

SOL PLAATJE MUNICIPALITY



Unauthorised, irregular and fruitless and wasteful expenditure Policy

For adoption with the tabled Budget: 2020/21 MTREF

Date: 7 June 2022

Council Resolution: C74/06/22

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1. DEFINITIONS

In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act.

“financial statements”, in relation to municipality or municipal entity, means statements consisting of at least—

- (a) a statement of financial position;
- (b) a statement of financial performance;
- (c) a cash-flow statement;
- (d) any other statements that may be prescribed; and
- (e) any notes to these statements;

“financial year” means a year ending on 30 June;

“municipality” means Sol Plaatje Municipality (SPM)

Municipal Public Accounts Committee (MPAC) –is a committee of the municipal council, appointed in accordance with section 79 of the Structures Act and a council committee contemplated in section 32(2)(a)(ii) of the Act to investigate the recoverability of any unauthorised, irregular and fruitless and wasteful expenditure

“the Act” means the Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

“municipal council” or **“council”** means the council of a municipality referred to in section 18 of the Municipal Structures Act;

“fruitless and wasteful expenditure” means expenditure that was made in vain and 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 this Act, 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”;

“Official” means any person employed by the Sol Plaatje Municipality, be it in the capacity as a permanent official, temporary official, intern or contracted employee (in terms of Section 57 of the Municipal Systems

Act, Act 32 of 2000 or any other form of employment contract);

“overspending”

- (a) in relation to the budget of a municipality, means causing the operational or capital expenditure incurred by the municipality during a 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;

UIF&W Expenditure, acronym for Unauthorised, Irregular and Fruitless and wasteful Expenditure

“unauthorised expenditure”, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), 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” otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act;

“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 departments 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.

2. POLICY OBJECTIVE

The objective of this Policy is to provide:

- (a) A regulatory framework on the procedures to be followed when dealing with unauthorised, irregular and fruitless and wasteful expenditure,
- (b) The disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the Annual Financial Statements (AFS)
- (c) Prevent and curb unauthorised, irregular, fruitless and wasteful expenditure;
- (d) Identify and investigate unauthorised, irregular, fruitless and wasteful expenditure;
- (e) Respond appropriately in accordance with the law; and
- (f) To address instances of unauthorised, irregular, fruitless and wasteful expenditure conclusively.
- (g) To improve accountability and consequence management
- (h) To inform officials of the consequences of not complying with the relevant regulatory and legislative requirements

3. LEGISLATIVE FRAMEWORK

This policy is informed and based on the following legislative requirements:

- Municipal Finance Management Act, Act 56 of 2003
- Municipal Systems Act, Act 32 of 2000, and its regulations;
- Public Office-Bearers Act, Act 20 of 1998, and its regulations;
- Municipal Budget and Reporting Regulations (MBRR) GG 32141 of 17 April 2009
- Supply Chain Management Regulations
- Supply Chain Management Policy
- MFMA Circular No 62: Supply Chain Management: Enhancing compliance and accountability
- MFMA Circular 68 dealing with unauthorised, irregular, fruitless and wasteful expenditure
- MFMA Circular No. 76: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings
- MFMA Circular No 92: Municipal Public Accounts Committee (MPAC)
- Treasury Regulations as they apply to the municipality
- Municipal Public Accounts Committees (MPAC) – Guide and Toolkit
- Standard of Generally Recognised Accounting Practice – GRAP 3

4. SCOPE OF APPLICATION

This policy is applicable to Sol Plaatje Municipality and all its officials and councillors. This policy also provides guidelines and parameters for the SPM to identify the possible irregular, fruitless and wasteful expenditure and to ensure compliance with the requirements of the MFMA.

5. SECTION 32 OF THE MFMA

- (1) Without limiting liability in terms of the common law or other legislation
 - (a) a political office-bearer of a municipality is liable for unauthorised 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 unauthorised expenditure, instructed an official of the municipality to incur the expenditure;
 - (b) the accounting officer is liable for unauthorised expenditure deliberately or negligently incurred by the accounting officer, subject to subsection (3);
 - (c) any political office-bearer or official of a municipality who deliberately or negligently committed, made or authorised an irregular expenditure, is liable for that expenditure; or
 - (d) any political office-bearer or official of a municipality who deliberately or negligently made or authorised a fruitless and wasteful expenditure is liable for that expenditure.

- (2) A municipality must recover unauthorised, irregular or fruitless and wasteful 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 investigation by a council committee, as irrecoverable and written off by the council; and
 - (b) in the 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) 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 for any ensuing unauthorised, irregular or fruitless and wasteful expenditure 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.
- (4) The accounting officer must promptly inform the mayor, the MEC for local government in the province and the Auditor-General, in writing, of:
 - (a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;
 - (b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
 - (c) the steps that have been taken:
 - (i) to recover or rectify such expenditure; and
 - (ii) to prevent a recurrence of such expenditure.
- (5) The writing off in terms of subsection (2) of any unauthorised, irregular or fruitless and wasteful 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 relating to such unauthorised, irregular or fruitless and wasteful expenditure.
- (6) The accounting officer must report to the South African Police Service all cases of alleged—
 - (a) irregular expenditure that constitute a criminal offence; and
 - (b) theft and fraud and corruption that occurred in the municipality.
- (7) The council of a municipality must take all reasonable steps to ensure that all cases referred to in subsection (6) are reported to the South African Police Service if—
 - (a) the charge is against the accounting officer; or
 - (b) the accounting officer fails to comply with that subsection.
- (8) The Minister, acting with the concurrence of the Cabinet member responsible for local government, may regulate the application of this section by regulation in terms of section 168.

6. ROLE OF THE ACCOUNTING OFFICER

The Accounting Officer is responsible, amongst others, for the following –

- (1) Exercise all reasonable care to prevent and detect unauthorised, irregular and fruitless and wasteful expenditure and other losses and must for this purpose implement effective, efficient and transparent processes of financial and risk management;
- (2) Inform the Executive Mayor, Mayoral Committee and Council (in writing), as the case may be, if a decision is taken which, if implemented, is likely to result in unauthorised, irregular and fruitless and wasteful expenditure;
- (3) On discovery of any unauthorised, irregular and fruitless and wasteful expenditure to report promptly

(in writing), the particulars of the expenditure to the Executive Mayor; and Follow the prescribed processes to deal with unauthorised, irregular, fruitless and wasteful expenditure.

7. ROLES AND POWERS OF MPAC

1. As per the Municipal Public Accounts Committees (MPAC) – Guide and Toolkit these are the roles assigned to MPAC and central to the MPAC oversight are the matters to be dealt with when there are instances of either unauthorised, irregular, fruitless and wasteful expenditure identified.
2. To review and recommend to Council actions or otherwise relating to the expediting and conclusion of Unauthorised, Irregular Fruitless and Wasteful expenditure in terms of MFMA Sect 32.
3. To examine appropriate investigation reports, undertaken by others, such as the Internal Audit or Forensic reports, seek clarity from the Accounting Officer and recommend to Council further actions or write off in terms of MFMA Sect 32 (2).
4. The above to be dealt with consistently with criminal and disciplinary proceedings in terms of MFMA 32 (5) and MFMA Regulations for Financial Misconduct and Criminal Proceedings issued in terms of MFMA Sect 171-174.
5. Unforeseen and unavoidable expenditure – MPAC to receive information only on adjustment budget process (s29) to enable it to undertake its (MFMA sect 32) responsibilities
6. In the case of unauthorised, irregular, fruitless and wasteful expenditure or any matter of financial governance, MPAC has the right to call the accounting officer or other senior staff to provide information or clarity
7. The MPAC may request the support of both the Audit Committee and the internal audit unit. The Committee shall have permanent referral of documents relating to:
 - information relating to compliance in terms of sections 32 and 133 of MFMA;
 - information in respect of any disciplinary action taken in terms of the MFMA where it relates to an item that is currently serving or has served before the Committee;

8. PROCESS TO BE FOLLOWED IN CASES OF UIF&W EXPENDITURE

1. The Manager: Expenditure must record and maintain an Unauthorised, irregular and fruitless and wasteful expenditure register. It is the function of the Expenditure Section to identify any irregular expenditure incurred and report these prior to payment to the CFO to verify if the expenditure/payment is irregular and shall receive further instruction from the CFO.
2. The Expenditure section will report to National Treasury on quarterly basis for compliance purposes. The format of the register will be consistent with Annexure A of MFMA Circular 68 issued on 10 May 2013. This register must also be retained for purpose of internal and external audit.
3. For future development, when capturing payments, compulsory fields to be added on the relevant functions on the financial system to enable the generation of a report on Irregular and fruitless and wasteful expenditure of all transactions processed on the financial system.
4. Deal with impending overspending in terms of the approved Budget and virement Policy of the municipality.
5. Any unauthorised, irregular or fruitless and wasteful expenditure as defined must be promptly reported to the Chief Financial Officer who will initiate the process of dealing with the unauthorised, irregular or fruitless and wasteful expenditure.
6. Upon receiving a report of unauthorised, irregular or fruitless and wasteful expenditure, the Chief Financial Officer will advise, in writing, the Municipal Manager and the Chairperson of MPAC.
7. The MPAC will institute an investigation as contemplated in section 32 of the MFMA, and in particular,

determine the following –

- (a) Nature of the non-compliance (i.e. non-compliance with MFMA, MSA, Remuneration of Public Officer Bearer's Act, SCM policy);
- (b) Nature and reason for the unauthorised expenditure, irregular or fruitless and wasteful expenditure;
- (c) Whether the unauthorised, irregular or fruitless and wasteful expenditure was as a result of an instruction given, and if so, by whom. In addition, whether the Accounting Officer or official involved advised that such a decision would result in unauthorised, irregular or fruitless and wasteful expenditure;
- (d) Whether the irregular expenditure result from a minor breach in the procurement policy;
- (e) Whether the municipality suffered a financial loss;
- (f) Whether the Accounting Officer / official / public officer bearer acted deliberately, negligently, or grossly negligently;
- (g) Grounds shown as to why the unauthorised expenditure should be authorised
- (h) Whether the Accounting Officer can condone the non-compliance with the SCM policy as a minor breach;
- (i) Recommend to Council for write-off or recovery
- (j) Whether the non-compliance must be submitted to the National Treasury for condonation; and
- (k) Whether the non-compliance must be submitted to the Minister of Co- operative Governance and Traditional Affairs for condonation

8. Issues to be considered by council committee as per section 74 of the MBRR

- (1) A council committee contemplated in section 32(2)(a)(ii) of the Act to investigate the recoverability 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 municipal council for a final decision.
- (2) The municipal manager must provide all information required by the council committee referred to in sub-regulation (1), and any other information the council committee may require for the purpose of conducting a proper investigation.

9. UNFORESEEN AND UNAVOIDABLE EXPENDITURE

As prescribed in section 29 of the Act

(1) The mayor of a municipality may in emergency or other exceptional circumstances authorise unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.

(2) Any such expenditure—

- (a) must be in accordance with any framework that may be prescribed;
- (b) may not exceed a prescribed percentage of the approved annual budget;
- (c) must be reported by the mayor to the municipal council at its next meeting;
- (d) and must be appropriated in an adjustments budget.

(3) If such adjustments budget is not passed within 60 days after the expenditure was incurred, the expenditure is unauthorised and section 32 applies. Authorisation of unforeseen and unavoidable expenditure as per Section 71 of the MBRR:

(1) The mayor of a municipality may authorise expenditure in terms of section 29 of the Act only if

- (a) the expenditure could not have been foreseen at the time the annual budget of the municipality was passed; and
- (b) the delay that will be caused pending approval of an adjustments budget by the municipal council in terms of section 28(2)(c) of the Act to authorise the expenditure may -
 - (i) result in significant financial loss for the municipality;
 - (ii) cause a disruption or suspension, or a serious threat to the continuation, of a basic municipal service;
 - (iii) lead to loss of life or serious injury or significant damage to property; or
 - (iv) obstruct the municipality from instituting or defending legal proceedings on an urgent basis.

(2) The mayor of a municipality may not authorise expenditure in terms of section 29 of the Act if the expenditure -

- (a) was considered by the council, but not approved in the annual budget or an adjustments budget;
- (b) is required for -
 - (i) price increases of goods or services during the financial year;
 - (ii) new municipal services or functions during the financial year;
 - (iii) the extension of existing municipal services or functions during the financial year;
 - (iv) the appointment of personnel during the financial year; or
 - (v) allocating discretionary appropriations to any vote during the financial year; or
 - (vi) would contravene any existing council policy; or
 - (vii) is intended to ratify irregular or fruitless and wasteful expenditure.

(3) Monetary limits on unforeseen and unavoidable expenditure as per section 72 of the MBRR
The amount of expenditure that a mayor of a municipality may authorise in terms of section 29 of the Act is limited to -

- (a) R15 million in the case of a municipality with approved total revenue in its current annual budget greater than R500 million

10. DISCLOSURE OF UIF&W EXPENDITURE

As per MFMA section 125(2)(d), the notes to the financial statements of a municipality must include particulars of:

- (i) 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;
- (ii) any criminal or disciplinary steps taken as a result of such losses or such unauthorised, irregular or fruitless and wasteful expenditures; and
- (iii) any material losses recovered or written off

11. QUANTIFYING IRREGULAR AND FRUITLESS & WASTEFUL EXPENDITURE

1. The municipality must quantify the total amount of irregular and fruitless and wasteful expenditure unless it is impractical to do so.
2. In terms of GRAP 3, applying a requirement as impracticable is when the municipality cannot apply it after making every reasonable effort to do so. Insufficient time cannot be used as a justification for impracticability.
3. The municipality's exercise of quantifying the irregular and fruitless and wasteful expenditure must focus on the year under review.
4. However, if the non-compliance was identified on a multi-year contract that was identified in prior years, the irregular expenditure on that specific contract must be quantified from inception of the contract.
5. Furthermore, if the municipality was qualified on the completeness of irregular and fruitless and wasteful expenditure in the prior year(s), the municipality's exercise of quantifying the full extent of the irregular and fruitless and wasteful expenditure must date back to the year the qualification was reported, in order to ensure that the qualification is sufficiently addressed.
6. A municipality may only disclose impracticability after making every reasonable effort to quantify the full extent of the irregular and fruitless and wasteful expenditure.

12. RECOVERY OF UIF&W EXPENDITURE

1. All instances of unauthorised expenditure must be recovered from the liable official or political office-bearer, unless the unauthorised expenditure has been dealt with in terms of the approved Budget and virement Policy of the municipality that allows the accounting officer to make limited shifts of funds, or authorised in an adjustments budget in terms of section 32(2)(a)(i) of the MFMA or certified as irrecoverable by the council after an investigation by a council committee in terms of section 32(2)(a)(ii) of the MFMA.
2. Once it has been established who is liable for the unauthorised expenditure, the accounting officer must, in writing, request that the liable official or political office-bearer pay the full amount within 30 days or in reasonable instalments via a salary stop order.
3. If the person fails to comply with the request or defaults on any payments, the matter must be handed to the municipality's legal division for the recovery of the debt through the normal debt collection process.
4. Depending on the amount to be recovered and affordability, the minimum recovery period may not extend beyond the termination of employment.

5. All instances of irregular and fruitless and wasteful 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 written off by the council in terms of section 32(2)(b) of the MFMA.
6. Once it has been established who is liable for the irregular and fruitless and wasteful expenditure, the accounting officer must in writing request that the liable political office-bearer or official pay the full amount within 30 days or in reasonable instalments via a salary stop order. If the person fails to comply with the request or defaults on any payments, the matter must be recovered through the normal debt collection process of the municipality.
7. Depending on the amount to be recovered and affordability, the minimum recovery period may not extend beyond the termination of employment. The difference is that fruitless and wasteful expenditure can arise in any circumstance and is not dependent on non-compliance with any legislation.
8. Irregular expenditure resulting from breaches of the Public Office-Bearers Act is an exception in that the irregular expenditure must be recovered from the political office-bearer to whom it was paid, who might not have been responsible for making, permitting or authorising the irregular expenditure.
9. The municipality can also institute measures to recover money's paid from suppliers of assets, goods or services not received, as may be appropriate.

13. DISCIPLINARY AND CRIMINAL CHARGES FOR UIF&W EXPENDITURE

1. 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.
2. If the action of the person(s) liable falls within the ambit of the above description, then the council, mayor or accounting officer (as may be relevant) must institute disciplinary charges as follows:
 - (i) Financial misconduct in terms of section 171 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings: in the case of an official that deliberately or negligently:
 - contravened a provision of the MFMA which resulted in unauthorised, irregular, fruitless and wasteful expenditure; or
 - made, permitted or authorised an irregular expenditure (due to non-compliance with any of legislation mentioned in the definition of irregular expenditure);
 - (ii) *Breach of the Code of Conduct for Municipal Staff Members*: in the case of an official whose actions in making, permitting or authorising unauthorised, irregular, fruitless and wasteful expenditure constitute a breach of the Code; and
 - (iii) *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.

14. RELEVANT AUTHORITY FOR CONDONEMENT OF IRREGULAR EXPENDITURE

1. In terms of section 32(2)(b), irregular expenditure may only be written-off by Council if, after an investigation by a council committee, the irregular expenditure is certified as irrecoverable.
2. With reference to (a) as defined, - in terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. Municipal Councils therefore have no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its Regulations.
3. With reference to (b) as defined – there is no provision in the Municipal Systems Act that allows for a contravention of the Act to be condoned. Nevertheless, should a municipality wish to request that an act of non-compliance with any provision of the MSA be condoned, then the accounting officer should address the request to the Minister of Co-operative Governance and Traditional Affairs, who is responsible for administering the MSA.
4. With reference to (c) as defined – there is no provision to allow irregular expenditure resulting from a contravention of the Public Office-Bearers Act to be condoned. This is consistent with section 167(2) of the MFMA, which provides that such irregular expenditure cannot be written-off and must be recovered from the political office-bearer concerned.
5. With reference to (d) as defined – a council may condone a contravention of the council approved SCM policy or a by-law giving effect to such policy, provided that the contravention, is not also a contravention of the MFMA or the SCM regulations, in which case (a) applies and then only National Treasury can condone a contravention of the SCM regulations.

15. EXAMPLES OF UIF&W EXPENDITURE

The following examples are only guides and are not exhaustive.

1. Fruitless and wasteful expenditure

- i. Procuring of goods and services that are not beneficial to the municipality. Costs of goods and services which are in excess of what would have been the case have proper procedures been followed (not obtaining minimum 3 quotes as per the SCM policy thresholds, etc).
- ii. Renting of property when sufficient and appropriate unoccupied property is owned by the municipality.
- iii. Incurring car rental costs, when internal vehicles are available or when shuttle services are available at a cheaper cost.
- iv. Officials travelling to workshops etc, and each making use of their own vehicle or opting for a more expensive mode of travel and/or accommodation
- v. Procuring of devices, machinery and equipment, etc that will not be utilised optimally and technically becomes a “white elephant”.
- vi. Employing contract workers when there are adequate permanent staff available to do the work, exuberant costs on events, entertainment, farewell functions etc.
- vii. Incurring penalty and interest costs on late payment of accounts. Erroneous payments and not taking all reasonable steps to prevent or recover any such payments.

2. Irregular expenditure

- i. Irregular expenditure incurred as a result of users procuring goods or services by means other than through competitive bids and where reasons for deviating from inviting competitive bids as per SCM Regulation 36 have not been recorded, the deviation criteria not being met and approved by the accounting officer;
- ii. Not reporting deviations to Council as per SCM Regulation 36
- iii. Irregular expenditure incurred as a result of non-compliance with a requirement of the municipality's delegations of authority;
- iv. Irregular expenditure incurred due to it being in contravention of the municipality's supply chain management policy;
- v. Incurring expenditure that is not covered by any internal policy and/or Council resolution
- vi. Expenditure paid out to service providers who are in the service of state;
- vii. Irregular expenditure incurred as a result of non-compliance with a provision contained in any applicable legislation
- viii. Failing to comply with SCM Regulation 32 requirements when "piggybacking" on contracts secured by another organ of state
- ix. Extension of expired contracts and failure to follow section 116(3) processes when extending contracts
- x. Extension of scope of work or variation orders resulting in the contract value being exceeded (As per MFMA Circular No 62 Management of expansion or variation of orders against the original contract contracts may be expanded or varied by not more than 20% for construction related goods, services and/or infrastructure projects and 15% for all other goods and/or services of the original value of the contract.
- xi. Failure to comply with section 33 of the MFMA (Contracts having future budgetary implications) before entering into a contract of more than 3 years

3. Unauthorised expenditure:

- i. Procuring of goods and services that are not budgeted for;
- ii. Expenditure not in terms of the conditions of the grant allocation received from another sphere of government;
- iii. Overspending of the total amount appropriated in the municipality's approved operational and/or capital budget
- iv. Overspending of the total budget per Directorate/Vote
- v. Overspending of expenditure per type or category, for e.g overspending on the Council's total Repairs and maintenance or Employee costs budget

16. APPROVAL

The Unauthorised, irregular and fruitless and wasteful expenditure Policy has been approved by Council