

JOE MOROLONG LOCAL MUNICIPALITY



DRAFT UNAUTHORISED, IRREGULAR,FRUITLESS AND WASTEFUL EXPENDITURE POLICY

MUNICIPAL UNAUTHORISED, IRREGULAR,FRUITLESS AND WASTEFUL
EXPENDITURE POLICY
LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003

DEFINITIONS

The definitions provided in this policy are intended to assist in coherent expression and interpretation of this policy in order to ensure seamless implementation hereof.

Fruitless and wasteful expenditure: means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

Irregular expenditure: means expenditure incurred by the municipality in contravention of Municipal Finance Management Act, Municipal Systems Act, Public Office-Bearers Act, 1998 and which has not been dealt with in terms of section 170 of this Act.

Unauthorised expenditure: means any expenditure incurred by a municipality otherwise than in accordance the approved budget and includes overspending of the total amount appropriated in the municipality's approved budget; and (b) overspending of the total amount appropriated for a vote in the approved budget.

1. OBJECTIVES

The objective of this policy is to:

- provide for measures to identify unauthorised, irregular or fruitless and wasteful expenditure;
- provide for frameworks to avoid of any irregular expenditure or any fruitless and wasteful expenditure;
- provide for recovery of irregular expenditure or any fruitless and wasteful expenditure;
- to provide for reporting on any irregular expenditure or any fruitless and wasteful expenditure.

2. LEGISLATIVE CONTEXT

Section 32 of Municipal Finance Management Act, provides a framework for identification and dealing with unauthorised, irregular or fruitless and wasteful expenditure.

3. IDENTIFICATION OF UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

3.1 Unauthorised Expenditure

Any expenditure incurred by a municipality, for which no appropriation was made in terms of the approved budget, and / or in excess of the limits of the amount appropriated for in the municipality's approved budget or different votes in an approved budget, shall be regarded as unauthorised expenditure.

The mayor shall in emergency or other exceptional circumstances authorize unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.

Such expenditure shall not exceed thresholds as stipulated in the municipality's Budget and Reporting Policy; and must be reported by the mayor to the municipal council at its next meeting; and must be appropriated in an adjustments budget which must be passed within 60 days of after the expenditure was incurred.

If the adjustment budget in which the unforeseeable and unavoidable expenditure was appropriated is not passed within 60 days after the expenditure was incurred, such expenditure shall be regarded as unauthorised.

3.2 Irregular or Fruitless and Wasteful Expenditure

Fruitless and Wasteful Expenditure shall be any expenditure that is incurred for which no benefit is received by the municipality and would have been avoided had reasonable care been exercised.

4. TREATMENT OF UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

1. Where unauthorised, irregular or fruitless and wasteful expenditure is identified and discovered must be recorded in the appropriate register and the Municipal Manager or his/her delegate must immediately report in writing to the Mayor, MEC for Cooperative Governance and Traditional Affairs, the Provincial Treasury and the Auditor-General as follows:
 - i. any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;
 - ii. whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and

- iii. the steps that have been taken to recover or rectify such expenditure; and prevent a recurrence of such expenditure.
2. The Municipal Manager must take appropriate steps in terms of section 32(2) of Municipal Finance Management Act to recover the amount.
3. If the amount is irrecoverable, the Council may write-off debt in terms of Treasury regulations,
4. The amounts written off in terms of treasury regulations must be disclosed in the Annual Financial Statements of the municipality.
5. The register must be updated accordingly according to the various outcomes of the above processes.

5. CONSEQUENCES FOR IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

If the Municipal Manager becomes aware that the council, the mayor or the executive committee has taken a decision which, if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, the Municipal Manager is not liable for any ensuing unauthorised, irregular or fruitless and wasteful expenditure provided that the Municipal Manager 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.

The Municipal Manager is liable for unauthorised expenditure deliberately or negligently incurred by him/herself.

If a political office-bearer of the municipality knowingly or after having been advised by the Municipal Manager that the expenditure is likely to result in

unauthorised expenditure, instructed an official of the municipality to incur the expenditure; such political office-bearer is liable for the expenditure.

Any political office-bearer or official of a municipality who deliberately or negligently committed, made or authorised an irregular or fruitless and wasteful expenditure, is liable for that expenditure; or

6. ACCOUNTING ALLOCATION OF UNATHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

If the unauthorised, irregular and fruitless and wasteful expenditure is found to be recoverable from the responsible official in full or in part, a debt must be recorded on the accounting systems by way of journal entry.

The procedure for recording such journal entry shall be in accordance with the municipality's approved accounting journal entries policy.

In cases where the debt or part thereof become irrecoverable after the initial recognitions, such irrecoverable amount shall be written off by the Accounting Officer and an adjustment journal be passed against the debt in the accounting system.