



KANNALAND
MUNISIPALITEIT | MUNICIPALITY

UNAUTHORISED, IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE REDUCTION STRATEGY



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1. BACKGROUND

In recent years, there has been an increase in incidences of *Unauthorised, Irregular, Fruitless and Wasteful Expenditure (UIF&W)*. This is attributable to factors, which include but are not limited to, the repeated failures by municipalities to prevent non-compliance, introduce timely and decisive corrective measures and internal controls to ensure effective implementation of relevant laws and regulations. The lack of decisiveness in dealing with the UIF&W expenditure by many municipal councils and administrations has resulted in a negative public perception and narrative. Lack of focus and implementation of current measures on consequence management were identified as additional contributing factors.

The 2019-24 Medium Term Strategic Framework (MTSF) has highlighted the need to implement stronger monitoring, supporting, reporting and enforcement measures to reduce incidents of UIF&W expenditure. The emphasis has been to ensure measures are introduced to reduce irregular expenditure by 75% and to eliminate fruitless and wasteful expenditure by 100% during this period. Municipalities must also simultaneously address the growing incidents of unauthorised expenditure.

Municipalities that struggle with liquidity is much more likely to incur UIF&W, due to various reasons to be further contextualised in this document. Kannaland Municipality has been guilty in the past of transgressions in this regard, and therefor the need for a strategy to effectively deal with the reduction in UIF&W.

2. PURPOSE

The purpose of this document is to establish an unauthorised, irregular, fruitless and wasteful (UIF&W) reduction strategy. The reduction strategy will address several issues, that includes the lack and implementation of preventative controls, role clarification of the different stakeholders within this process, as well as to strengthen, the role to be played by internal audit, and audit committees.

3. 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;

“**Financial Misconduct**” means any act of financial misconduct referred to in –

- a) section 171 of the Act committed by an official of a municipality; or
- b) section 172 of the Act committed by an official of a municipal entity;

“**Financial Offence**” means any offence referred to in section 173 of the Act committed by –

- a) an official of a municipality or municipal entity;
- b) a councillor of a municipality;
- c) a member of the board of directors of a municipal entity; or
- d) any other person;

“**Fruitless and Wasteful Expenditure**” 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 of the MFMA, 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.

4. REGULATORY FRAMEWORK

4.1 The following Laws and regulations, amongst others, inform this policy:

- Municipal Finance Management Act (Act 56 of 2003);
- Municipal Budget and Reporting Regulations (2009);
- Municipal Supply Chain Management Regulations (2005);
- Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings (2014);
- Municipal Systems Act (Act 32 of 2000) and related regulations;
- Municipal Structures Act (Act 117 of 1998) and related regulations; and
- Any other applicable legislation and future applicable legislation.

5. SCOPE AND OBJECTIVES

NO	DELIVERABLE	SCOPE	OBJECTIVES
1.	Report(s) to the council on UIF&W expenditure and any other information that the council may require for the MFMA "section 32" process.	All UIF&W expenditure, as per the last (audited) financial statements and related information that have not gone through an MFMA "section 32" process.	Enable the council to recover UIF&W expenditure, unless in the case of: <ul style="list-style-type: none">• unauthorised expenditure, such expenditure is authorised in an adjustments budget or certified as irrecoverable and written-off• irregular, fruitless, and wasteful expenditure, such expenditure is certified as irrecoverable and written off

NO	DELIVERABLE	SCOPE	OBJECTIVES
2.	Council resolution that refers the UIF&W expenditure to the MPAC committee for investigation, as contemplated by section 32(2) of the MFMA	UIF&W expenditure, as determined by the council to be investigated by a council committee (MPAC).	To enable MPAC to investigate UIF&W expenditure and produce a report on its recommendations to the council for a final decision, as contemplated in section 32(2) of the MFMA
3.	Report by MPAC	UIF&W expenditure investigated, as per the terms and referenced defined by the council committee (MPAC)	Enable the council committee to consider the: <ul style="list-style-type: none"> • measures are already taken, and the cost thereof to recover such expenditure estimated cost and the likely benefit of further measures to recover such expenditure • submit a motivation explaining its recommendations to the council for a final decision in terms of section 32(2) of the MFMA
4.	Council resolution following its consideration of the report of the council committee on the investigation of the UIF&W expenditure	Report and recommendations covering the UIF&W expenditure investigated by the council committee	<ul style="list-style-type: none"> • Recovery of the UIFW expenditure, unless the council certifies such expenditure as irrecoverable and to be written-off • Institution of criminal and/or disciplinary proceedings against a person charged with the commission of an offence or a breach of the MFMA relating to such UIF&W expenditure
5.	Report(s) by the disciplinary board on its investigation of financial misconduct	<ul style="list-style-type: none"> • Council resolution on the institution of criminal and/or disciplinary proceedings • Allegations of financial misconduct • Recommendation on the preliminary investigation of allegations of financial misconduct • Terms of reference for the investigation and production of an investigation report 	To investigate allegations of financial misconduct and to monitor the institution of disciplinary proceedings, as contemplated in the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceeding.
6.	Reporting of alleged financial offences to the South African Police Service	Alleged financial offences	Investigation of and reporting on alleged financial offences, as contemplated in Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

6. ROLES AND RESPONSIBILITIES

6.1 *Accounting Officer / Municipal Manager*

- In terms of section 61 of the MFMA, the accounting officer of a municipality must act with fidelity, honesty, integrity and in the best interests of the municipality in managing its financial affairs.
- In terms of section 62(1)(d) of the MFMA, the accounting officer must take all reasonable steps to ensure that unauthorised, irregular, or fruitless and wasteful expenditure and other losses are prevented.
- To ensure the proper application of the MFMA in the municipality's administration, the accounting officer must develop an appropriate system of delegations that will both maximise administrative and operational efficiency and provide adequate checks and balances in the municipality's financial administration. Therefore, in terms of section 79 of the MFMA, the accounting officer must delegate certain functions to the chief financial officer, senior managers, or other financial officials.
- In terms of section 32(3) of the MFMA, If the accounting officer becomes aware that the council, the mayor or the executive committee of the municipality, as the case may be, has taken a decision which, if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, the accounting officer is not liable provided that the accounting officer has informed the council, the mayor or the executive committee, in writing, that the expenditure is likely to be unauthorised, irregular or fruitless and wasteful expenditure.
- In terms of section 32(4) of the MFMA, the accounting officer must promptly inform the mayor, the MEC for local government in the province and the Auditor-General, in writing, of any unauthorised, irregular, or fruitless and wasteful expenditure incurred by the municipality. Given the transition of this function, such reports must also be provided to the MEC for Finance in the province as a practice to align with the strategic focus in addressing UIFW.
- The accounting officer must ensure that the council processes and procedures to address UIF&W expenditure is dealt with effectively, efficiently and on a timely basis. The accounting officer can separate the process when addressing unauthorised expenditure, from the irregular and fruitless expenditures. For unauthorised

expenditure, there are processes which can be followed before the end of the financial year to authorise unauthorised expenditure. Refer to MFMA Circular 68 for further detailed advice.

- The accounting officer must ensure that any disciplinary actions that are required as a consequence of the incurrence of UIF&W expenditure are instituted within the time limits as contemplated in the Labour Relations Act and other relevant legal frameworks. In addition, the disciplinary process should be conducted following any applicable collective agreement dealing with disciplinary processes applicable to the municipality. Where there is no disciplinary collective agreement applicable, the disciplinary process should be conducted following the disciplinary policy of the municipality. For senior managers of municipalities, their disciplinary procedures must be conducted following the Local Government: Disciplinary Regulations for Senior Managers.
- In terms of section 32(6) of the MFMA, the accounting officer must report to the South African Police Service all cases of alleged irregular expenditure that constitute a criminal offence or fraud and corruption.
- In terms of section 125 of the MFMA, municipalities must disclose, in the notes of the annual financial statements, any particulars of any material losses and any material irregular or fruitless and wasteful expenditures, including in the case of a municipality, any material unauthorised expenditure, that occurred during the financial year, and whether these are recoverable.
- In terms of section 62(1)(e) of the MFMA, the accounting officer must take all reasonable steps to ensure that disciplinary or, when appropriate, criminal proceedings are instituted against any official of the municipality who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.
- The accounting officer must ensure that the municipality meets the requirement to disclose any documents, as may be prescribed, on their website. In this regard, municipalities should at least quarterly place on their website information about how they are addressing UIF&W expenditure and consequence management to promote transparency, accountability and building of public trust.

6.2 *Municipal Officials*

- In terms of section 78(1) of the MFMA, each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure that any unauthorised, irregular, fruitless and wasteful expenditure and any other losses are prevented.
- To give effect to the MFMA, the requirements mentioned above, as per sections 78(1) of the MFMA, should be included in the performance agreements of at least the accounting officers, the chief financial officers, and senior managers to ensure that they can be held accountable if their respective directorates are responsible for the UIF&W expenditure incurred.
- If the municipal officer becomes aware that any instruction may result in UIF&W, the official cannot be held liable, provided that, he/she informed the accounting officer, in writing, that the expenditure is likely to be unauthorised, irregular, or fruitless and wasteful expenditure. Any instruction that knowingly may lead to UIF&W, will be regarded as financial misconduct. (See Section 171 of the MFMA).

6.3 *Municipal Council*

- In terms of section 52 of the MFMA, the mayor must provide general political guidance over the fiscal and financial affairs of the municipality. Section 32(4) of the MFMA requires the accounting officer to promptly inform, amongst others, the mayor, of incidences of UIF&W expenditure. The mayor is expected to oversee the performance of officials in implementing measures to prevent the incurrence of UIF&W expenditure, as well as monitoring the implementation of consequence management against the officials responsible for the incurrence of UIF&W expenditure.
- Annual performance agreements of the relevant officials must include key performance indicators on the reduction and avoidance of incidences resulting in UIF&W expenditure. This will enable the municipality to implement consequence management against the senior manager for poor performance.
- Councillor will be held liable for UIF&W expenditure, if that office-bearer knowingly or after having been advised by the accounting officer of the municipality that the

expenditure is likely to result in UIF&W expenditure, continued and instructed an official of the municipality to incur such expenditure.

- Breach of the Code of Conduct for Councillors: in the case of a political office-bearer, whose actions in making, permitting, or authorising unauthorised, irregular, fruitless and wasteful 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 unauthorised, irregular, fruitless and wasteful expenditure when implemented, or where the political office-bearer improperly interfered in the management or administration of the municipality.
- In terms of section 32(7) of the MFMA, the council of a municipality must take all reasonable steps to ensure that all cases referred to in section 32(6) of the MFMA are reported to the South African Police Service if the charge is against the accounting officer; or the accounting officer fails to comply with section 32(6) of the MFMA.

6.4 *Municipal Public Accounts Committee*

- In terms of section 32(2)(b) of the MFMA, a municipality must recover UIF&W expenditure from the person liable for that expenditure unless the expenditure, in the case of UIF&W expenditure, is, after an investigation by a council committee, certified by the council as irrecoverable and written off by the council. In this instance, the designated council committee referred to in section 32 of the MFMA is often the municipal public accounts committee (MPAC), and it is not expected of the council committee to undertake the investigation but to receive support from the administration to do so.
- Any unauthorised, irregular, or fruitless and wasteful expenditure by the council, the executive mayor or any political office bearer of the municipality, must also be reported to the MPAC; the municipal manager must report to the MPAC on all steps taken to either authorize or certify the payment or to recover or write off the expenditure. the municipal manager must report on whether any criminal action was instituted in this regard; and the MPAC must report to the council on the appropriateness of the any criminal or civil steps taken and report where no further action was taken and why.

6.5 *Disciplinary Board*

- The role the disciplinary board in dealing with UIF&W, will be that of consequence management. The disciplinary board will deal with financial misconduct (committed by an official of the municipality) as in terms of section 171 of the MFMA and financial offences (official, councillor, any other etc.) as referred to in section 173 of the MFMA.
- If, after having followed a proper investigation, the council concludes that the political office-bearer or official responsible for making, permitting or authorising unauthorised, irregular, fruitless and wasteful expenditure did not act in good faith or committed an act of financial misconduct, then the municipality must consider instituting disciplinary action and criminal charges against the liable person/s in terms of chapter 15 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

6.6 *Internal Audit*

- In terms of MFMA section 165, internal audit units must assist municipal managers and in executing their duties by providing independent assurance on internal controls, financial information, risk management, performance management and compliance with legislation. The establishment of an internal audit unit is a requirement of the legislation.
- Internal audit units must compile risk-based audit plans, review internal control measures, and ensure that supply chain management, including the requirements of MFMA circular 65, is sufficiently and adequately covered in the annual coverage plan. Internal auditors must be alert to fraud risks and design audit procedures and indicators that would reasonably assist in preventing and detecting potential or actual fraud and corruption.
- The internal audit unit must as far as possible be utilised as a resource to provide the accounting officer with assurance around compliance matters. There is no need for this function to always report after the fact but can play a preventative roll with audits during a process, like for example during a SCM bidding / tender process.
- If there is to be a breach in the SCM regulations, it is recommended that accounting officer investigate the nature of the breach through its Internal Audit Unit or any other

investigation body (MPAC) and adopt corrective action as recommended by the Audit Committee.

6.7 Audit Committee

- In terms of section 166, the audit committee must advise the accounting officer, senior management and the council on internal controls, risk management, performance management and compliance with legislation. The committee is further required to assure the adequacy, reliability, and accuracy of financial and performance information. As part of the role to advise the council, the audit committee can also assist the municipal public accounts committee, council, and the administration to perform its duties through its reports and advice.

6.8 HR Department

- Annual performance agreements must include key performance indicators on the reduction and avoidance of incidences resulting in UIF&W expenditure. The human resource department and internal audit must monitor and report on this aspect to ensure internal arrangements are instituted in support of the municipal manager to enforce code of conduct and performance measures.
- The HR department must ensure that the disciplinary processes are processed within the set timelines prescribed within the relevant disciplinary collective agreement, regulation, or policy where applicable.
- Should senior managers fail to action disciplinary processes, the human resource department must take actions against such senior managers. The objective is to ensure that a performance management culture is implemented, as required by the Municipal Systems and Structures Acts.
- The HR department must ensure all outcomes of disciplinary measures are reported to management, council, to province and national government, as regulated.

6.9 Other

- Treasuries are responsible in terms of the MFMA to support municipalities once UIF&W expenditure is detected to ensure that these expenditures are addressed consistent with section 32 of the MFMA.
- Treasuries should also support the municipality, ensuring that preventative controls are implemented; and that consequence management is implemented within the context of the MFMA in line with chapter 15, read together with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- If dealing with UIFW expenditure is stagnating due to governance-related failures in the municipality, in which case the Municipal Systems Act and Municipal Structures Act will be triggered. The legislative enforcement measures by DCOG, code of conduct for councillors and officials can be enforced.

7. RISK IDENTIFICATION AND MITIGATION

RISK DESCRIPTION	PROBABILITY	IMPACT
Internal capacity, Identification, and reluctance to timeously deal with it / organisational resistance	Medium	Medium
Lack of MPAC/DC board investigative capacity	Medium	Medium
Non-adherence to procurement processes	High	High
Limited data to deal with historical UIF&W expenditures	High	High
Political and leadership instability.	High	High

The risk management function must be proactive and identify all the critical risks that may result in the incurrence of UIF&W expenditure and ensure that the risk strategy stays relevant, and that the municipality have preventative controls in place with constant monitoring.

This strategy is dependent on political and organisational buy-in, and leadership should take control and ensure implementation and constantly measure progress relative to targets set.

8. UIF&W EXPENDITURE ACTION PLANS

NR:	ACTIONS	TIMELINES	RESPONSIBLE
1.	The MPAC committee will have monthly UIFW expenditure meetings to process UIFW expenditure.	Monthly	MPAC Chairperson
2.	The accounting officer must monthly table the UIFW registers at the MPAC committee meeting.	Monthly	Accounting Officer
3.	The accounting officer must process unauthorised expenditure authorised by the council in the next available adjustment budget.	Jan/Feb every year	Accounting Officer
4.	Progress Report, using the UIFW template submitted to Mayor, Provincial Treasury and National Treasury	Monthly	Accounting Officer

9. UIF&W EXPENDITURE TARGET OVER THE 2019-2024 MTSF

OUTCOME	OUTCOME INDICATORS	BASELINE	SUGGESTED INCREMENTAL TARGETS		TARGET
		2020/21	2021/22	2022/23	2023/24
Sound financial controls and management of public finances	Percentage reduction of irregular expenditure	2020-21 baseline	20% reduction of irregular expenditure incrementally from baseline of 2020-21 by 2024	50% reduction of irregular expenditure incrementally from baseline of 2020-21 by 2024	75% reduction of irregular expenditure incrementally from baseline of 2020-21 by 2024
	Percentage elimination of wasteful and fruitless expenditure	2020-21 baseline	20% elimination of fruitless and wasteful expenditure, incrementally from baseline of 2020-21 by 2024	60% elimination of fruitless and wasteful expenditure incrementally from baseline of 2020-21 by 2024	100% elimination of fruitless and wasteful expenditure incrementally from baseline of 2020-21 by 2024

10. REDUCTION OF HISTORIC IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE

NATURE OF UIF&W	AMOUNT	FINANCIAL YEAR TO WHICH THE UIF&W EXPENDITURE RELATES	PLANNED DATE OF REPORTING THE IFW EXPENDITURE TO THE COUNCIL	PLANNED DATE OF THE COUNCIL RESOLUTION TO REFER THE IFW EXPENDITURE TO A COUNCIL COMMITTEE FOR INVESTIGATION	PLANNED DATE/TIMEFRAME OF THE INVESTIGATION OF THE IFW EXPENDITURE BY THE COUNCIL COMMITTEE	PLANNED DATE FOR THE COUNCIL COMMITTEE REPORT ON ITS RECOMMENDATIONS TO THE COUNCIL FOR A FINAL DECISION IN TERMS OF SECTION 32(2) OF THE MFMA	PLANNED DATE FOR THE COUNCIL DECISION TO RECOVER OR CERTIFY THE IFW EXPENDITURE AS IRRECOVERABLE AND FOR WRITEOFF	PLANNED DATE TO IMPLEMENT THE COUNCIL DECISION IN RESPECT OF ANY RELATED DISCIPLINARY OR CRIMINAL PROCEEDINGS	TIMEFRAME TO IMPLEMENT THE COUNCIL RESOLUTION RELATED TO ANY RECOVERY OR WRITE-OFF AND/OR DISCIPLINARY OR CRIMINAL PROCEEDINGS
			ACCOUNTING OFFICER	MUNICIPAL COUNCIL	COUNCIL COMMITTEE	COUNCIL COMMITTEE	MUNICIPAL COUNCIL	MUNICIPAL COUNCIL	ACCOUNTING OFFICER

TO BE COMPLETED BY MANAGEMENT – see notes below

- Note 1: Summarise the nature of the IFW expenditure, based on the classification by management and/or the related audit findings, for example, non-compliance with supply chain management regulations. This can be specific and presented in categories, for example, SCM regulations 36, SCM regulation 32, MFMA section 33, MFMA section 116, etc.
- Note 2: Provide the total amount of the IFW expenditure subject to the MFMA section 32 process. The recorded amount(s) should be supported by detailed listings making up that amount, including supporting documentation and responsible persons, based on the investigation of the accounting officer, the UIFW expenditure register and the audited financial statements.
- Note 3: Include the financial year(s) to which the IFW expenditure relates, as per the audited financial statements of the municipality.
- Note 4: The accounting officer must prepare a report, including full details of the IFW, as per the relevant registers and audited financial statements, as required by MFMA section 32(4).
- Note 5: The council committee, normally the municipal public accounts committee, should determine the terms of reference for the investigation, including the modality of the investigation, for example, through internal audit, the municipal forensic service, etc. (National Treasury does not encourage the use of external service providers to conduct section 32(2) investigations).
- Note 6: The council resolution should reflect the council's decision to recover UIFW expenditure from the person liable for that expenditure unless the expenditure (a) in the case of unauthorised expenditure is (i) authorised in an adjustments budget; or (ii) certified by the municipal council, after an investigation by a council committee, as irrecoverable and written off by the council; and (b) in the case of IFW expenditure, is, after an investigation by a council committee, certified by the council as irrecoverable and written off by the council.
- Note 7: The dates are important to track to ensure that the council resolutions in respect of UIFW expenditure are implemented.
- Note 8: According to section 32(5) of the MFMA, the writing off in terms of subsection (2) of any UIFW expenditure as irrecoverable is no excuse in criminal or disciplinary proceedings against a person charged with the commission of an offence or a breach of this Act (MFMA) relating to such unauthorised, irregular or fruitless and wasteful expenditure. The accounting officer must also report to the South African Police Service all cases of alleged irregular expenditure that constitute a criminal offence and theft and fraud that occurred in the municipality, as per section 32(5) of the MFMA. In this regard, effect should be given to the requirements of the Municipal Financial Regulations on Financial Misconduct Procedures and Criminal Proceedings. The municipality should implement a separate process to track and monitor the actions in implementing the requirements of these regulation

11. IMPLEMENTATION OF UIF&W PREVENTATIVE CONTROLS

Appendix B will deal with the implementation and reporting on UIF&W reducing activities. Within this document the municipality identified and documented the preventative controls that should be implemented to establish a sound control environment related to preventing and reducing irregular and fruitless, and wasteful expenditure. The document addresses what the municipality should implement to reduce risks in procurement and contract management (as the main cause for irregular expenditure) and risks in the management of creditors' payments (as the main cause for fruitless and wasteful expenditure).

The preventative controls should consider the identified internal control deficiencies (root causes) that give rise to the irregular and fruitless, and wasteful expenditure, as identified through the external and internal audit processes to prevent such expenditure in the future. Such controls, for example, should focus on strengthening the control environment, procurement and contract management, consequence management and financial management as it relates to preventing penalties and interest and losses related to the late or non-payment of creditors.

The designed controls should also focus on detecting irregular and fruitless and wasteful expenditure where such expenditure has been incurred to deal with it under the requirements of the MFMA (for example, in respect of reporting, investigation and disclosure in the annual financial statements).

Importantly, as part of preventative actions, consideration should also be given to the requirement for consequence management to deal with any related financial misconduct according to the Municipal Financial Misconduct Regulations and Criminal Proceedings requirements.

This strategy and Appendix B that deals with the implementation and monitoring, should at all times, be a live document that needs to be updated as circumstances dictate and as a matter of efficiently progressing towards the objective in the reduction of UIF&W.

UIF&W STRATEGY ESTABLISHMENT (ENABLING) TARGETS

TASK	ACTIVITY	DESIRED OUTCOME	COMPLETION DAY	RESPONSIBLE OFFICIAL
1. UIF&W Strategy	Draft an UIF&W Strategy & incorporate stakeholder inputs.	Council approved UIF&W Strategy	28 Feb 2022	MM / CFO
2. Implementation & Reporting	Draft an implementation, monitoring & reporting schedule on strategy implementation. (APPENDIX B)	Council approved UIF&W Strategy Implementation Plan	28 Feb 2022	MM / CFO / Internal Audit / BTO Manager
3. Policy & SOP's	Update and align policy with council approved strategy and draft corresponding SOP's	Council approved budget related UIF&W Policy	31 March 2022	CFO / BTO Manager / IA
4. Conduct Training session	Conduct training on the ID, recording, reporting and implications of UIF&W.	Informed organisation	31 March 2022	CFO / BTO
5. Alignment of all processes	Ensure that all relevant committees, charters, SOP's, policies are in place & functioning	AC / IA / MPAC / Disciplinary & Budget Steering Committee	30 April 2022	MM / CFO

12. MONITORING & EVALUATION

Monitoring will take place on a monthly and quarterly basis, with the internal audit being responsible on a monthly basis and with the MPAC, audit committee, provincial treasury and national treasury being involved on a quarterly basis.

The updating of this document and Appendix B, the implementation schedule, will be responsibility of the chief financial officer, with the assistance of the internal auditor and needs to be reviewed at least once a year.

13. COMMUNICATION AND REPORTING

- Internal audit will on a monthly basis report to MPAC and the audit committee on the implementation and progress of the UIF&W strategy.
- MPAC and the Audit Committee will report on a quarterly basis to Council on progress against set targets.
- The accounting officer will on a quarterly basis assist the mayor on reporting on progress made as part of the section 52 of the MFMA quarterly budget report.
- Annual reporting will include the disclosures on UIF&W as required in terms of section 125 of the MFMA.
- Appendix B will assist with the monitoring and on reporting.

DOCUMENT CONTROL

Summary: This document describes the Unauthorised, Irregular, Fruitless & Wasteful Expenditure Strategy that will be applicable to Kannaland Municipality, with effect from 28 February 2022.

Municipal Manager

Mayor

Date

Date

APPENDIX A: REPORTING REQUIREMENTS

The following diagram provides guidance as to the reporting requirements regarding unauthorised, irregular, fruitless and wasteful expenditure once detected:

Unauthorised, irregular, fruitless and wasteful expenditure is brought to the attention of the Accounting Officer.



The Accounting Officer must immediately report in writing in terms of section 32(4)(a) and (b) of the MFMA, to the Executive Mayor, MEC for Local Government in the province and the Auditor-General.



The Accounting Officer must in terms of section 32(4)(c)(i)(ii) of the MFMA, implement steps to rectify or recover such expenditure and to prevent a recurrence of such expenditure.



The Accounting Officer must in terms of section 32(6)(a) and (b) of the MFMA, report to the South African Police Services all cases of alleged irregular expenditure that constitute a criminal offence and theft and fraud that occurred in the municipality.



The Accounting Officer tables unauthorised, irregular, fruitless and wasteful expenditure before the Council.



Council has the following responsibilities in terms of section 32(2)(a)(i)(ii) of the MFMA:

- 1) Authorise the expenditure in the adjustment budget.
- 2) Certify after investigation by a Council Committee that the expenditure is irrecoverable and approve the write off by the Council.
- 3) Recommend the recovery of the expenditure from the responsible person.



If unauthorised, irregular, fruitless and wasteful expenditure is not condoned the Accounting Officer must:

1. Take appropriate disciplinary steps as required in Section 62 (e) of the MFMA.
2. Recover the amount.



Unauthorised, irregular, fruitless and wasteful expenditure must be reported in the annual report (as a note to the annual financial statements) in terms of section 125(2)(d)(i)-(iii) of the MFMA.

APPENDIX B: UIF&W REDUCTION IMPLEMENTATION AND REPORTING SCHEDULE

See attached Excel document.

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