



UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE POLICY

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1 ABBREVIATIONS/ACRONYMS

1.1 Except if otherwise stated in this policy, the following abbreviations or acronyms will represent the following words:

1.1.1.	CFO	-	Chief Financial Officer
1.1.2.	MBRR	-	Municipality Budget and Reporting Regulations
1.1.3.	MFMA	-	Local Government: Municipal Finance Management Act, No. 56 of 2003
1.1.4.	MIG	-	Municipal Infrastructure Grant
1.1.5.	MM or AO	-	Municipal Manager or Accounting Officer appointed in terms of section 54A of the MSA
1.1.6.	MSA	-	Local Government: Municipal Systems Act, No. 32 of 2000
1.1.7.	MSCMR	-	Municipal Supply Chain Management Regulations
1.1.8.	OM	-	Overstrand Local Municipality
1.1.9.	POLICY	-	Policy on unauthorised, irregular or fruitless and wasteful expenditure
1.1.10.	RPOBA	-	Remuneration of Public Office Bearers Act, No. 20 of 1998
1.1.11.	SAPS	-	South African Police Services
1.1.12.	SCM	-	Supply Chain Management
1.1.13.	SM	-	Directors appointed in terms of section 56 of the MSA
1.1.14.	Structures Act	-	Local Government: Municipal Structures Act, No. 117 of 1998

2 DEFINITIONS

Except if otherwise indicated:

“Councillor” means	member of the municipal council of OM.
“Financial Misconduct” means	any misappropriation, mismanagement, waste or theft of the finances of the OM, and also includes any form of financial misconduct specifically set out in sections 171 and 172 of the MFMA.
“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:	<ul style="list-style-type: none"> a) expenditure incurred by the OM 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 the OM in contravention of, or that is not in accordance with, a requirement of the MSA, and which has not been condoned in terms of this Act; c) expenditure incurred by the OM in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act;; d) expenditure incurred by the OM in contravention of, or that is not in accordance with, a requirement of the SCM policy of OM 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; or e) excludes expenditure by the OM which falls within the definition of “unauthorised expenditure”.
”Official”, in relation to OM, means:	<ul style="list-style-type: none"> a) an employee of OM; b) a person seconded to OM to work as a member of the staff of the OM; or c) a person contracted by OM to work as a member of the staff of the OM.
“Overspending” means:	a) in relation to the budget of the OM, 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;

	<p>b) In relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or</p> <p>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.</p>
“Political Office Bearer” in relation to a municipality, means-	<p>a) the Speaker, Executive Mayor, Deputy Executive Mayor, a member of the mayoral committee of the OM elected, designated or appointed in terms of a specific provision of the Structures Act; or</p> <p>b) a councillor referred to in section 57(1) of the MFMA;</p>
“Prohibited expenditure” in relation to this policy means	unauthorised, irregular, or fruitless and wasteful expenditure;
“Senior Manager”	has the meaning assigned to it in section 1 of the MFMA and in relation to SM.
“Unauthorised expenditure”, means:	<p>any expenditure incurred by the OM otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes-</p> <p>a) overspending of the total amount appropriated in the municipality's approved budget;</p> <p>b) overspending of the total amount appropriated for a vote in the approved budget;</p> <p>c) expenditure from a vote unrelated to the department or functional area covered by the vote;</p> <p>d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;</p> <p>e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of allocation in section 1 of the MFMA otherwise than in accordance with any conditions of the allocation; or</p> <p>f) a grant by OM otherwise than in accordance with the MFMA.</p>
“Vote” means:	<p>a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different directorates or functional areas of the municipality; and</p> <p>b) which specifies the total amount that is appropriated for the purposes of the directorate or functional area concerned.</p>

3 INTRODUCTION

3.1 In terms of section 62 of the MFMA, the accounting officer is responsible for managing the financial affairs of the OM and he/she must, for this purpose, inter alia:

3.1.1 Take all reasonable steps to ensure that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented; and

3.1.2 Ensure that disciplinary or, when appropriate, criminal proceedings are instituted against any official or councillor of OM who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.

3.2 This is to ensure the effective, efficient and transparent systems of financial, risk management and internal control.

4 OBJECTIVE

4.1 This document sets out OM's policy and procedures with regards to unauthorised, irregular or fruitless and wasteful expenditure.

4.2 This policy aims to ensure that, amongst other things:

4.2.1 Unauthorised, irregular or fruitless and wasteful expenditure is detected, processed, recorded, and reported in a timely manner;

- 4.2.2 Officials and councillors have a clear and comprehensive understanding of the procedures they must follow when addressing unauthorised, irregular or fruitless and wasteful expenditure;
- 4.2.3 OM's resources are managed in compliance with the MFMA, its regulations and other relevant legislation; and
- 4.2.4 All officials and councillors are aware of their responsibilities in respect of unauthorised, irregular or fruitless and wasteful expenditure.

5 ENABLING LEGISLATION

- 5.1 The following enabling legislation sets the precedent for the development of OM's Unauthorised, Irregular or Fruitless and Wasteful Expenditure Policy:
 - 5.1.1 The Constitution of the Republic of South Africa, 1996;
 - 5.1.2 The Local Government: Municipal Finance Management Act, No. 56 of 2003;
 - 5.1.3 The Remuneration of Public Office Bearers Act, No. 20 of 1998;
 - 5.1.4 The Local Government: Municipal Systems Act, No. 32 of 2000;
 - 5.1.5 Municipal Budget and Reporting Regulations;
 - 5.1.6 Municipal Supply Chain Management Regulations;
 - 5.1.7 Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings;
 - 5.1.8 The Local Government: Municipal Structures Act No. 117 of 1998;
 - 5.1.9 Any other legislation or regulation that may impact this policy.

6 APPLICATION OF THIS POLICY

- 6.1 This policy applies to all officials and councillors of OM.
- 6.2 This policy should be read in conjunction with the following:
 - 6.2.1 Delegations of Authority of the OM;
 - 6.2.2 Codes of Conduct for Municipal Staff Members and Councillors, as provided for in Schedules 1 and 2 of the MSA.
- 6.3 Officials and Councillors must ensure that all instances of unauthorised, irregular or fruitless and wasteful expenditure is prevented, detected and reported in a timely manner.

7 UNAUTHORISED EXPENDITURE

- 7.1 Overstrand Municipality may incur expenditure only in terms of an approved budget and within the limits of the amounts appropriated for the different votes in an approved budget.
- 7.2 Expenditure incurred within the ambit of OM's virement policy is not regarded as unauthorised expenditure.
- 7.3 Any expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, economic entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the MFMA is regarded as unauthorised expenditure and furthermore includes the following:
 - 7.3.1 Overspending of the total amount appropriated in the municipality's approved budget;
 - 7.3.2 Overspending of the total amount appropriated for a vote in the approved budget;
 - 7.3.3 Expenditure from a vote unrelated to the department or functional area covered by the vote;

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- 7.3.4 Expenditure of money that have been appropriated for a specific purpose, otherwise than for that specific purpose;
 - 7.3.5 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 the conditions of the allocation; or
 - 7.3.6 A grant by the Municipality otherwise in accordance with the MFMA, the indigent policy, bursary scheme, or the grants-in-aid policy;
 - 7.3.7 Unforeseen and unavoidable expenditure not authorised within an adjustments budget within 60 days after the expenditure was incurred; and
 - 7.3.8 Any overspending on non-cash items, for example depreciation, impairments, provisions.
- 7.4 Expenditure that is **NOT** classified as unauthorised expenditure
- 7.4.1 Given the definition of unauthorised expenditure, the following are examples of expenditure that are NOT unauthorised expenditure:
 - 7.4.1.1 Any over-collection on the revenue side of the budget as this is not an expenditure; and
 - 7.4.1.2 Any expenditure incurred in respect of:
 - 7.4.1.2.1 re-allocation of funds and the use of such funds in accordance with a council approved virement policy;
 - 7.4.1.2.2 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
 - 7.4.1.2.3 overspending of a municipal vote on the main budget Table A5 (Budgeted Capital Expenditure by vote, standard classification and funding) so long as it does not result in overspending of an amount allocated by standard classification on the main budget Table A5.
 - 7.4.2 Money withdrawn from a bank account under the following circumstances, without appropriation, in terms of an approved budget, is not regarded as unauthorised expenditure:
 - 7.4.2.1 To defray expenditure authorised in terms of section 26 (4) of the MFMA;
 - 7.4.2.2 To defray unforeseen / unavoidable expenditure circumstances strictly in accordance with Section 29 (1) of the MFMA failing which the unforeseen / unavoidable expenditure is unauthorised;
 - 7.4.2.3 Re-allocation of funds and the use of such funds in accordance with a council approved virement policy;
 - 7.4.2.4 Expenditure incurred from a special fund for relief, charitable or trust purposes provided of course that it is done strictly in accordance with Section 12 of the MFMA;
 - 7.4.2.5 To pay over to a person or organ of state money received by the OM on behalf of that person or organ of state, including—
 - 7.4.2.6 money collected by the OM on behalf of that person or organ of state by agreement; or
 - 7.4.2.7 any insurance or other payments received by the OM for that person or organ of state;
 - 7.4.2.8 To refund money incorrectly paid into a bank account;

- 7.4.2.9 To refund guarantees, sureties and security deposits;
- 7.4.2.10 For cash management and investment purposes in accordance with section 13; and
- 7.4.2.11 To defray increased expenditure in terms of section 31.

8 IRREGULAR EXPENDITURE

8.1 Irregular expenditure, in relation to a municipality means-

- 8.1.1 Expenditure incurred by a municipality in contravention of, or that is not in accordance with a requirement of the MFMA and that has not been condoned in terms of section 170;
- 8.1.2 Expenditure incurred by a municipality in contravention of, or that is not in accordance with a requirement of the MSA and that has not been condoned in terms of that Act;
- 8.1.3 Expenditure incurred by a municipality in contravention of, or that is not in accordance with a requirement of the RPOBA; or
- 8.1.4 Expenditure incurred by a municipality in contravention of, or that is not in accordance with a requirement of the supply chain management policy of the municipality 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"

8.2 Examples of irregular expenditure include, but are not limited to:

- 8.2.1 Procuring goods and/or services without obtaining an official order prior to the receipt of the goods and/or services;
- 8.2.2 Procuring goods and/or services without following the official procurement processes;
- 8.2.3 Procuring goods and/or services without advertising for the requisite number of numbers;
- 8.2.4 Procuring goods and/or services without obtaining a valid tax clearance certificate;
- 8.2.5 Procuring goods and/or services in an emergency without the timely application of a deviation in terms of clause 36 of the SCM policy.

8.3 In terms of section 32(2)(b) of the MFMA, irregular expenditure may only be written-off by Council if, after an investigation by a council committee, the irregular expenditure is certified as irrecoverable. In other words writing-off is not a primary response, it is subordinate to the recovery processes, and may only take place if the irregular expenditure is certified by Council as irrecoverable, based on the findings of an investigation.

8.4 With reference to Irregular Expenditure as defined in paragraph 2 above:

- 8.4.1 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. The Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations. The treatment of expenditure associated with the non-compliance is therefore the responsibility of the Council and is elaborated on in paragraph 15.
- 8.4.2 There is no provision in the MSA that allows for a contravention of the Act to be condoned. Nevertheless, should the OM wish to request that an act of non-compliance with any provision of the MSA be condoned, then the AO must address the request to the Minister of Co-operative Governance, who is responsible for administering the MSA.

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The resultant expenditure must however be dealt with in terms of section 32(2) of the MFMA.

- 8.4.3 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.
- 8.4.4 The OM may condone a contravention of the council approved SCM policy, provided that the contravention is not also a contravention of the MFMA or the SCM regulations, in which case paragraph 8.4.1 applies and then only National Treasury can condone a contravention of the SCM regulations.

9 FRUITLESS AND WASTEFUL EXPENDITURE

- 9.1 The concept of fruitless and wasteful expenditure is founded on public administration and accountability principles, to promote “efficient, economic and effective use of resources and the attainment of value for money”. The idea is also founded on the fact that the council, the mayor and the accounting officer have a fiduciary responsibility to ensure that municipal resources are used in the best interests of the municipality and the local community.
- 9.2 In this context ‘expenditure’ refers broadly to processes that must be followed, transactions with service providers or suppliers and the use of other resources belonging to the municipality. 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.
- 9.3 In determining whether expenditure is fruitless and wasteful, officials and councillors must apply the requirement of reasonable care as an objective measurement to determine whether or not a particular expenditure was fruitless and wasteful, that is-
- 9.3.1 Would the average man (in this case the average experienced official or councillor) have incurred the particular expenditure under exactly the same conditions or circumstances? and
- 9.3.2 Is the expenditure being incurred at the right price, right quality, right time and right quantity?
- 9.4 An expense is only fruitless and wasteful in terms of this policy if:
- 9.4.1 If was made in vain (meaning that the municipality did not receive value for money) and;
- 9.4.2 And would have been avoided had reasonable care been exercised (meaning that the official or councillor concerned deliberately or negligently caused the expenditure to be incurred by the municipality, furthermore, another official or councillor under the same circumstances would have been able to avoid incurring the expenditure.
- 9.5 Fruitless and wasteful expenditure includes but is not limited to; interest on late payment, fines and penalties.

10 REPORTING ON UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

- 10.1 Reporting of unauthorised, irregular or fruitless and wasteful expenditure must be done at the appropriate level, as follows:
- 10.1.1 a Councillor of the OM, must be reported to the Speaker of the Council;
- 10.1.2 the MM and Speaker, must be reported to the Executive Mayor;
- 10.1.3 all other municipal officials, must be reported to the MM;
- 10.2 All reports made by officials and councillors must be treated with the utmost confidentiality.

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- 10.3 The MM must promptly inform the Executive Mayor, the Provincial Minister for Local Government and the Auditor-General, in writing:
- 10.3.1 of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;
 - 10.3.2 whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
 - 10.3.3 the steps that have been taken to:
 - 10.3.3.1 recover or rectify such expenditure; and
 - 10.3.3.2 prevent a recurrence of such expenditure.
- 10.4 All expenditure classified as unauthorised, irregular or fruitless and wasteful expenditure must be reported to:
- 10.4.1 The MM as AO on a quarterly basis;
 - 10.4.2 The Council on a quarterly basis; and
- 10.5 In accounting for unauthorised, irregular or fruitless and wasteful expenditure, the MM or delegated officials (as may be relevant) must ensure that all such expenditure is disclosed in the annual financial statements as required by the MFMA.

11 MAINTAINING OF REGISTERS FOR UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

- 11.1 The OM must maintain registers of all incidents of unauthorised, irregular or fruitless and wasteful expenditure of which:
- 11.1.1 The unauthorised and irregular expenditure register will be maintained by the CFO; and
 - 11.1.2 The fruitless and wasteful expenditure register will be maintained by the Department: Council Support Services.

12 INVESTIGATION OF UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

- 12.1 On receiving a report in terms of regulation 3(1) of the Municipal regulations on financial misconduct procedures and criminal proceedings, if the municipal council, or accounting officer of the municipality is satisfied that there is reasonable cause to believe that an act of financial misconduct has been committed, it must within seven days refer to the matter to the disciplinary board to conduct a preliminary investigation into the allegation as envisaged in section 171(4)(a) of the MFMA.
- 12.2 A disciplinary board must conduct a preliminary investigation to determine whether or not the allegation is founded and make a recommendation to the council as to whether sufficient grounds exists to warrant a full investigation into the allegation. If during the preliminary investigation, the disciplinary board determines that the allegation is frivolous, vexatious, speculative or obviously unfounded, the investigation must be terminated.
- 12.3 If the disciplinary board determines that the allegation is founded, a full investigation must be conducted by-
- 12.3.1 the disciplinary board
 - 12.3.2 the Provincial Treasury or the National Treasury, but only if the conditions in regulation 19 apply.
- 12.4 After completion of a full investigation, the investigator must-
- 12.4.1 compile a report on the investigation

- 12.4.2 submit its report to the mayor and the accounting officer together with its findings and recommendations, if applicable, regarding disciplinary steps that should be taken against alleged transgressor; and
- 12.4.3 immediately inform the speaker of the council of the submission of the report referred to in sub-clause (b), and also submit a copy of the report to the Provincial Treasury and the National Treasury.

13 DISCIPLINARY AND CRIMINAL CHARGES FOR UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

- 13.1 After having followed a proper investigation, as per paragraph 12 above:
 - 13.1.1 In relation to an official, the MM or delegated official must table the report referred to in 12.5.2 above;
 - 13.1.2 In relation to a councillor, the Speaker or Mayor must table the report referred to in 12.5.2 above.
- 13.2 If a *prima facie* case has been established then the Executive Mayor, Speaker, MM or delegated official (as may be relevant) must institute disciplinary action as follows:
 - 13.2.1 For financial misconduct in terms of section 171 of the MFMA: in the case of an official that deliberately or negligently:
 - 13.2.1.1 contravened a provision of the MFMA which resulted in prohibited expenditure; or
 - 13.2.1.2 made, permitted or instructed another official to make an unauthorised, irregular or fruitless and wasteful expenditure.
 - 13.2.2 For a breach of the Code of Conduct for Municipal Staff Members in the case of an official whose actions in making, permitting or authorising a prohibited expenditure constitute a breach of the Code; and
 - 13.2.3 For a breach of the Code of Conduct for Councillors in the case of a Councillor, whose actions in making, permitting or authorising a prohibited expenditure constitute a breach of the Code. This would also include instances where a councillor knowingly voted in favour of or agreed with a resolution passed by Council, that contravened legislation resulting in prohibited expenditure when implemented, or where the Councillor improperly interfered in the management or administration of the municipality.
- 13.3 The Executive Mayor, Speaker, MM or delegated official (as may be relevant) must promptly report, to the SAPS all cases of alleged:
 - 13.3.1 Prohibited expenditure that constitutes a criminal offense; and
 - 13.3.2 Theft and fraud that occurred in the OM.

14 RECOVERY OF UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

- 14.1 The MM or delegated official must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure:
 - 14.1.1 in the case of unauthorised expenditure, is
 - 14.1.1.1 authorised in an adjustment budget; OR
 - 14.1.1.2 certified by the Council, after investigation by the Municipal Public Accounts Committee, as irrecoverable and is written off by Council; and
 - 14.1.2 in the case of irregular or fruitless and wasteful expenditure, after investigation by Municipal Public Accounts Committee, is certified by Council as irrecoverable and written off by Council.

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- 14.2 Irregular expenditures resulting from breaches of the RPOBA must be recovered from the Councillor to whom it was paid.
- 14.3 Once it has been established who is liable for the unauthorised, irregular or fruitless and wasteful expenditure through a disciplinary process, the MM must in writing request that the liable Councillor or official pay the amount within 30 days or as per an agreed written arrangement.
- 14.4 If the official or councillor fails to make satisfactory payment arrangements or fails to honour payment arrangements made, the amount owed for prohibited expenditure must be recovered through the normal debt collection process of the municipality.

15 PROTECTION OF OFFICIALS OR COUNCILLORS WHO HAVE REPORTED UNAUTHORIZED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

- 15.1 If any official or councillor who has complied with this policy and as a result thereof has been subjected to intimidation, victimisation or threats, such official or councillor should immediately report such threats, victimisation or intimidation immediately to the MM, Speaker or Executive Mayor as the case may be.
- 15.2 The MM, Executive Mayor or Speaker must immediately take appropriate action to ensure the protection of the official or councillor after receiving the above report.
- 15.3 Where the nature of the threats warrants such action, the threats should be reported to the SAPS by the official with the assistance of the MM, Executive Mayor or Speaker, as the case may be.

16 GUIDANCE TO BE IMPLEMENTED TO IMPROVE THE INTERNAL CONTROL ENVIRONMENT**GUIDANCE ONE – IMPROVING THE CONTROL ENVIRONMENT – PREVENTATIVE CONTROLS**

CONTROL	ACTION	TIMELINE	OWNER
1. Effective leadership is provided based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the interests of the entity	<ul style="list-style-type: none"> - Ensure that all SCM officials have signed the Code of Conduct - Implement Disciplinary or necessary action against staff who breached the code of conduct. 	31 July of each year Ongoing as required	Divisional Manager: SCM SCM Managers
2. The municipality implements effective human resources management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored, which should include implementing effective consequences against officials who fail to comply with applicable legislation, continuously underperform or are negligent, as well as against those whose actions and decisions cause financial losses	<ul style="list-style-type: none"> - Review the SCM Organogram to ensure compliance and efficiency - Ensure all SCM staff have signed their job descriptions that reflect assigned tasks and delegations 	31 May 2025 31 May 2025	Divisional Manager: SCM SCM Managers

8. Review and monitor compliance with applicable laws and regulations	- Ensure all SCM compliance and possible abuse of SCM Policy is reported monthly	Immediate & Ongoing	Divisional Manager: SCM SCM Managers
9. Implement appropriate risk management activities to ensure that regular risk assessments, including consideration of IT risk and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored	- Conduct annual Risk Assessment of SCM system, procedures, and processes - Update SCM areas in Risk registers - Review SCM risks in Fraud prevention plan annually	by 30 June of each year by 30 June of each year by 30 June of each year	Divisional Manager: SCM SCM Managers Chief Risk Officer
10. There is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively	- Ensure SCM findings raised by internal and external audit are addressed.	by 30 June of each year	Divisional Manager: SCM SCM Managers
11. The audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations	- Ensure Internal audit reports on SCM to the AC covers the compliance with laws & regulations and internal controls	31 December of each year	Chief Audit Executive SCM Managers

GUIDANCE TWO – PROCUREMENT AND CONTRACT MANAGEMENT – SUGGESTED PREVENTATIVE CONTROLS

CONTROL	ACTION	TIMELINE	OWNER
1. Implementation of demand management and the utilisation of procurement plan goods, service, or infrastructure projects in a proactive manner (to get the right price and at the right location, and that the quantity and quality satisfy the needs of the municipality) instead of merely reacting to purchasing requests	- Develop a Draft procurement plan to be tabled with Draft Budget - Develop a Final Procurement plan to be tabled with Final Budget - Report adherence & deviations to procurement plan monthly - Report contracts; contract extensions and	31 March each year 31 May each year Monthly	Divisional Manager: SCM SCM Managers

	variations that should but did not go through a competitive process	Immediate & Ongoing	
2. An effective system of acquisition management to ensure that: • the municipality procures typical goods and services following authorised processes and different threshold values only; • expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act; • quotes are evaluated following the preference point system as prescribed by the PPPF Act; • bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation.	<ul style="list-style-type: none"> - Ensure that SOP's are adhered to for procurement thresholds and report variances - Ensure Budget Manager / Official signs to confirm correct and available budget; - Monitor correct BBBEE / preferential points allocation; - Ensure continuous controls over evaluation for bid compliance. 	<p>Immediate & Ongoing</p> <p>Daily</p> <p>Ongoing</p> <p>Ongoing</p>	<p>Divisional Manager: SCM</p> <p>SCM Managers</p>
3. Appropriate measures are in place and operating effectively where competitive bidding was not followed: • This was done only under the following circumstances: - i) in an emergency - where immediate action is necessary; ii) if goods or services are produced or available from a sole provider; iii) for the acquisition of special works of art or historical objects; iv) acquisition of animals for zoos; or iv) in any other exceptional case where it is impractical or impossible to follow the official procurement process. • The deviation from inviting competitive bids was recorded and approved by the accounting officer or delegated official, was reported to the next council/ board meeting, was disclosed in the notes to the annual financial statements is not indicative of fraud.	<ul style="list-style-type: none"> - Develop a SOP for deviations. - Ensure that all deviations are processed as per the SOP. - Ensure deviations are reported to the next Council (Section 80) meeting and in the Annual Financial Statements. 	<p>30 April</p> <p>Immediate & Ongoing</p> <p>Immediate & Ongoing</p>	<p>Divisional Manager: SCM</p> <p>SCM Managers</p>
4. The utilisation of a list of accredited prospective providers or, if not from the list, the providers meet the listing criteria in the SCM policy	<ul style="list-style-type: none"> - Ensure procurement is only done from registered Service Providers 	<p>Immediate & Ongoing</p>	<p>Divisional Manager: SCM</p> <p>SCM Managers</p>
5. Proper committee systems exist, and bid documentation is maintained in a manner that is complete, appropriate and accurate	<ul style="list-style-type: none"> - Ensure all Bid attendance registers Agenda & minutes are signed and filed accordingly 	<p>Immediate & Ongoing</p>	<p>Divisional Manager: SCM</p> <p>SCM Managers</p>

<p>6. Effective measures are implemented to ensure that construction contracts are awarded following the applicable SCM and CIDB legislation</p>	<p>- Ensure that Construction and similar contracts as prescribed by CIDB include the correct CIDB criteria and is advertised on CIDB and correct platforms</p>	<p>Immediate & Ongoing</p>	<p>Divisional Manager: SCM SCM Managers</p>
<p>7. Proper mechanisms, controls and safeguards are in place to manage conflict of interest, as it relates to:</p> <ul style="list-style-type: none"> • declarations of interests by SCM officials and role players recorded in a register kept by the accounting officer; • declarations by SCM officials or other role players of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person; • declarations by council members (including the mayor) of their financial interest. • controls for staff members to declare their benefits to the council where a staff member, or his/her spouse, partner business associate or close family member, acquired or stands to acquire any direct benefit from a contract concluded with the municipality. 	<p>- Ensure all SCM staff sign declarations of interests by 01 July each year</p> <p>- Ensure all Directors and MM disclose their interests by 01 July</p> <p>- Ensure all other staff complete declarations upon entry to the institution</p> <p>- HR to send an annual reminder to all staff to update their declarations of interest</p> <p>- Continuously request MBD declarations from service providers and not less than once per year</p>	<p>01 July each year</p> <p>01 July each year</p> <p>Ongoing</p> <p>by 31 May each year</p> <p>Ongoing</p>	<p>Divisional Manager: SCM SCM Managers</p> <p>Divisional Manager: HR</p>
<p>8. Utilising effective contract management ensures that the extension, expansion, or variation of a contract is justifiable and not indicative of the circumvention of SCM processes.</p>	<p>- send 7-month reminder before contract expiry</p>	<p>Ongoing</p>	<p>Divisional Manager: SCM SCM Managers</p>
<p>9. All fruitless and wasteful expenditure identified (whether by the municipality or through the audit process) are disclosed in the municipality's financial statements, together with the relevant details of the non-compliance.</p>	<p>- disclose all F&W expenditure in the AFS</p>	<p>31 August each year</p>	<p>Divisional Manager: SCM SCM Managers</p>

GUIDANCE THREE – CONSEQUENCE MANAGEMENT – SUGGESTED PREVENTATIVE CONTROLS

CONTROL	ACTION	TIMELINE	OWNER
1. There should be consequences for transgressions, a lack of action and poor performance. Consequences should be instituted against officials who fail to comply with applicable legislation, continuously underperform or are negligent, and against those whose actions and decisions cause financial losses.	<ul style="list-style-type: none"> - Ensure policies on UIF&W are approved by Council - Circulate approved policy to all users - Ensure All Managers, Directors and SCM staff are aware of policy contents and consequences of UIF&W and poor performance 	<p>30 June</p> <p>31 May</p> <p>31 December</p>	<p>Municipal Manager</p> <p>Section 56 Managers</p> <p>Divisional Manager: SCM</p> <p>Divisional Manager: HR</p>
2. Historical irregular expenditure is dealt with expeditiously by the municipal public accounts committee.	- Ensure UIF&W investigation reports are tabled to MPAC at least Quarterly	Every quarter as per calendar of meetings	<p>Municipal Manager</p> <p>Section 56 Managers</p>

UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE POLICY

17 STRATEGIES TO BE IMPLEMENTED TO REDUCE UIF&W INCREMENTAL TARGETS

1. To eliminate Irregular Expenditure by 100% of the 2021/22 baseline by 2026.
2. To eliminate Fruitless & Wasteful Expenditure by 100% of the 2021/22 baseline by 2026.
3. To eliminate Unauthorised Expenditure by 100% of the 2021/22 baseline by 2026.

The above goals will be broken down into the following annual targets and where targets were missed in prior years, additional efforts must be exerted to catch-up to the current financial year target:

Outcome	Outcome Indicators	Baseline	Incremental Target			Main Target
			2022-23	2023-24	2024-25	2025-26
Sound Financial controls and management of public finances.	Percentage reduction of irregular expenditure	2021/22 Audited AFS baseline of R110,946	5% elimination of irregular expenditure incrementally from the baseline of 2021/22 by 2023 R534,119 target not met	15% elimination of irregular expenditure incrementally from the baseline of 2021/22 by 2024 R3,836,366 Target not met	50% elimination of irregular expenditure incrementally from the baseline of 2021/22 by 2025	100% elimination of irregular expenditure incrementally from the baseline of 2021/22 by 2026
	Percentage reduction of fruitless & wasteful expenditure	2021/22 Audited AFS baseline of R27,394	50% elimination of fruitless & wasteful expenditure incrementally from the baseline of 2021/22 by 2023 R4,748 Target met	75% elimination of fruitless & wasteful expenditure incrementally from the baseline of 2021/22 by 2024 R0 Target met	90% elimination of fruitless & wasteful expenditure incrementally from the baseline of 2021/22 by 2025	100% elimination of fruitless & wasteful expenditure incrementally from the baseline of 2021/22 by 2026
	Percentage reduction of unauthorised expenditure	2021/22 Audited AFS baseline of R14,108,285	5% elimination of unauthorised expenditure incrementally from the baseline of 2021/22 by 2023 R26,061,573 Target not met	15% elimination of unauthorised expenditure incrementally from the baseline of 2021/22 by 2024 R0 Target met	50% elimination of unauthorised expenditure incrementally from the baseline of 2021/22 by 2025	100% elimination of unauthorised expenditure incrementally from the baseline of 2021/22 by 2026

UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE POLICY

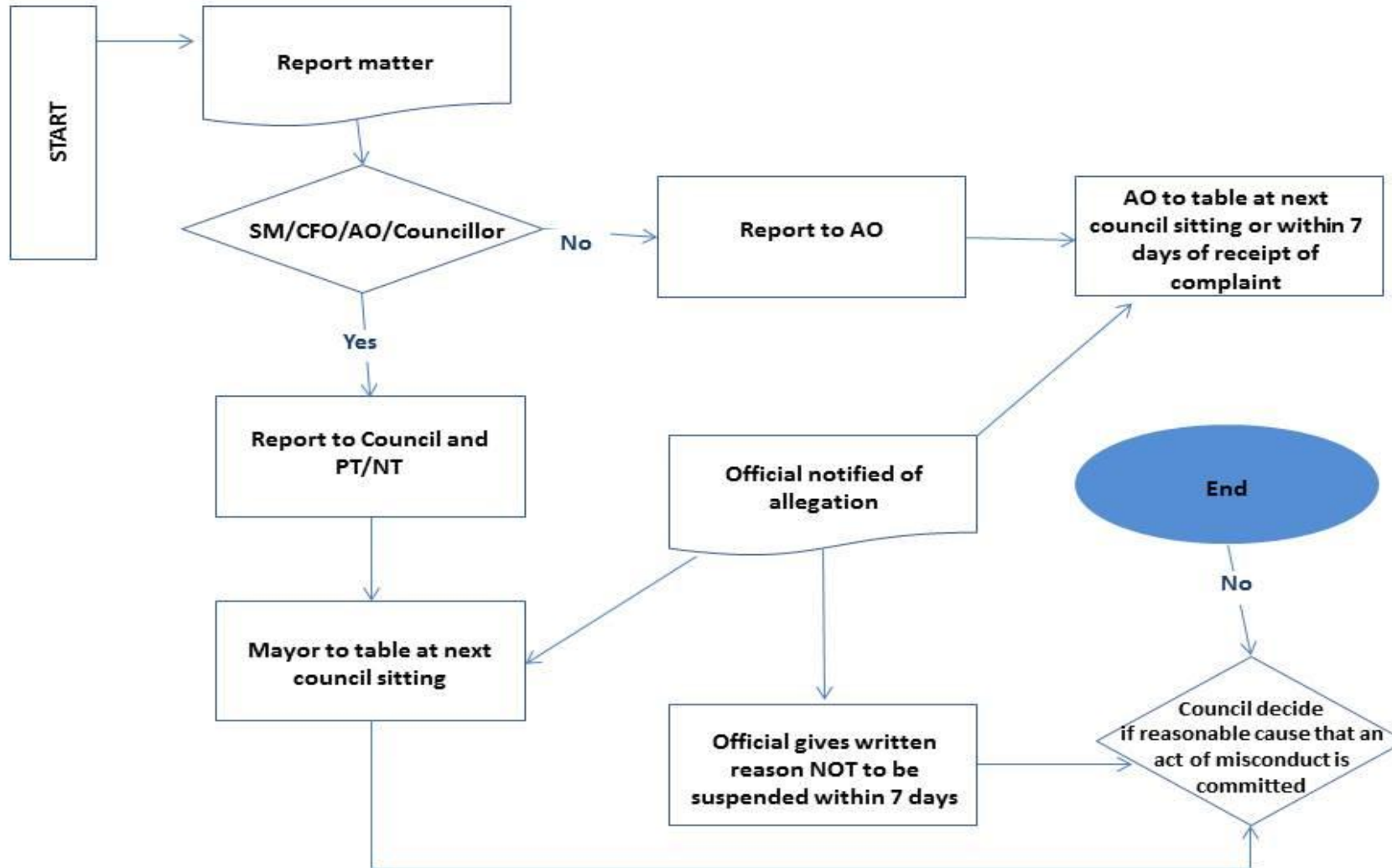
18 SHORT TITLE AND COMMENCEMENT

This policy is called the Overstrand Municipality's Unauthorised, Irregular or Fruitless and Wasteful Expenditure Policy.

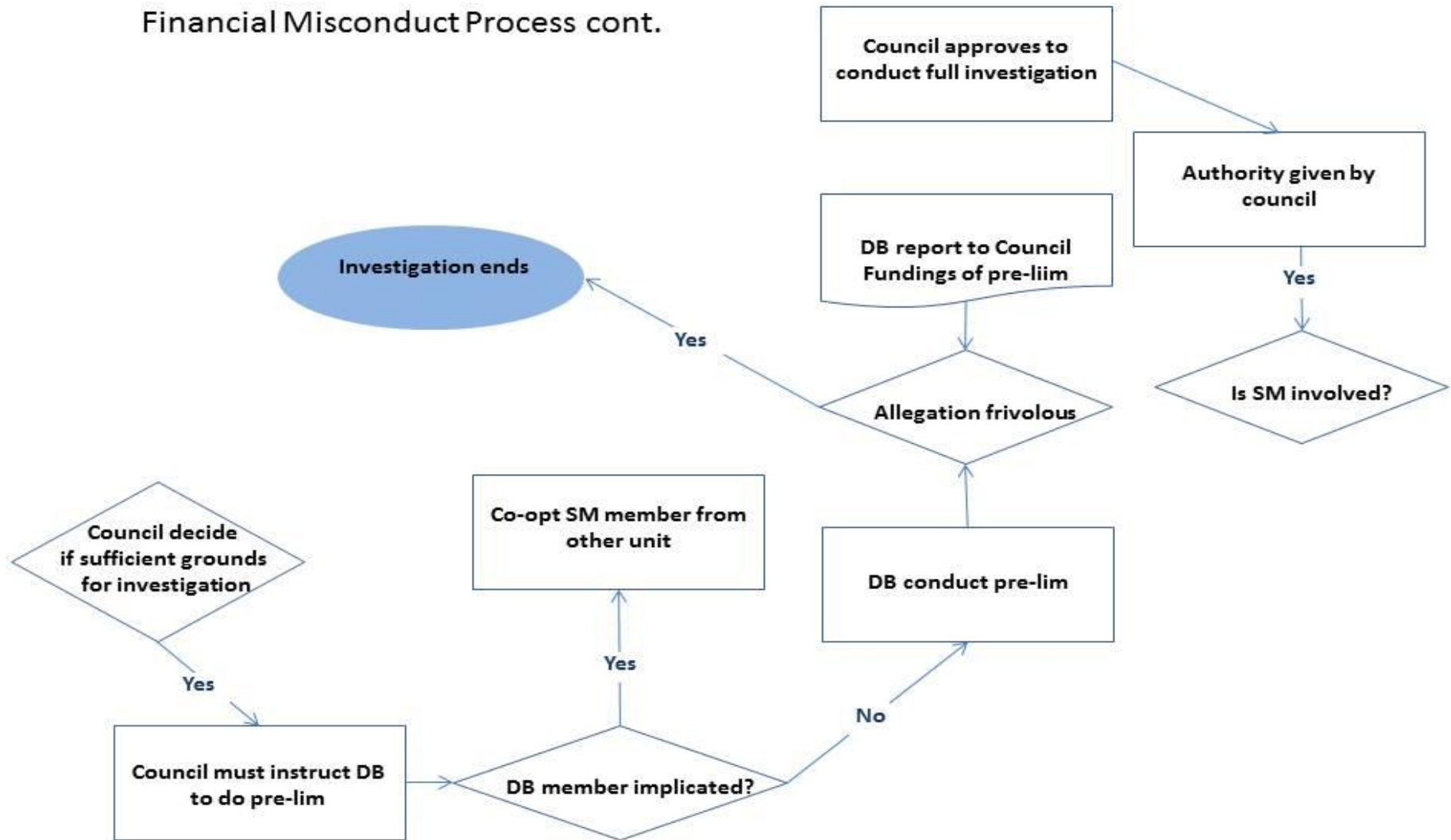
This policy will come into effect on **1 July 2025** and will be reviewed at least annually by way of a Council resolution.

POLICY SECTION:	DIVISIONAL MANAGER: SUPPLY CHAIN MANAGEMENT
CURRENT UPDATE	29 MAY 2025
PREVIOUS REVIEW:	31 MAY 2024
PREVIOUS REVIEW:	31 MAY 2023
PREVIOUS REVIEW:	31 MAY 2022
PREVIOUS REVIEW:	27 MAY 2020
PREVIOUS REVIEW:	29 MAY 2019
APPROVAL BY COUNCIL	30 MAY 2018

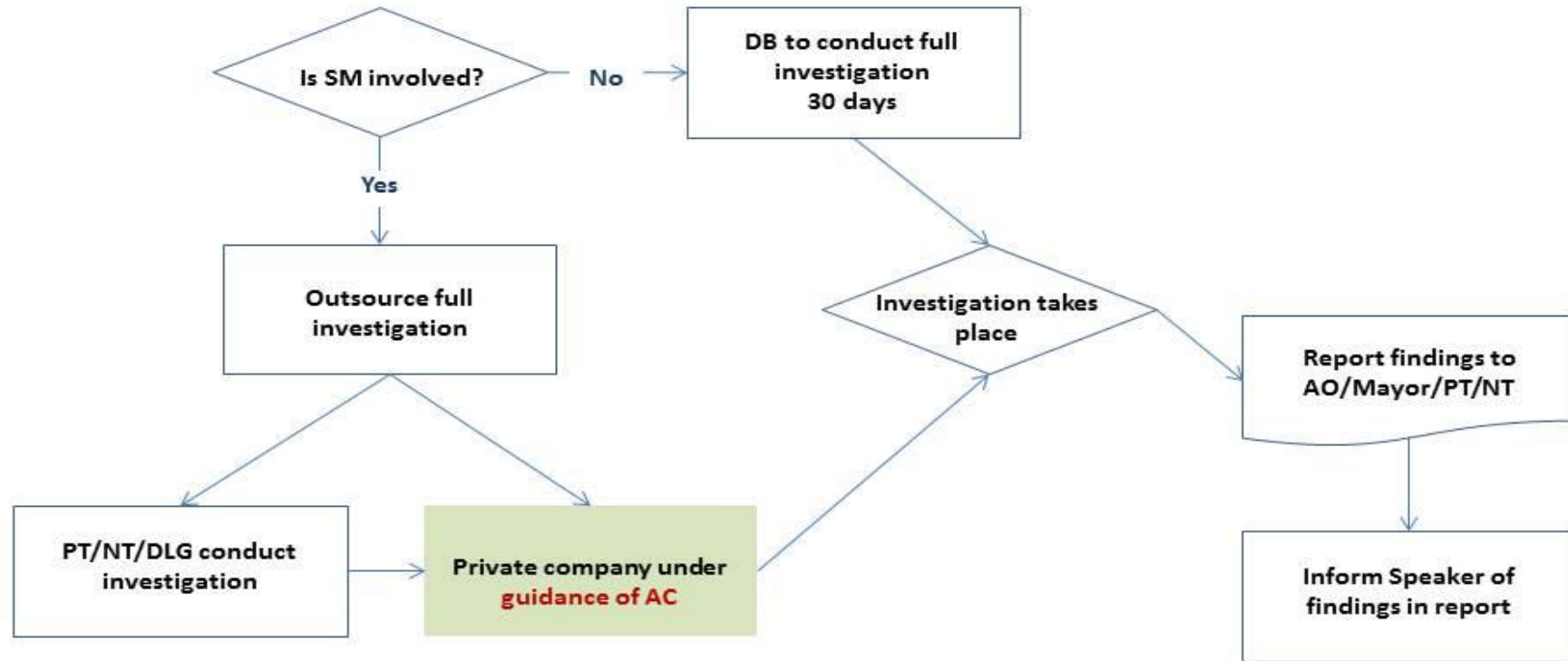
Financial Misconduct Process



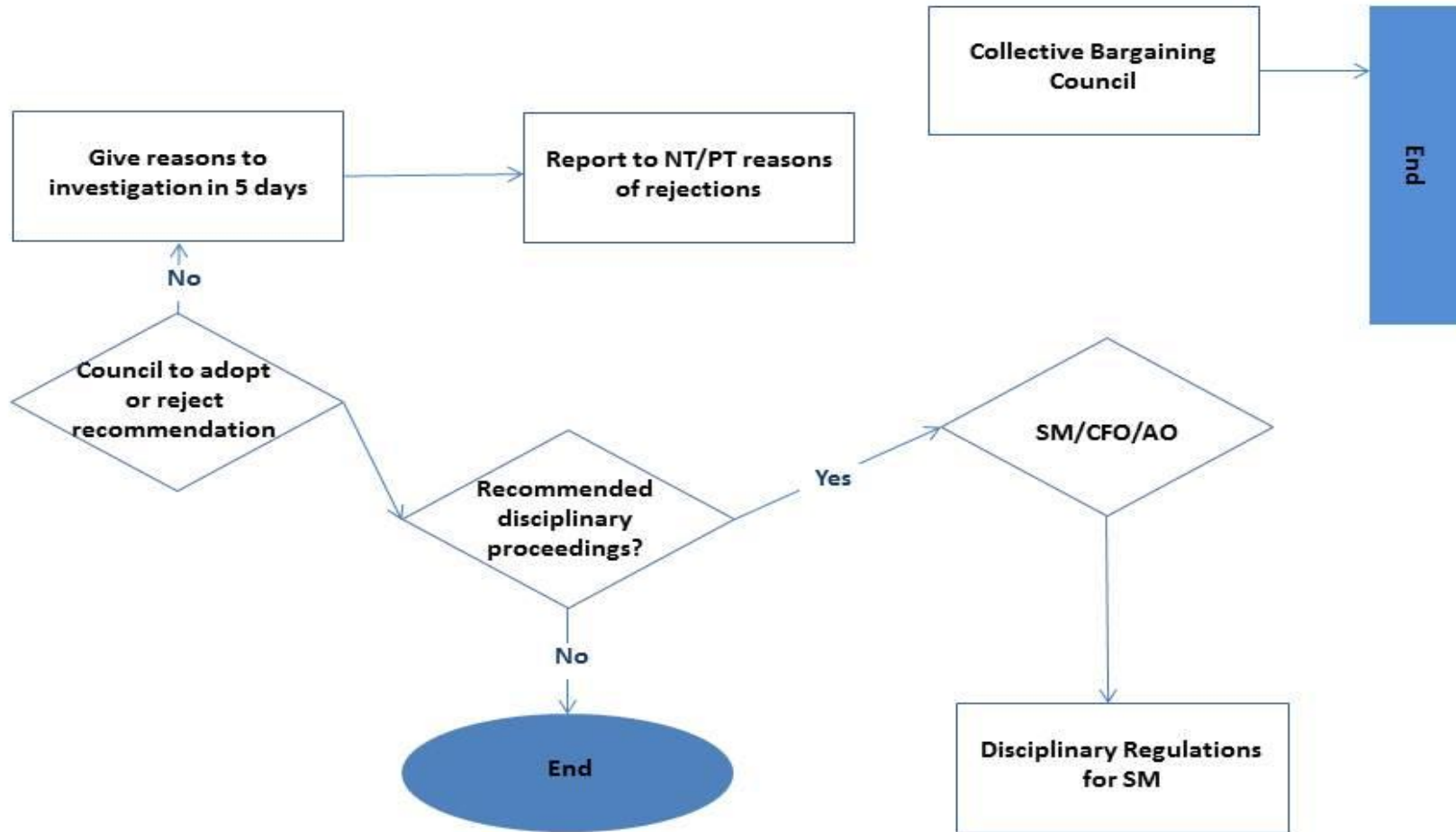
Financial Misconduct Process cont.



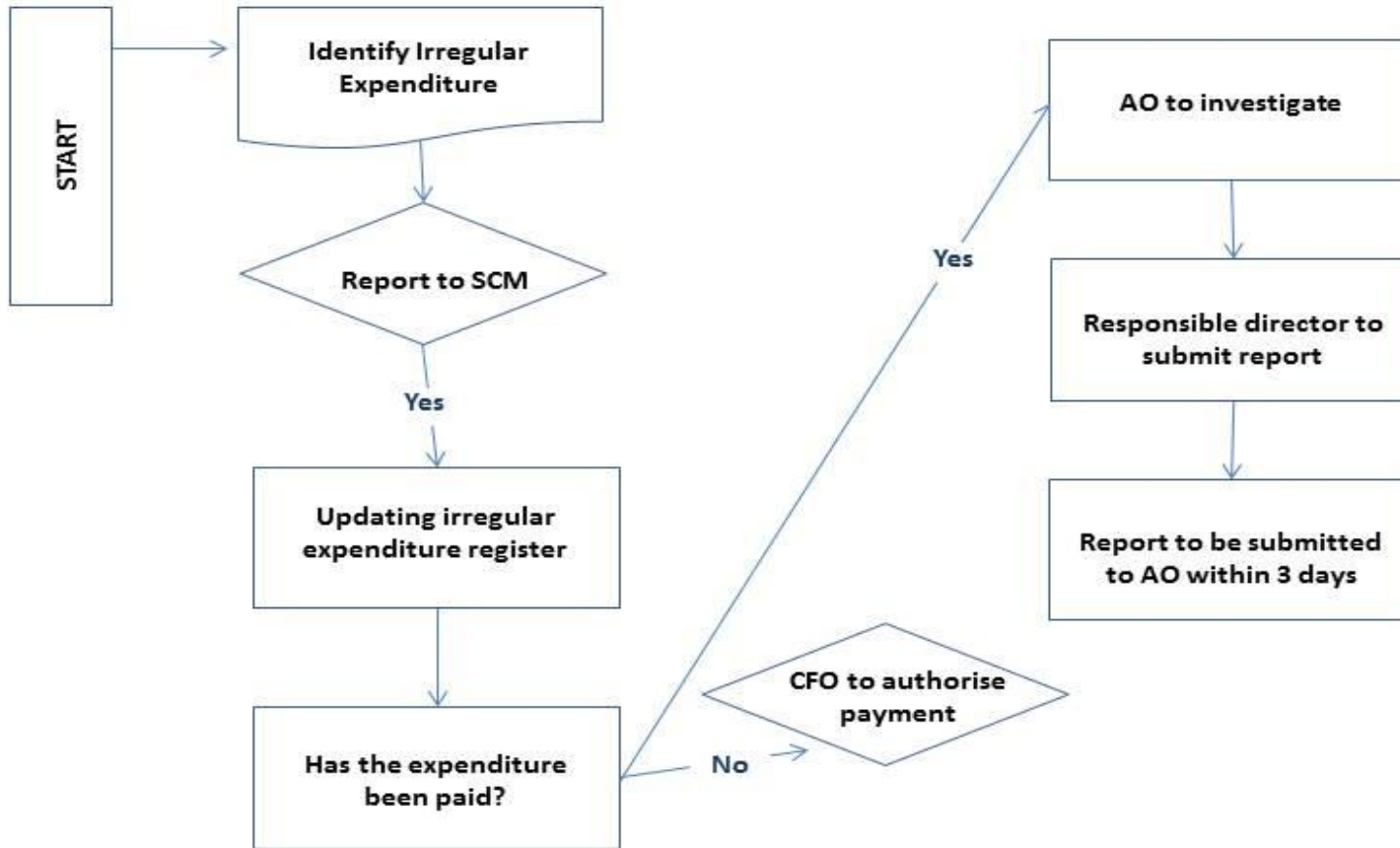
Financial Misconduct Process cont.



Financial Misconduct Process cont.



Irregular Expenditure Process



Irregular Expenditure Process cont.

