

NORTHERN  
CAPE  
EDUCATION  
DEPARTMENT

2008

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[This policy outlines the identification and treatment of irregular expenditure of the department according to the requirements of the PFMA]

## **IRREGULAR EXPENDITURE POLICY**

## **GENERAL**

In terms of section [Sections 38(1)(a)I, (g) of the PFMA] and Treasury Regulation 9.1.1

The accounting officer of a department must exercise all reasonable care to prevent and detect unauthorised, irregular, fruitless and wasteful expenditure, and must for this purpose implement effective, efficient and transparent processes of financial and risk management.

### **Irregular expenditure**

#### **Definition**

Irregular expenditure comprises expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

- the Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999); and Treasury regulations
- any provincial legislation providing for the procurement procedures in that provincial government.

#### **Objective**

The objectives of the policy include -

- emphasising the accountability of employees for the Department's resources;
- ensuring that employees have a clear and comprehensive understanding of the procedures they must follow;
- ensuring that resources made available to employees are utilised efficiently, effectively, economically and for authorised official purposes; and ensuring that the Department's resources are managed in compliance with the Public Finance Management Act, the Treasury Regulations and other relevant legislation;
- ensure that irregular expenditure is detected, processed and recorded timeously.

#### **Recognition**

##### ***Accounting policy***

Irregular expenditure is recognised as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority it is treated as an asset until it is recovered or written off as irrecoverable

## **Procedures**

The procedures for the treatment of irregular expenditure are described below:

### ***Discovery, investigation and reporting of irregular expenditure***

- (a) any employee who becomes aware of or suspects the occurrence of irregular expenditure must immediately report, in writing such expenditure to the Accounting Officer or his/her delegate;
- (b) on discovery of alleged irregular expenditure, such expenditure must be left in the expense account and the Accounting Officer or his/her delegate should record the details of the expenditure in an irregular expenditure register (Format of register included in the procedures)
- (c) the Accounting Officer or his/her delegate must investigate the alleged irregular expenditure to determine whether the expenditure meets the definition of irregular expenditure. During the period of investigation the expenditure must remain in the expense account. The results of the investigation will determine the appropriate action to be taken regarding the expenditure;
- (d) should the investigation reveal that the expenditure is in fact valid expenditure and therefore does not constitute irregular expenditure the details of the expenditure should be retained in the register for the purposes of completion (and to provide an appropriate audit trail). The register must then be updated to reflect the outcome of the investigation;
- (e) if the investigation indicates that the expenditure is in fact irregular expenditure the Accounting Officer must immediately report, in writing, the particulars of the expenditure to the relevant Treasury. In addition the irregular expenditure must also be included in the entity's monthly report on revenue and expenditure as submitted by the Accounting Officer to the relevant Treasury;

### ***Condonation of irregular expenditure***

- (f) if the irregular expenditure is subsequently condoned by the appropriate authority no further action is required by the department as the amount has already been expensed in the statement of financial performance. The register should be updated to reflect the fact that the irregular expenditure was condoned;
- (g) if, however, the amount is not condoned by the appropriate authority the Accounting Officer must take effective and appropriate action to recover the amount from the responsible person, these actions may also include disciplinary steps;

### ***Guidance on "relevant authority"***

The following are examples of irregular expenditure and the relevant/applicable authority that is empowered to condone such expenditure:

<b>Categories of irregular expenditure</b>	<b>Relevant Authority</b>
Irregular expenditure incurred as a result of non-compliance with a Treasury Regulation where prior written approval was required from a <b>relevant treasury</b> . For example, a department, that incurred expenditure related to a public private partnership without obtaining the <b>prior written approval of the relevant treasury</b> , as required by Treasury Regulation 16.4.2	<b>Relevant provincial treasury</b> in the case of provincial departments or provincial public entities
Irregular expenditure incurred as a result of non-compliance with a Treasury Regulation which required cognisance to be take of a National Treasury determination. For example, a department, procured goods or services by means of price quotations where the value of the purchase exceeded the threshold values <b>determined by the National Treasury</b> for price quotations. (Contravention of Treasury Regulation 16A6.1)	<b>The National Treasury</b> , in cases of <b>all</b> departments.
Irregular expenditure incurred as a result of institutions procuring goods or services by means other than through competitive bids and where reasons for deviating from inviting competitive bids have not been recorded and approved by the accounting officer or accounting authority. (Contravention of Treasury Regulation 16A6.4)	The <b>Accounting Officer</b> or <b>the functionary to whom the power was delegated to</b> , in cases of <b>all</b> departments, the <b>Accounting Authority</b> or <b>the functionary to whom the power was delegated to</b> .
Irregular expenditure incurred as a result of non-compliance with a requirement of the institution's delegations of authority issued in terms of the PFMA.	The <b>Accounting Officer</b> or <b>the functionary to whom the power was delegated to</b> , in cases of <b>all</b> departments, trading entities or constitutional institutions, and in the case of public entities, the <b>Accounting Authority</b> or <b>the functionary to whom the power was delegated to</b>
Irregular expenditure incurred as a result of non-compliance with a provision contained in any applicable legislation. For example, a department grants performance rewards to personnel without maintaining and implementing a Performance Management and Development System, as required by Part VIII B of the Public Service Regulations)	<b>The Department of Public Service and Administration</b> or <b>the Department responsible for the legislation</b>

Expenditure resulting from non-adherence to an institution's delegations of authority is also regarded as irregular expenditure since such delegations are issued in terms of sections 44 and 56 of the PFMA.

Non-compliance with the PFMA, Treasury Regulations or other relevant legislation shall not necessarily be regarded as irregular expenditure unless the expenditure related to such non-compliance is inconsistent with any prescripts of the aforementioned legislation. For example, non compliance with the requirement that payments be made within 30 days from receipt of an invoice (TR 8.2.3) shall not be regarded as irregular expenditure unless the expenditure was authorised by an official who did not possess the appropriate delegated authority to approve the expense in question.

With the imminent dismantling of the State Tender Board established in terms of the State Tender Board Act, 1968, all cases of irregular expenditure incurred through contravention of the aforementioned Act or its subordinate regulations for which condonation is sought must be forwarded to the National Treasury.

#### ***Recovery of irregular expenditure not condoned***

- (h) the Accounting Officer must determine who the responsible party is from whom the amount should be recovered. This information would normally become evident while performing the investigation;
- (i) the Accounting Officer must in writing request that the responsible person pay the amount within 30 days or in a reasonable instalments. If the official fails to comply with the request, the matter may be handed to the State Attorney for the recovery of the debt;
- (j) If the amount is not recoverable the Accounting Officer may write the debt off in terms of TR 11.4;

#### ***Additional***

- All expenditure identified as irregular expenditure by the Supply chain management and Finance units should be recorded in the departmental irregular expenditure register.
- The Financial accounting unit should complete the pre-audit and post audit checklist to ensure that all payments complies with the relevant laws and regulations.
- Payments approved in contravention of the department's delegation of authority policy should be recorded in the register

- The precise amount as stated on the invoice/payment batch should be recorded in the irregular expenditure register.
- The irregular expenditure register should be reviewed on a monthly basis by the Chief Financial Officer of the department. This review will ensure that irregular expenditure is adequately disclosed and dealt with, ensuring that no mathematical errors exist etc
- Irregular expenditure identified during one financial period, but not paid in the specific period should be recorded in the following financial year.
- The accumulative irregular expenditure incurred at financial year end should be adequately and appropriately disclosed in the financial statements of the department.

The BAS accounting entries used to record the transactions relating to irregular expenditure not condoned are illustrated below.

If the irregular expenditure relates to the current financial year AND was not condoned in the current year:

DR	Receivables (Pos)	XXX
CR	Expenditure (relevant programme and item) (Per)	XXX

*\* POS = Statement of Financial Position & PER = Statement of Financial Performance*

A current asset is created on the statement of financial position, and the expenditure is “reversed” against the relevant objective and item.

Upon receipt of the funds from the responsible official:

DR	Bank Account (POS)	XXX
CR	Receivables (PER)	XXX

If Accounting Officer provides approval for the write-off the debt or part thereof:

DR	Financial transactions in assets and liabilities	XXX
	(PER)	

CR Receivables (POS) XXX

If the irregular expenditure relates to the current financial year AND was not condoned in the subsequent financial year:

DR Receivables (POS) XXX

CR Recoverable Revenue Account (POS) XXX

When recovered from responsible official:

DR Recoverable Revenue Account (POS) XXX

CR Financial transactions in assets and liabilities XXX  
(PER) – recovery of prior year expenditure

DR Bank account (POS) XXX

CR Receivables (POS) XXX

Above, the receivable was credited (cancelled) upon recovery and the amount accounted for in the Statement of financial performance.

The irrecoverable amount written off with the approval from the Accounting Officer:

DR Recoverable Revenue Account (POS) XXX

CR Financial transactions in assets and liabilities XXX  
(PER) – recovery of prior year expenditure

DR Financial transactions in assets and liabilities XXX  
(PER) – thefts and losses


CR Receivables (POS) XXX

**Register or Irregular expenditure (IR) (example only)**

**Department ABC**

Date of discovery	Reported to Accounting Officer (date)	Transaction details			Responsible person (committed the IR)	Status (refer to key)			General comments	
		Payment date	Payment number	Amount		Incident description	UI	DP		TR

Key: UI - Irregular expenditure Under Investigation  
 DP - Disciplinary process initiated against responsible person  
 TR - Transferred to receivables for recovery

  
 Approved HOD  
09/26/28  
 Date