

**FINAL UNAUTHORISED, IRREGULAR, FRUITLESS AND
WASTEFUL EXPENDITURE POLICY**



**MASILONYANA LOCAL MUNICIPALITY
(IMPLEMENTABLE 1 JULY 2016)**

FINAL UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY

TABLE OF CONTENTS

ABBREVIATIONS/ACRONYMS.....	3
1 INTRODUCTION	4
2 OBJECTIVE	4
3 ENABLING LEGISLATION	5
4 APPLICATION OF THIS POLICY	5
5 DEFINITIONS	5
6 UNAUTHORISED EXPENDITURE.....	9
7 IRREGULAR EXPENDITURE	11
8 FRUITLESS AND WASTEFUL EXPENDITURE	12
9 REPORTING ON UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE.....	13
10 MAINTAINING OF REGISTER FOR UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE	14
11 INVESTIGATION OF UNAUTHORISED AND IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE.....	14
12 RECOVERY UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE	16
13 CONSEQUENCES OF NON-COMPLIANCE	17
14 PROTECTION OF OFFICIALS OR COUNCILLORS WHO HAVE REPORTED UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE	17
15 EFFECTIVE DATE	18
16 REVIEW OF POLICY	18
17 APPROVAL.....	19

FINAL UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY

ABBREVIATIONS/ACRONYMS

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

CFO	- Chief Financial Officer
COO	- Chief Operations Officer
SM	- Senior Manager
MIG	- Municipal Infrastructure Grant
MFMA	- Municipal Finance Management Act, 2003, No. 56 of 2003
MPAC	- Municipal Public Account Committee of Masilonyana Local Municipality
MM or AO	- Municipal Manager or Accounting Officer
SAPS	- South African Police Services
MSA	- Municipal Systems Act, 2000, No. Act 32 of 2000
Structures Act	- Municipal Structures Act, 1998, Act No 117 of 1998
RPOBA	- Remuneration of Public Office Bearers Act
Policy	- Policy on unauthorised, irregular, fruitless and wasteful expenditure
MBRR	- Municipality Budget Rules and Regulations
MLM	- Masilonyana Local Municipality

FINAL UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY

1 INTRODUCTION

- 1.1 In terms of section 62 of the Municipal Finance Management Act No. 56 of 2003 (herein referred to as “MFMA”), the Accounting Officer is responsible for managing the financial affairs of Masilonyana Local Municipality (MLM) and he/she must, for this purpose, inter alia:
- 1.2 Take all reasonable steps to ensure that unauthorised, irregular; fruitless and wasteful expenditure and other losses are prevented;
- 1.3 Ensure that disciplinary or, when appropriate, criminal proceedings are instituted against any official or councillor of MLM who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.
- 1.4 This is to ensure the effective, efficient and transparent systems of financial, risk management and internal control over the municipality’s financial affairs.

2 OBJECTIVE

- 2.1 This document sets out MLM’s policy and procedures with regards to unauthorised, irregular, fruitless and wasteful expenditure.
- 2.2 This policy aims to ensure that, amongst other things:
 - (a) Unauthorised, irregular, or fruitless and wasteful expenditure is detected, processed, recorded, and reported in a timely manner;
 - (b) Officials and Political Office Bearers have a clear and comprehensive understanding of the procedures they must follow when addressing unauthorised, irregular, fruitless and wasteful expenditure;
 - (c) MLM’s resources are managed in compliance with the MFMA, the municipal regulations and other relevant legislation;
 - (d) All officials and Political Office Bearers are aware of their responsibilities in respect of unauthorised, irregular, fruitless and wasteful expenditure.

FINAL UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY

3 ENABLING LEGISLATION

3.1 The following enabling legislation sets the precedent for the development of MLM's unauthorised, irregular, fruitless and wasteful expenditure Policy:

- (a) The Constitution of the Republic of South Africa, 1996, Act No 108 of 1996;
- (b) The Municipal Finance Management Act, 2003, No 56 of 2003;
- (c) The Remuneration of Public Office Bearers Act, 1998, (Act 20 of 1998);
- (d) Municipal Systems Act, 2000, Act No 32 of 2000;
- (e) MFMA Circular 68; and
- (f) Any other legislation, regulation or circular that may impact this policy including that issued terms of the PFMA that may include reference to all government departments and institutions.

4 APPLICATION OF THIS POLICY

4.1 This policy applies to all officials and Political Office Bearers of MLM.

4.2 This policy should be read in conjunction with the following of MLM:

- (a) Delegations of Authority;
- (b) Procedures for unauthorised, irregular, fruitless and wasteful expenditure;
- (c) Policy on financial misconduct;
- (d) Breach of the Code of Conduct for Municipal Staff Members; and
- (e) Breach of the Code of Conduct for Councillor.
- (f) Officials and Political Office Bearers must ensure all instances of unauthorised, irregular expenditure as well as fruitless and wasteful expenditure is prevented where possible, and is detected and reported in a timely manner.

5 DEFINITIONS

Except if otherwise indicated:

“Councillor” means member of municipal council of MLM and includes political office bearers;

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

“Financial Misconduct” means any misappropriation, mismanagement, waste or theft of the finances of a municipality, and also includes any form of financial misconduct specifically set out in sections 171 and 172 of the MFMA;

FINAL UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY

“Irregular expenditure”, in relation to a municipality or municipal entity, means -

- (a) expenditure incurred by a municipality 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;
*“(170. (1) The National Treasury may on good grounds approve a departure from a treasury regulation or from any condition imposed in terms of this Act.
(2) Non-compliance with a regulation made in terms of section 168, or with a condition imposed by the National Treasury in terms of this Act(MFMA), may on good grounds shown be condoned by the Treasury.)”*
- (b) expenditure incurred by a municipality 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 this 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 20 of 1998);
- (d) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of MLM 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; provided that the contravention is not also a contravention of the MFMA or the SCM regulations;
- (e) But excludes expenditure by a municipality which falls within the definition of ‘unauthorised expenditure’.

“Official”, in relation to a MLM, means—

- (a) an employee of a MLM;
- (b) a person seconded to MLM or to work as a member of the staff of the MLM; or
- (c) a person contracted by MLM to work as a member of the staff of the MLM or otherwise than as an employee.

“Overspending” means

- (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

FINAL UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY

- (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.

“Political Office Bearer” means the speaker, mayor, or a member of the executive committee as referred to in the Municipal Structures Act.

Prohibited expenditure” in relation to this policy refers to unauthorised, irregular, fruitless and wasteful expenditure;

“Senior Manager” means a manager referred to in section 56 of the Municipal Systems Act;

“Unauthorised expenditure”, 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” otherwise than in accordance with any conditions of the allocation;

(“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;)

OR

- (f) a grant by MLM otherwise than in accordance with the MFMA.

“Vote” means –

FINAL UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY

- (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.

FINAL UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY

6 UNAUTHORISED EXPENDITURE

- 6.1 Masilonyana Local 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.
- 6.2 Expenditure incurred within the ambit of MLM's virements policy or council resolution is not regarded as unauthorised expenditure.
- 6.3 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.
- 6.4 Unauthorised expenditure would include:
- (a) Any overspending in relation to both the operational budget and capital budget of the municipality.
 - (b) Overspending in relation to each of the votes on both the operational budget and capital budget.
 - (c) Use funds allocated to one department for purposes of another department or for purposes that are not provided for in the budget;
 - (d) Funds that have been designated for a specific purpose or project within a departments vote may not be used for any other purpose;
 - (e) Any use of conditional grant funds for a purpose other than that specified in the relevant conditional grant framework is classified as unauthorised expenditure;
 - (f) Any grant to an individual, unless it is in terms of the municipality's indigent policy or bursary scheme;
 - (g) Unforeseen and unavoidable expenditure not authorised by the Accounting Officer within 60 days after the expenditure was incurred.
 - (h) Any overspending on non-cash items, for example depreciation, impairments, provisions.
- 6.5 Officials and councillors must ensure that all instances of fruitless and wasteful expenditure are prevented where possible, and are detected and reported in a timely manner.
- 6.6 Expenditures that are NOT classified as unauthorized expenditure
- 6.7 Given the definition of unauthorised expenditure, the following are examples of expenditure that are NOT unauthorised expenditure:

FINAL UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY

- (a) Any over-collection on the revenue side of the budget as this is not an expenditure; and
- (b) Any expenditure incurred in respect of:
- (c) any of the transactions mentioned in section 11(1)(a) to (j) of the MFMA;

“(11)Only the accounting officer or the chief financial officer of a municipality, or any other senior financial official of the municipality acting on the written authority of the accounting officer, may withdraw money or authorise the withdrawal of money from any of the municipality’s bank accounts, and may do so only—

- (a) to defray expenditure appropriated in terms of an approved budget;
- (b) to defray expenditure authorised in terms of section 26(4);
- (c) to defray unforeseeable and unavoidable expenditure authorised in terms of section 29(1);
- (d) in the case of a bank account opened in terms of section 12, to make payments from the account in accordance with subsection (4) of that section;
- (e) to pay over to a person or organ of state money received by the municipality on behalf of that person or organ of state, including—
 - (i) money collected by the municipality on behalf of that person or organ of state by agreement; or
 - (ii) any insurance or other payments received by the municipality for that person or organ of state;
- (f) to refund money incorrectly paid into a bank account;
- (g) to refund guarantees, sureties and security deposits;
- (h) for cash management and investment purposes in accordance with section 13;
- (i) to defray increased expenditure in terms of section 31; or
- (j) for such other purposes as may be prescribed.

- (d) re-allocation of funds and the use of such funds in accordance with a council approved virements policy;
- (e) 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
- (f) overspending of an amount allocated by standard classification on the main budget Table A5 (Budgeted Capital Expenditure by vote, standard classification and funding) of the MBRR as long as it does not result in overspending of a ‘vote’ on the main budget Table A5.

6.8 Money withdrawn from a bank account under the following circumstances, without appropriation, in terms of an approved budget, is not regarded as unauthorised expenditure:

- (a) To defray expenditure authorised in terms of section 26 (4) of the MFMA, [Section 26: Consequences of failure to approve a budget before the start of the budget year];

FINAL UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY

- (b) To defray unforeseen / unavoidable expenditure circumstances strictly in accordance with Section 29 (1) of the MFMA [Section 29: Unforeseen and unavoidable expenditure] failing which the unforeseen /unavoidable expenditure is unauthorised;
- (c) re-allocation of funds and the use of such funds in accordance with a council approved virements policy;
- (d) Expenditure incurred from a special bank account for relief, charitable or trust purposes provided of course that it is done strictly in accordance with Section 12 of the MFMA [Section 12: Relief, charitable, trust or other funds];
- (e) To pay over to a person or organ of state money received by the MLM on behalf of that person or organ of state, including—
- (f) money collected by the MLM on behalf of that person or organ of state by agreement; or
- (g) any insurance or other payments received by the MLM for that person or organ of state;
- (h) To refund money incorrectly paid into a bank account;
- (i) To refund guarantees, sureties and security deposits;
- (j) For cash management and investment purposes in accordance with section 13 [Section 13: Cash Management and Investments];
- (k) To defray increased expenditure in terms of section 31 [Section 31: Shifting of funds between multi-year appropriations].
- (l) Any expenditure approved in terms the Municipal Budget and Reporting Regulations (MBRR).

7 IRREGULAR EXPENDITURE

- 7.1 Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality' supply chain management policy and regulations;
- 7.2 Irregular expenditure is actually expenditure that is in violation of some or other procedural/legislative requirement as specified in the MFMA;
- 7.3 Irregular expenditure excludes unauthorised expenditure;
- 7.4 Although a transaction or an event may trigger irregular expenditure, a Council will only identify irregular expenditure when a payment is made. The recognition of irregular expenditure must be linked to a financial transaction;

FINAL UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY

7.5 If the possibility of irregular expenditure is determined prior to a payment being made, the transgression shall be regarded as a matter of non-compliance.

8 FRUITLESS AND WASTEFUL EXPENDITURE

8.1 All officials and political office bearers must always act cautiously when spending public money and ensure that they abide by the public and accountability principles which are to promote “efficient, economic and effective use of resources and the attainment of value for money”;

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

8.3 This type of expenditure is incurred where no value for money is received for expenditure or the use of resources. No particular expenditure is explicitly identified by the MFMA as fruitless and wasteful;

8.4 Expenditure incurred that has been budgeted for (authorised) and was not regarded as irregular expenditure could be classified as fruitless and wasteful expenditure on application of the principles in 8.5 below.

8.5 An expense is only fruitless and wasteful in terms of this policy if:

- (a) It was made in vain (meaning that the municipality did not receive value for money) and;
- (b) and would have been avoided had reasonable care been exercised (meaning that the official or councillor concerned did not carelessly or negligently cause the expenditure to be incurred by the municipality, however furthermore had another official or councillor under the same circumstances would have also not been able to avoid incurring the same expenditure by exercising certain precautionary measures).

8.6 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;

- (a) 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?
- (b) Is the expenditure being incurred at the right price, right quality, right time and right quantity?

FINAL UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY

8.7 Officials and councillors must ensure that all instances of fruitless and wasteful expenditure are prevented where possible, and are detected and reported in a timely manner.

9 REPORTING ON UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

9.1 Reporting of unauthorised, irregular, fruitless and wasteful expenditure must be done at the appropriate level, as this could constitute financial misconduct as follows:

- (a) Any political office-bearer of a municipality must be reported to the Speaker of the council.
- (b) The municipal manager must be reported to the executive mayor.
- (c) Executive managers or the chief financial officer, or the chief operating officer of a municipality, must be reported to the municipal manager.

9.2 All cases of prohibited expenditure reported as per a), b) and c) above must be referred to MPAC for investigation unless the allegations are frivolous, vexatious, speculative or obviously unfounded.

9.3 Officials below executive management level of the municipality must be reported to the CFO who in turn will inform the municipal manager.

9.4 All reports made by officials, councillors or political office bearers must be treated with utmost confidentiality.

9.5 The MM 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:

- (a) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
- (b) the steps that have been taken:
- (c) To recover or rectify such expenditure; and
- (d) To prevent a recurrence of such expenditure.

9.6 All expenditure classified as unauthorised, irregular, fruitless and wasteful expenditure must be reported to:

- (a) The Finance Portfolio Committee on a monthly basis;
- (b) Executive Committee on a monthly basis;
- (c) Council on a quarterly basis;
- (d) MPAC on a quarterly basis; and
- (e) Audit Committee on a quarterly basis.

FINAL UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY

9.7 In accounting for unauthorised, irregular, fruitless and wasteful expenditure, the municipal manager or delegated officials (as may be relevant) must ensure that:-

9.7.1 All confirmed unauthorised, irregular, fruitless and wasteful expenditure must be recorded in a separate account, in the accounting system of MLM, created for each of the above types of expenditure.

9.7.2 All such expenditure is disclosed in the annual financial statements as required by the MFMA and treasury requirements.

9.8 Details pertaining to unauthorised, irregular, fruitless and wasteful expenditure must be disclosed in the Municipality's Annual Report.

10 MAINTAINING OF REGISTER FOR UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

10.1 Council must maintain a register of all incidents of unauthorised, irregular, fruitless and wasteful expenditure.

- (a) This register will be maintained by the CFO for all officials other than the CFO and MM.
- (b) A separate register must be maintained by the MM for expenditure incurred by CFO.
- (c) A separate register must be maintained by the Mayor for expenditure incurred by the MM.
- (d) The Speaker will maintain a register for expenditure incurred by the Mayor and Councillors.

10.2 These registers must be updated on a monthly basis.

11 INVESTIGATION OF UNAUTHORISED AND IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

11.1 All expenditure alleged to have been unauthorised, irregular, fruitless and wasteful expenditure must be referred to a Council appointed committee for investigation.

11.2 The Council appointed committee must either refer the matter to the MLM's Internal Audit Unit or appropriate investigative body for investigation, to determine:

- (a) Whether the expenditure is in fact unauthorised, irregular, fruitless and wasteful?

FINAL UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY

- (b) Whether grounds exist for a charge of financial misconduct to be laid against the official liable or political office bearer for the expenditure?
- 11.3 Once the nature of the expenditure is confirmed as unauthorised, irregular, fruitless and wasteful expenditure, MLM must institute the necessary procedures which could include disciplinary as well criminal proceedings.
- 11.4 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, then the municipality must consider instituting disciplinary action and/or criminal charges against the liable person/s.
- 11.5 If the unauthorised, irregular, fruitless and wasteful expenditure falls within the ambit of the above description, then the Council, Mayor or Municipal Manager (as may be relevant) must institute disciplinary action as follows:
- (a) Financial misconduct in terms of section 171 of the MFMA: in the case of an official that deliberately or negligently:
 - (i) contravened a provision of the MFMA which resulted in irregular expenditure; or
 - (ii) made, permitted or authorised an irregular expenditure (due to non-compliance with any of legislation mentioned in the definition of irregular expenditure);
 - (b) Breach of the Code of Conduct for Municipal Staff Members: in the case of an official whose actions in making, permitting or authorizing an irregular expenditure constitute a breach of the Code; and
 - (c) Breach of the Code of Conduct for Councillors: in the case of a political office- bearer, whose actions in making, permitting or authorizing an irregular expenditure constitute a breach of the Code. This would also include instances where a Councillor knowingly voted in favour or agreed with a resolution before Council that contravened legislation resulting in irregular expenditure when implemented, or where the Councillor improperly interfered in the management or administration of the municipality.
- 11.6 The Council, Mayor or Municipal Manager or delegated officials (as may be relevant) must promptly report to the SAPS all cases of alleged:-
- (a) Irregular expenditure that constitute a criminal offence; and
 - (b) Theft and fraud that occurred in the municipality.

FINAL UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY

11.7 The Mayor must take all reasonable steps to ensure that all cases referred to in the above paragraph are reported to the South African Police Service if:

- (a) The charge is against the MM; or
- (b) The MM fails to comply with the above paragraph.

12 RECOVERY UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

12.1 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
- (b) authorised in an adjustment budget; OR
- (c) certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by council; and

12.2 In the case of irregular or fruitless and wasteful expenditure, is, after investigation by council committee, certified by council as irrecoverable and written off by council.

12.3 Irregular expenditures resulting from breaches of the Public Office-Bearers Act must be recovered from the political office bearer to whom it was paid and not who might not have been responsible for making, permitting or authorising the irregular expenditure.

12.4 Once it has been established who is liable for the unauthorised, irregular, fruitless and wasteful expenditure, the Municipal Manager must in writing request that the liable political office bearer or official pay the amount within 30 days or in reasonable instalments.

12.5 Without limiting liability in terms of the common law or other legislation, MLM must recover any such expenditure, in full, from official or Public Office Bearer where:

- (a) In the case of a Public Office Bearer, the Public Office Bearer knowingly or after having been advised by the MM that the expenditure is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, instructed an official of MLM to incur the expenditure.
- (b) In case of the official, the official deliberately or negligently incurred such expenditure.

12.6 The fact that the Council may have approved the expenditure for writing off or deemed it to be irrecoverable is no excuse in:

FINAL UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY

- (a) Either disciplinary or criminal proceedings against a person charged with the commission of an offence or a breach of the MFMA relating to such unauthorised, irregular or fruitless and wasteful expenditure.
- (b) Recovery of such expenditure from such person.

12.7 If the person fails to comply with the request, the matter must be recovered through the normal debt collection process of the municipality.

13 CONSEQUENCES OF NON-COMPLIANCE

13.1 Any official, councillor or political officer bearer not complying with this policy could be found guilty of Financial Misconduct.

13.2 Any councillor or political office bearer of MLM will be committing an act of financial misconduct if that councillor deliberately or negligently makes or permits, or instructs another official of MLM to make, an unauthorised, irregular or fruitless and wasteful expenditure.

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

14.1 If any official or councillor who has complied with this policy and as a result thereof has been subjected to intimidation, victimisation and/ or threats such official or councillor should immediately report such threats, victimisation or intimidation immediately to the MM or the Mayor where applicable.

14.2 The MM or Mayor must immediately take appropriate action to ensure that protection of the official or councillor after receiving the above report.

14.3 Where the nature of the threats warrants such action, the threats should be reported to the SAPS by the official concerned, the MM or the Mayor, where applicable.

15 POLICY ADOPTION

15.1 This policy has been considered and approved by the Council of **Masilonyana Local Municipality** on this day..... of 20

15.1.1 This policy will take effect at **Masilonyana Local Municipality** on this day.....1..... ofJuly..... 20.

15.1.2 POLICY

- The Accounting Officer will be the custodian of this Policy.

15.1.3 POLICY

- All changes must be distributed to all the relevant role players.

15.1.4 After changes have been made, the policy must be posted on the municipal website.

15.1.5 The updated hard copies and electronic copies of the document must be sent at least to the following parties:

15.1.6 Speaker

15.1.7 All Councillors

15.1.8 Mayor.

15.1.9 Members of the Executive Committee.

15.1.10 Accounting Officer.

15.1.11 Chief Finance Officer

15.1.12 Senior Managers

15.1.13 All Sectional Managers

15.1.14 All Masilonyana Municipality employees who might be affected by the change.

16 EFFECTIVE DATE

This policy will be effective upon adoption by Council. 01 July 2015

17 REVIEW OF POLICY

17.1.1 The Accounting Officer must ensure that this policy when reviewed is submitted firstly to the Executive Committee of Masilonyana Local Municipality for consideration and adoption and thereafter to the Council of the Masilonyana Local Municipality for their approval as required.

17.1.2 This policy must be reviewed and updated:

- (a) Annually in line with the budget cycle and submitted with the budget policies; or

**FINAL UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL
EXPENDITURE POLICY**

- (b) Sooner if new legislation, regulation or circulars are issued that will impact this policy.

_____END_____