

## **GEORGE MUNICIPALITY**

# **POLICY ON UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE 2026/27**

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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. ABBREVIATIONS

AO – Accounting Officer

CFO – Chief Financial Officer

MFMA – Municipal Finance Management Act, No. 56 OF 2003

MSA – Municipal Systems Act, No. 32 of 2000

UIFW – Unauthorized, Irregular and Fruitless and Wasteful Expenditure

MBRR – Municipal Budget and Reporting Regulation

### 4. 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”** in terms of Chapter 1 of the MFMA 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. which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

**“Mayor”** in relation to means –

The councillor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act.

**“Accounting Officer”** in terms of Chapter 1 of the MFMA means –

In relation to a municipality, means the municipal official referred to in section 60; and includes a person acting as the accounting officer.

**“Municipal council”** or **“council”** in terms of Chapter 1 of the MFMA means –

The council of a municipality referred to in section 18 of the Municipal Structures Act.

“**Councillor**” in terms of Chapter 1 of the MFMA means –

A member of a municipal council.

“**Political Office-bearer**” in relation to a municipality means –

- a. the speaker, executive mayor, deputy executive mayor, mayor, deputy mayor or a member of the executive or mayoral committee of a municipality elected, designated or appointed in terms of a specific provision of the Municipal Structures Act; or
- b. a councillor referred to in section 57 (1) if this Act.

## **5. REGULATORY FRAMEWORK**

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 statements
- e. MFMA Circular 68 of 2013 (and its subsequent updates)

## **6. SCOPE OF APPLICATION**

6.1. 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 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. Deciding on how to recover unauthorised, irregular, or fruitless and wasteful expenditure from the person liable for that expenditure.
- c. Determining the amount of unauthorised, irregular, or fruitless and wasteful expenditure to be recovered, written off or provided for.

## **7. RELATIONSHIPS WITH OTHER POLICIES**

7.1 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 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)

## **8. ROLES AND RESPONSIBILITY**

- 8.1. 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, executive committee 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. Any irregular, unauthorised, fruitless and wasteful expenditure incurred are to be promptly reported in writing to the Mayor, together with the particulars of the expenditure incurred.
  - d. The MFMA further prescribe the process that must be followed to deal with irregular, unauthorised, fruitless, and wasteful expenditure.

## **9. ROLE OF COUNCIL COMMITTEE**

- 9.1 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.
- 9.2 The accounting officer must provide the committee concerned with such information it may require for the purpose of conducting a proper investigation.
- 9.3 The aforesaid committee may only comprise Councillors and should not include political office bearers of the municipality. At least 3 Councillors are required to constitute a committee.
- 9.4 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.
- 9.5 An audit committee established in terms of section 166 of the Act is not precluded from assisting the appointed committee with its deliberations.

## 10. PRINCIPLES OF UNAUTHORISED EXPENDITURE

- 10.1 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.
- 10.2 Given the definition of unauthorised expenditure, the following are examples of expenditures that are NOT unauthorised expenditure:
- (i) Any over-collection on the revenue side of the budget as this is not an expenditure; and
  - (ii) Any expenditure incurred in respect of:
    - any of the transactions mentioned in section 11(1)(a) to (j) of the MFMA;
    - re-allocation of funds and the use of such funds in accordance with a council approved virement policy;
    - overspending of an amount allocated by standard classification on the main budget Table A2 (Budgeted Financial Performance: revenue and expenditure by standard classification), as long as it does not result in overspending of a ‘vote’ on the main budget Table A3 (Budgeted Financial Performance: revenue and expenditure by municipal vote) and Table A4 (Budgeted Financial Performance: revenue and expenditure (read in conjunction with supporting Table SA1) of the MBRR; and
    - overspending of an amount allocated by standard classification on the main budget Table A5 (Budgeted Capital Expenditure by vote, standard classification and funding) of the MBRR so long as it does not result in an overspending of a ‘vote’ on the main budget Table A5

## 11. PRINCIPLES OF IRREGULAR EXPENDITURE

11.1 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.

### 11.2 Categories of irregular expenditure

Irregular Expenditure incurred as a result of a non-compliance with a Treasury regulation, the MFMA and the 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. PRINCIPLES OF FRUITLESS AND WASTEFUL EXPENDITURE**

12.1 No particular expenditure is explicitly identified by the MFMA as fruitless and wasteful.

12.2 Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

12.3 Fruitless and Wasteful expenditure will always emanate from an action instigated by an official that resulted in a financial loss to the institution.

12.4 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.

12.5 It seems that the most logical approach to address 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:

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 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 non-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.

### **13. PROCESS TO FOLLOW DEALING WITH UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

- 13.1 Any employee who becomes aware of or suspects the occurrence of deliberate UIFW, it must immediately report, in writing, such expenditure to the Accounting Officer or his/her delegate.
- 13.2 On discovery of alleged UIFW, 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 UIFW register. (Attached as "Annexure A".)
- 13.3 The accounting officer or his/her delegate must investigate the alleged UIFW where it is deemed that the expenditure incurred was due to a person -
  - not acting in good faith
  - acted deliberately
  - was negligent or acted grossly negligentto determine whether the expenditure meets the definition of unauthorised expenditure.
- 13.4 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.
- 13.5 Should the investigation reveal that the expenditure is in fact valid expenditure and therefore does not constitute UIFW 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.
- 13.6 If the investigation indicates that the expenditure is in fact UIFW expenditure the Accounting Officer must promptly report, in writing, the particulars of the expenditure to the Mayor.

- 13.7 If Council subsequently authorise unauthorised expenditure (refer to section 14), certify irregular expenditure or fruitless and wasteful expenditure to be written-off (refer to section 16) or condone irregular expenditure (refer to section 15) 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 outcome from council.
- 13.8 If, however, the Council does not authorise unauthorised expenditure or certify irregular expenditure or/and fruitless and wasteful expenditure to be written-off, the accounting officer must take effective and appropriate action to recover the amount from the responsible person.
- 13.9 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.

#### **14. AUTHORISING UNAUTHORISED EXPENDITURE**

- 14.1 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, the mayor or the executive committee that a particular decision would result in an 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.

#### 14.2 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 processes 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.”

### 15. PROCEDURES FOR THE CONDONATION OF IRREGULAR EXPENDITURE

The Council cannot endorse any violation of the MFMA or SCM regulations. Should a breach of these regulations occur, the Accounting Officer is expected to follow the appropriate protocol:

- a. As part of the enclosed procedures (Annexure B), forward submissions to the Provincial Treasury or the relevant authority to request condonation for non-compliance with the MFMA or other legislation respectively.

- b. The treasury to which the submission must be forwarded will depend on the provision that was contravened. It must, however, be emphasised that submissions requesting condonation for non-compliance must contain detailed motivation as to why the irregular expenditure in question should be considered for condonation, together with steps that have been taken to avoid a recurrence of this type of irregular expenditure.
- c. It must, however, be emphasised that submissions requesting condonation of irregular expenditure must contain detailed motivation as to why the irregular expenditure in question should be considered for condonation, together with steps that have been taken to avoid a recurrence of the irregular expenditure.
- d. If the irregular expenditure is subsequently condoned by the relevant authority, no further action is required by the department as the amount has already been expensed in the statement of financial performance.
- e. The register must be updated to reflect that the irregular expenditure was condoned and the notes to the annual financial statements must also be updated to reflect the condoned irregular expenditure.
- f. In instances where condonation for irregular expenditure is not granted by the relevant authority, section 16 of this policy is to be followed.

## **16. INVESTIGATION AND CERTIFICATION OF IRREGULAR & FRUITLESS AND WASTEFUL EXPENDITURE**

- 16.1 Section 32(4) requires a report to be submitted to the mayor which will be referred to the Council Committee to investigate the recoverability of the irregular expenditure, before the Council can certify any irregular expenditure as irrecoverable. It is important to note that the aim of such an investigation is to establish whether the irregular expenditure must be recovered utilising the factors outlined in regulation 74 of the MBRR.
- 16.2 The report must address the considerations as outlined in regulation 74 of the MBRR and also address whether, despite the non-compliance that was detected, if there was any value for money obtained by the municipality, and any losses suffered due to the non-compliance so detected. The report must address the following questions:
  - Whether the goods or services were received, and if received;
  - Whether the goods or services were aligned to the specifications, and if aligned;
  - Whether the price paid for the goods and services is/was market related
- 16.3 If the council committee finds that the municipality did not suffer any loss due to non-compliance, it must recommend to the municipal council that the irregular expenditure be certified as irrecoverable and written-off.

16.4 The writing-off of any UIFW as irrecoverable, is no excuse in criminal or disciplinary proceedings against a person charged with the commission of an offence or a breach of the MFMA relating to such UIFW, therefore even if the municipal council resolve to write-off irregular expenditure as irrecoverable, the act of non-compliance must still be referred to the Disciplinary Board for further investigation in terms of Chapter 15 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

## **17. DISCIPLINARY ACTIONS**

17.1 In terms of sections 171 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.

17.2 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.

17.3 In terms of section 171 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 will fully or negligently fail to perform that duty or exercise that power in line with applicable legislation.

17.4 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.

17.5 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.

17.6 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.

#### 17.7 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 accounting officer (as may be relevant) must institute disciplinary action as follows:

- a) 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);
- b) 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
- c) 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.

#### 17.8 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.

## **18. RECOVERY UIFW EXPENDITURE**

- 18.1. Notwithstanding the disciplinary process, the accounting officer must identify the official who is responsible for the unauthorised -, irregular or fruitless and wasteful expenditure.
- 18.2. All instances of UIFW 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 and for unauthorised expenditure, has it been authorised by Council in an adjustment budget.
- 18.3. The relevant information pertaining to each case would normally be evident from the investigation process in which the recoverable amount and liable person will be forth coming.
- 18.4. 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.
  - b. Reasonable instalments will vary from case to case depending on such factors as 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.
- 18.5. Should the official refuse or fail to pay as requested, the matter may be referred to the municipality's legal division for the recovery of the debt through normal debt collection process.
- 18.6. 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 Customer Care, Credit Control & Debt Collection policy.

## **19. REPORTING**

- 19.1. The accounting officer must comply with the following reporting requirements: attached as "Annexure B";
- 19.2. Promptly upon discovery of unauthorised, irregular or fruitless, and wasteful expenditure incurred, 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.
- 19.3. 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.
- 19.4. All unauthorised, irregular or fruitless and wasteful expenditure must be reported as a note to the annual financial statements.
- 19.5. 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.

## **20. REGULAR REVIEW OF THE UNAUTHORISED IRREGULAR, OR FRUITLESS AND WASTEFUL EXPENDITURE REGISTER**

- 20.1. The unauthorised, irregular or fruitless and wasteful expenditure register should be reviewed on a quarterly basis by the chief financial officer or responsible delegate of the municipality in conjunction with legal service, internal audit and MM office delegate. This review will ensure that unauthorised -, irregular or fruitless and wasteful expenditure are adequately disclosed, dealt with, recorded and that no accounting errors exists.

## **21. ACCOUNTING TREATMENT OF UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE**

- 21.1. Unauthorised, irregular, or fruitless and wasteful expenditure identified during one financial period, but not paid in the specific period should carried forward in the following financial year.
- 21.2. 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.
- 21.3. 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.

21.4. 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.

## **UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE POLICY**

This Policy is effective from the date of approval by the Council, as per the approved system of Delegations of the George Municipality.

Signed at GEORGE on the 01 day of June 2026.

  
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**MR BR ELLMAN  
ACTING MUNICIPAL MANAGER**

**ANNEXURE A**

**REGISTER OF UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

<b>Name of Municipality</b> : _____															
<b>Financial Year</b> : _____															
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	Amount	Description of Incident			UI	DP	CC	TR	P	WO	General comments

Abbreviations:

- UI: Irregular expenditure Under Investigation
- DP: Disciplinary process initiated against responsible person
- CC: Criminal charges laid with SAPS
- TR: Transferred to receivables for recovery
- P: Paid or in process of paying in installments
- 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:

