



NORTHERN CAPE PROVINCIAL TREASURY

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**TO: ACCOUNTING OFFICERS OF MUNICIPALITIES
CHIEF FINANCIAL OFFICERS OF MUNICIPALITIES**

**NORTHERN CAPE PROVINCIAL TREASURY INSTRUCTION NOTE NO. 1 OF
2017/18**

**REPORTING UNAUTHORISED, IRREGULAR AND FRUITLESS AND WASTEFUL
EXPENDITURE**

1. OBJECTIVE

- 1.1 The objective of this Instruction Note is to prescribe a process for reporting unauthorized, irregular, fruitless and wasteful (UIF & W) expenditure as per Annexure A of the MFMA Circular 68, which should be implemented by Accounting Officers, and Chief Financial Officers of municipalities.

2. DEFINITIONS

- 2.1 In this Provincial Treasury Instruction Note, unless the context indicates otherwise, a word or expressions, to which a meaning has been assigned in the Municipal Finance Management Act (MFMA), 2003 (Act 56 of 2003), MFMA Circular No. 68, and the Municipal Regulations on Financial Misconduct Procedures & Criminal Proceedings read together with MFMA Circular No. 76, has the same meaning.

3. LEGISLATIVE FRAMEWORK

- 3.1 In terms of the MFMA Section 32(2), the municipality is required to: recover UIF & W expenditure from the person liable for that expenditure, unless the expenditure,
- in case of unauthorized expenditure, is authorized in an adjustment budget, or
 - certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by council;
 - In case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.

- 3.2 MFMA section 32(4) further states that the Accounting Officer must promptly inform the mayor, the MEC for local government in the province and the Auditor-General in writing:
- of any UIF & W expenditure incurred by the municipality,
 - whether any person is responsible or under investigation for such unwanted expenditure, and
 - steps that have been taken to recover or rectify such expenditure and to prevent a recurrence of such expenditure.

- 3.3 Provincial Treasury entered into a Memorandum of Understanding (MOU) with the department of Cooperative Governance, Human Settlement and Traditional Affairs(COGHSTA) whereby finance related functions that are assigned to MEC for COGHSTA have been transferred to PT . As such, UIF & W must be reported to MEC for Finance via the Norms and Standards directorate with effect from 01 April 2017.

4. STEPS FOR ADDRESSING UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

- 4.1 Any municipal employee who becomes aware of, or suspects the occurrence of unauthorised, irregular, fruitless and wasteful (UIF & W) expenditure must immediately report, in writing, such expenditure to the Accounting Officer or his/her delegated Senior Manager.
- 4.2 On discovery of alleged UIF & W expenditure, such expenditure must be left in the account, i.e. relevant vote, and the Accounting Officer or his/her delegated official should record the details of the expenditure in the relevant registers as prescribed in circular 68 . **(Refer Annexure "A")**.
- 4.3 A register of each type of expenditure must be maintained and updated on regular basis i.e.
- Unauthorized expenditure Annexure A
 - Irregular expenditure Annexure B
 - Fruitless and Wasteful expenditure Annexure C
- 4.4 The Accounting Officer or his/her delegated official must initiate an investigation of the alleged UIF & W to determine whether the expenditure meets the definition of UIF &W expenditure.
- 4.5 The municipality should properly assign the function of recording, consolidating and reporting of UIF & W expenditure to an official.
- 4.1 The designated official must provide a weekly report to the Chief Financial Officer on all identified incidents of UIF & W expenditure. The Chief Financial Officer must ensure that the UIF & W expenditure registers are accurate, complete and accompanied by supporting documentation.
- 4.2 On a monthly basis the CFO must prepare a report, for the Accounting Officer to submit to the Mayor. The UIF & W report must be tabled by the Mayor to council during each council meeting.

- 4.3 The Accounting Officer should advise council to commence with the application of MFMA section 32 (2) immediately when the UIF & W expenditure report is tabled. Council through a resolution should pronounce the date of the council committee meeting (Municipal Public Accounts Committee) and the duration of its investigation.
- 4.4 The investigation process of the council sub-committee/Municipal Public Accounts Committee (MPAC) will mainly focus on the detailed report submitted by transaction initiator and the comments of the Accounting Officer. During this process, all officials involved in the unauthorised, irregular, fruitless & wasteful expenditure transaction must give an account of the events that unfolded (verbally or in writing) as summoned by MPAC. The MPAC, after consideration of the report, will recommend to council on the liability and recoverability of unauthorised, irregular, fruitless & wasteful expenditure.
- 4.5 Once the process is completed accordingly, the year-end reporting process will run smoothly as the registers and supporting documentation (audit file) will be updated by specific steps taken to address UIF & W expenditure.
- 4.6 The Chief Financial Officer should continuously create awareness of UIF&W expenditure preventative measures during municipal meetings (Council, Management and Staff meetings). All officials within the municipality should receive a copy of MFMA circular No. 68 and Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings. The consequences for allowing UIF & W expenditure should be known by all employees, especially those that are delegated to manage financial resources.
- 4.7 The Supply Chain Management and Expenditure Management official should exercise due diligent in ensuring that all transaction are within the prescribed operational, budgetary and procurement framework. Once an incident of unauthorised, irregular, fruitless and wasteful expenditure is identified in a transaction, detailed report should be requested from the transaction initiator. The transaction initiator must provide a detailed report within five (5) workings days after it has been requested on writing.

5. MONTHLY REPORTING TO PROVINCIAL TREASURY

- 5.1 To facilitate effective monitoring and evaluation of unauthorized, irregular or fruitless and wasteful expenditure, accounting officers and/or chief finance officers must, in the prescribed excel format as per MFMA Circular 68 Annexure A report via email to Northern Cape Provincial Treasury on the 10th day after the end of each month to the following officials.

District	Official Responsible	Contact details
ZF Mgcawu District	Mr. Raneo Leseo	RLeseo@ncpg.gov.za 053 802 5080
Pixley Ka Seme District	Mr. Kulani Chauke	KChauke@ncpg.gov.za 053 802 5075
Frances Baard & John Taolo Gaetsewe District	Ms. Mathogonolo Molaaphene	MMolaaphele@ncpg.gov.za 053 802 5078

Namakwa District	Mr. Reamogetse Mmoiemang	RMmoiemang@ncpg.gov.za 053 802 5081
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6. EFFECTIVE DATE

6.1 The Provincial Treasury Instruction Note 1 is effective from 01 July 2017.

6.2 The Norms & Standards directorate will monitor implementation of the instruction note.



GL. BOSVARK
PROVINCIAL ACCOUNTANT GENERAL
NORTHERN CAPE PROVINCIAL TREASURY
DATE: 05/05/2017