

NORTHERN CAPE PROVINCIAL GOVERNMENT



OFFICE OF THE PREMIER FRUITLESS AND WASTEFUL EXPENDITURE POLICY

1. GENERAL

This policy outlines the identification and treatment of fruitless and wasteful expenditure in the Office of The Premier according to the requirements of the PFMA.

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 fruitless and wasteful expenditure, and must for this purpose implement effective, efficient and transparent processes of financial and risk management.

2. Fruitless and Wasteful Expenditure

Definition

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

3. 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 fruitless and wasteful expenditure is detected, processed and recorded timeously.

4. Procedures

The procedures for the treatment of fruitless and wasteful expenditure are described below:

Discovery, investigation and reporting of fruitless and wasteful expenditure

- (a) any employee who becomes aware of or suspects the occurrence of fruitless and wasteful expenditure should immediately report, in writing, such expenditure to the Accounting Officer or his/her delegate.
- (b) on discovery of alleged fruitless and wasteful expenditure, such expenditure should be left in the expense account and the Accounting Officer or his/her delegate should record the details of the expenditure in a fruitless and wasteful expenditure register.

- (c) the Accounting Officer or his/her delegate should investigate the alleged fruitless and wasteful expenditure to determine whether the expenditure meets the definition of fruitless and wasteful expenditure. During the period of the investigation the expenditure must remain in the expense account. The results of the investigation will determine the appropriate action to be taken regarding this expenditure.
- (d) should the investigation reveal that the expenditure is in fact valid expenditure and therefore does not constitute fruitless and wasteful 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 should be updated to reflect the outcome of the investigation.
- (e) once an investigation has been concluded and the results verify that the expenditure constitutes fruitless and wasteful expenditure, the Accounting Officer must immediately report, in writing, the particulars of the fruitless and wasteful expenditure to the relevant Treasury.
- (f) valid fruitless and wasteful expenditure must no longer be disallowed but rather left as expenditure in the statement of financial performance. The register should be updated to reflect the outcome of the investigation.
- (g) in addition to (f) above the fruitless and wasteful expenditure should also be included in the entity's monthly report to the relevant Treasury.

Recovery of fruitless and wasteful expenditure

- (h) the Accounting Officer (or his/her delegate) 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 (or his/her delegate) must in writing request that the official pay the amount within 30 days or in reasonable installments. 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.

5. Accounting treatment

Recognition and measurement of irregular expenditure shall be treated in terms of latest available guidelines for the compilation of the Annual Financial Statements issued to by National Treasury to departments on an annual basis.