenditure has been incurred, the following must be present –

(a) Expenditure must be made in vain; and

(b) Would have been avoided had reasonable care been exercised.

5.4.2 To exercise reasonable care to prevent fruitless and wasteful expenditure, an official must, in his or her area of responsibility, evaluate incidents of that particular transaction that may lead to fruitless and wasteful expenditure.

5.4.3 Once it has been evaluated that an incident may lead to fruitless and wasteful expenditure, the official must immediately take action to avoid the incurrence.

5.4.4 Upon detection of alleged fruitless and wasteful expenditure, the loss control function or another relevant function must conduct an assessment to confirm whether expenditure incurred meets the definition of fruitless and wasteful expenditure.

5.4.5 Fruitless and wasteful expenditure when incurred and confirmed is recorded in the annual financial statements disclosure.

5.5 DISCOVERY OF UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

An employee of a department who becomes aware or suspect the occurrence of unauthorized, irregular, fruitless and wasteful expenditure must, in terms of Treasury Regulation 9.1.2 immediately, in writing, report such expenditure to the Accounting Officer or a duly delegated official in the department.

5.6 DETERMINATION OF UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

5.6.1 The loss control function or another relevant functions must finalize the determination process within 30 days after assessment of

unauthorized, irregular or fruitless and wasteful expenditure. In case of a dispute, the determination process must be completed within four months after confirmation of unauthorized, irregular or fruitless and wasteful expenditure

5.6.2 A determination test must be conducted by the loss control function or another relevant function to examine and analyse particulars of confirmation amounts of unauthorized, irregular or fruitless and wasteful expenditure to establish facts related to the expenditure and any losses incurred.

5.6.3 The loss control function or another relevant function must, at least, collect information relating to-

(a) The root causes that led to the transgression;

(b) The employee(s) responsible for the irregular expenditure;

(c) Allegations of fraudulent, corrupt or other criminal conduct; and

(d) Any breakdown in the designed internal controls.

5.7 INVESTIGATION OF UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

The Accounting Officer must investigate suspected fraudulent, corrupt or other criminal conduct emanating from the incurrence of unauthorized, irregular or fruitless and wasteful expenditure.

5.8 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTFUL EXPENDITURE REFERRED TO THE HUMAN RESOURCE

If the determination report confirms that an employee is responsible for unauthorized, irregular or fruitless and wasteful expenditure, the Accounting Officer must refer the matter to the human resource function or other responsible function to institute disciplinary processes (where applicable) in accordance with the relevant prescripts.

5.9 CONDONATION OF IRREGULAR EXPENDITURE

5.9.1 The relevant authority may, at the request of the Accounting Officer or delegated official, condone the irregular expenditure.

5.9.2 The Accounting Officer shall consider the following information when requesting condonation of irregular expenditure:

(a) Confirmation that the determination test was conducted;

(b) Findings and recommendations of Loss Control Function or other relevant function that conducted the determination test;

(c) Confirmation that the matter is free of fraudulent, corrupt or other criminal conduct;

(d) If the matter has fraudulent, corrupt or other criminal conduct, confirmation of a case number showing that a case was opened with the South African Police Services;

(e) Confirmation that losses were not incurred and value for money was achieved;

(f) Confirmation that disciplinary action was taken against the responsible employee(s); and

(g) Confirmation of remedial actions taken or being taken by the Accounting Officer to prevent the recurrence of irregular expenditure in similar circumstances

5.10 IRREGULAR EXPENDITURE REFERRED TO THE ACCOUNTING OFFICER FOR REMOVAL

5.10.1 The Accounting Officer may remove irregular expenditure that was not condoned by the relevant authority.

5.10.2 Removal of irregular expenditure may take place only if the Accounting Officer is satisfied that the recommendations of the loss control function or another relevant function that conducted the determination confirms that-

(a) The matter is free of fraudulent, corrupt or other criminal conduct;

(b) If the matter has fraudulent, corrupt or other criminal conduct, confirmation of a case number showing that a case was opened with the South African Police Service (in such a case) a register must be updated;

(c) Disciplinary action was taken against the responsible official or officials;

(d) The institution did not suffer any loss;

(e) The non-compliance that led to the irregular expenditure has been addressed; and

(f) Transactions of a similar nature are regularly reviewed to ensure compliance the relevant prescripts.

5.11 RECOVERY FROM OFFICIALS LIABLE IN LAW

5.11.1 If an employee is held liable in terms of the law, recovery is made and a debt is created;

5.11.2 Treasury Regulation 11.2 requires an Accounting Officer of department or constitutional institution to take effective and appropriate steps to timeously collect all money/nies due to their relevant institutions. The Accounting Officer of a public entity must

do the same in terms of the debt management policy of the public entity.

5.11.3 If an official has left the service of the institution or it is a person not in the employ of the institution, the Accounting Officer shall follow processes to recover the debt which may include, amongst other, engaging the State Attorney.

5.12 APPOINTMENT OF LOSS CONTROL OFFICER

5.12.1 In terms of section 38(1) (c) (ii) of the Act, the Accounting Officer for a Department take effective and appropriate steps to prevent irregular, fruitless and wasteful, and unauthorized expenditure and losses resulting from criminal conduct;

5.12.2 An official, with the duties attached to loss control, is appointed in writing by the Asset Management Sub-Directorate; and

5.12.3 Unauthorized, irregular and fruitless and wasteful expenditure is accounted for and disclosed in the annual financial statements, according to the applicable Departmental Financial Reporting framework Guide.

5.13 PROCESS FLOW FOR IRREGULAR EXPEBDUTURE

Refer to annexure A: Process flow for Irregular Expenditure.

6. ROLES AND RESPONSIBILITIES

6.1 The Accounting Officer shall be responsible for the effective and efficient implementation of this policy as part of internal control within the Department.

6.2 The responsibility for the implementation of this policy rests with the Director: Financial Accounting and any delegated officials.

6.3 All employees in the Department are responsible to ensure compliance to the policy and properly execute their duties in line with it.

7. MONITORING AND EVALUATION

The Financial Accounting section monitors and evaluates the implementation of this policy.

8. POLICY REVIEW

The policy shall be reviewed every 5 years or as and when there is a need to factor in changes in legal framework as well as economic trends.

9. DEVIATIONS

Any deviation from this policy is subject to the approval of the Accounting Officer.

10. IMPLEMENTATION DATE

This policy comes into effect from the date of approval by the Accounting Officer.

11. APPROVED

MR MC MOROLO
HEAD: PUBLIC WORKS, ROADS AND TRANSPORT
DATE 21/04/2026