Northern Cape

DEPARTMENT OF SPORT, ARTS AND CULTURE

IRREGULAR EXPENDITURE POLICY

April 2009

Department of Sport, Arts and Culture
Irregular Expenditure Policy

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1. POLICY OBJECTIVE

The objective of this Policy is to provide a regulatory framework on the procedures to be followed when dealing with irregular expenditure, the disclosure of irregular expenditure in the Annual Financial Statements (AFS) and accounting for irregular expenditure in the records of the Department.

2. DEFINITION

Irregular expenditure is defined in section 1 of the Public Finance Management Act (PFMA), 1999 as *"expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including-*

(a) this Act; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968) or any regulations made in terms of that Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government;

For the purpose of this policy, irregular expenditure includes any expenditure incurred in contravention of the policies and finance directives of the Department.

3. LEGISLATIVE FRAMEWORK

This policy is informed and based on the following prescripts:

- Sections 38(1)(g) and 38(1)(h) and Section 45 of the Public Finance Management Act, Act 1 of 1999 (as amended)
- Sections 9 and 12.7 of the Treasury Regulations
- National Treasury Practise Note 4 of 2008/2009

4. SCOPE OF APPLICATION

This policy is applicable to the Northern Cape Department of Sport, Arts and Culture and all its officials

POLICY

5. Discovery of irregular expenditure

5.1 When an official of the department discovers possible irregular expenditure, that official must within 48 hours after discovery report such expenditure to his or her Senior Manager who in turn must report the matter to the Chief Financial Officer.

5.2 Possible irregular expenditure discovered by an official in the Financial Management Directorate must immediately be reported to the Manager responsible for Financial Accounting. Such expenditure must be reported to the Chief Financial Officer on a monthly basis.

5.3 The Office of the Chief Financial Officer must investigate any possible irregular expenditure and report such expenditure in writing to the Accounting Officer and the Provincial Treasury, where applicable.

5.4 The Chief Financial Officer shall assign an official with appropriate experience to investigate cases of possible irregular expenditure.

5.5 The investigation official will have the powers to obtain written explanations from all parties involved in order for him/her to make an informed recommendation to the Chief Financial Officer.

5.6 All investigations regarding irregular expenditure must be finalised within 30 days of the assignment thereof.

5.7 Irregular expenditure discovered by the Auditor General must be reported to the Accounting Officer by the Chief Financial Officer.

5.8 Irregular expenditure must be included in the In-Year Monitoring Report and Compliance Certificate submitted to Provincial Treasury.

6. Irregular Expenditure Register

6.1 The Department must maintain an Irregular Expenditure Register and record all cases of irregular expenditure incurred.

6.2 This register must be kept up to date to track all irregular expenditure and for purpose of internal and external audit.

6.3 Each case will be assigned a reference number and a temporary file will be opened.

7. Dealing with irregular expenditure

7.1 In terms of PFMA section 38 (h) (iii) the Accounting Officer must take effective and appropriate disciplinary steps against any official in service of the Department who incurs irregular expenditure. As per Treasury Regulations 9.1.3 the following must be taken into consideration when determining the appropriate disciplinary steps:

7.1.1 the circumstances of the transgression;
7.1.2 the extent of the expenditure involved; and
7.1.3 the nature and seriousness of the transgression.

7.2 The official investigating the irregular expenditure must forward a full report, with recommendations, to the Chief Financial Officer for consideration.

7.3 The Chief Financial Officer must evaluate all reports in terms of the applicable legislation and forward his/her recommendations to the Accounting Officer.

7.4 In the event that the relevant authority is not the Accounting Officer, the recommendation of the Accounting Officer must be forwarded to the relevant authority.

7.5 If liability for the irregular expenditure can be attributed to an official, a debt account must be created if such an official is liable in law.

7.6 Immediate steps must thereafter be taken to recover the amount from the official concerned.

8. Determination of relevant authority

8.1 As per Practice Note 4 of 2008 the relevant authority for condonement of irregular expenditure is *"the person or institution whose approval would have been required prior to entering into that transaction or incurring such expenditure or the institution responsible for the relevant legislation"*

8.2 The following are categories of irregular expenditure that can be condoned by the relevant/applicable authority:

Categories of irregular expenditure	Relevant authority
Irregular expenditure incurred as a result of non-compliance with a Treasury Regulation where prior written approval was required from **Provincial Treasury**.	**Provincial Treasury**
Irregular expenditure incurred as a result of non-compliance with a Treasury Regulation which required cognizance to be taken of a National Treasury determination. For example, the Department, procured goods or services by means of price quotations where the value of the purchase exceeded the threshold values determined by the **National Treasury** for price quotations. (Contravention of Treasury Regulation 16A6.1)	**National Treasury**
Irregular expenditure incurred as a result of the Department 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. (Contravention of Treasury Regulation 16A6.4)	**Accounting Officer**
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	**Accounting Officer**
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.	**The Department of Public Service and Administration or the Department responsible for the legislation**

9. Disclosure of irregular expenditure in the Annual Financial Statements

9.1 All irregular expenditure must be disclosed as a note to the Annual Financial Statements of the Department.

9.2 The Department will use the format of the above note as prescribed by preparation guide for the compilation of Financial Statements issued by the Office of the Accountant-General.

10. Accounting for irregular expenditure

10.1 Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register.

10.2 Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register.

10.3 Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

10.4 Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the relevant authority must be recorded appropriately in the irregular expenditure register.

10.5 If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

11. APPROVAL

11.1 The Irregular Expenditure Policy has been endorsed by management.

11.2 Approved by:

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AF Joemat

HEAD OF DEPARTMENT: SPORT, ARTS AND CULTURE

Date: 17/04/2009