



KWAZULU-NATAL PROVINCE

TREASURY
REPUBLIC OF SOUTH AFRICA

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PROVINCIAL TREASURY
STANDARD OPERATING
PROCEDURE GUIDELINE
ON
UNAUTHORISED EXPENDITURE

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1. PURPOSE

- 1.1. The purpose of this Provincial Treasury Standard Operating Procedure Guideline is to provide uniform processes and procedures on the management and control of Unauthorised Expenditure.
- 1.2. This Provincial Treasury Standard Operating Procedure Guideline must be read in conjunction with National Treasury Instruction No. 4 of 2022/2023: PFMA Compliance and Reporting Framework

2. DEFINITIONS

- 2.1. In this Provincial Treasury Standard Operating Procedure Guideline, unless the context indicates otherwise, a word or expression, to which a meaning has been assigned in the Public Finance Management Act, 1999 (Act 1 of 1999) and the National Treasury Regulations, has the same meaning.

“Accounting Officer” means a person mentioned in section 36 of the PFMA;

“Another relevant function” means a function assigned by the Accounting Officer to perform a task related to Loss Control Management;

“Assessment” means a test conducted by the business unit performing a budgetary regulatory function to evaluate and confirm whether the transaction is unauthorised expenditure;

“CFO” means the Chief Financial Officer referred to in Chapter 2 of the National Treasury Regulations;

“Delegated official” means an official who has been delegated powers or being instructed to perform any duties assigned by the Accounting Officer;

“Determination” means a formal assessment conducted by the Loss Control function or another relevant function to examine or analyse the particulars of confirmed unauthorised expenditure, in order to establish the facts, assess any allegations of criminal conduct and losses incurred as it relates to the transaction;

“Economic classification” means a statistical representation of government transactions;

“Impracticability judgement” means applying a requirement which is unrealistic when an institution cannot apply after making every reasonable effort to do so;

“Investigation” means a formal probe conducted by a function performing investigations to analyse the particulars of unauthorised expenditure, in order to establish the facts about

the transaction and allegations of any fraudulent, corrupt or criminal conduct as it relates to the transaction;

“Overspending” means expenditure under the vote exceeds the amount appropriated for that vote or in relation to a main division when expenditure under the main division exceeds the amount appropriated for that main division, subject to the virement rules contained in section 43 of the PFMA;

“Non-compliance” means the failure to comply with legal requirements;

“PFMA” means the Public Financial Management Act (Act 1 of 1999);

“Register” means a list of unauthorised expenditure incurred and stating whether it is under assessment, determination or investigation and progress on historical unauthorised expenditure;

“Standard Operating Procedure (SOP)” means the method of functioning that has been established over time to execute a specific task or react to a specific set of circumstances or situation or process. Standard operating procedures document the normal or accepted methodology and help form the basis for evaluating conformance with the regularity framework;

“Treasury Regulations” means the regulations issued by National Treasury in terms of Section 76 of the PFMA; and

“Unauthorised Expenditure” means overspending of a vote or a main division within a vote; or expenditure that is made not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division;

“Unauthorised expenditure approved with funding” means unauthorised expenditure approved as a direct charge against the relevant revenue fund by Parliament or a provincial legislature as envisaged in section 34(1) of the PFMA;

“Unauthorised expenditure approved without funding” means unauthorised expenditure not approved as a direct charge against the relevant revenue fund by Parliament or a provincial legislature and that becomes a charge against funds allocated for the next or future financial years under the relevant vote, as envisaged in section 34(1) and (2) of the PFMA; and

“Virement” means the use of: -

- (a) a saving in an amount appropriated under a main division within a vote towards the defrayment of excess expenditure under another main division within the same vote in terms of section 43 of the PFMA and Treasury Regulation 6.3.1; or
- (b) unspent funds in a vote approved in terms of an appropriation Act.

3. LEGISLATIVE FRAMEWORK

- 3.1. In terms of the PFMA, the Accounting Officer must: -
- a) Prevent unauthorised, irregular, fruitless and wasteful expenditure and losses resulting from criminal conduct in terms of section 38(1)(c)(ii);
 - b) On discovery of any unauthorised, irregular, fruitless and wasteful expenditure, immediately report in writing, particulars of the expenditure to the relevant treasury and in the case of irregular expenditure involving the procurement of goods or services to the relevant Tender Board in terms of section 38(1)(g);
 - c) Take effective and appropriate disciplinary steps against any official in the service of the department who makes or permits an unauthorised, irregular, fruitless and wasteful expenditure in terms of section 38(1)(h)(iii).
- 3.2. In terms of National Treasury Regulations, the Accounting Officer must: -
- a) 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.
- 3.3. This Provincial Treasury Standard Operating Procedure Guideline is issued in terms of Section 18(2)(i) of the PFMA.
- 3.4. In the event of any inconsistency between this Provincial Treasury Standard Operating Procedure Guideline, and related government legislation, such legislation prevails.

4. UNAUTHORISED EXPENDITURE

- 4.1. When an official of an institution discovers unauthorised expenditure, the official must immediately report in writing such expenditure to the Accounting Officer. Such expenditure must be reported in the annual report, as required by section 40(3)(b) of the PFMA. The annual report must include:
- a) Any particulars of any material losses through criminal conduct and any unauthorised, irregular, fruitless and wasteful expenditure that occurred during the financial year; and
 - b) Any criminal or disciplinary steps taken as a result of such losses, irregular, fruitless and wasteful expenditure.
- 4.2. When an Accounting Officer determines the appropriateness of disciplinary steps against an official in terms of section 38(1)(h) of the Act, the Accounting Officer must take into account: -

- a) The circumstances of the transgression;
 - b) The extent of expenditure involved; and
 - c) The nature and seriousness of the transgression.
- 4.3. The recovery of losses or damages resulting from unauthorised expenditure must be dealt with in accordance with Treasury Regulation Chapter 12.
- 4.4. The amount of the unauthorised expenditure must be disclosed as a note to the annual financial statements of the institution.
- 4.5. Any amount written-off as irrecoverable in terms of National Treasury Regulation 11.4 must be disclosed in the annual financial statements.

5. DESCRIPTION OF UNAUTHORISED EXPENDITURE

- 5.1. Unauthorised expenditure means the overspending of a vote or a main division within a vote, or expenditure that was not made in accordance with the purpose of a vote, or in the case of a main division, not in accordance with the purpose of the main division.

6. DISCOVERY OF UNAUTHORISED EXPENDITURE

- 6.1. An employee who becomes aware of or suspects the occurrence of unauthorised expenditure must immediately report such expenditure in writing to the Accounting Officer or delegated official.
- 6.2. The Accounting Officer or delegated official must record the details of the alleged unauthorised expenditure in the Unauthorised Expenditure Register (Annexure B).
- 6.3. Such expenditure must remain in the expense account whilst conducting an investigation to determine the validity of unauthorised expenditure.

7. RECOGNITION OF UNAUTHORISED EXPENDITURE

- 7.1. For the purpose of determining whether unauthorised expenditure has occurred the following must be present:
- a) amounts appropriated under a vote of a department was exceeded; or
 - b) amounts appropriated under a main division with a vote of a department was exceeded,
- or

- c) amounts appropriated under a vote is spent not in accordance with the purpose of a vote;
or
 - d) amounts appropriated under a main division within a vote is spent not in accordance with the purpose of a main division within a vote.
- 7.2. Unauthorised expenditure must be determined at the level of a vote, or main division within a vote and not with reference to its economic classifications.
- 7.3. Unauthorised expenditure incurred and confirmed in the current financial year must be recorded in statement of changes in net assets and annual financial statements disclosure and that such unauthorised expenditure incurred must be in the current financial year, with a one financial year comparative analysis.
(The comparative analysis does not include unauthorised expenditure recognised in the previous financial years and does not include unauthorised expenditure not recognised in those previous financial years as such analysis must be records in the register and dealt with in terms of its approval process).
- 7.4. Unauthorised expenditure for the previous financial year (comparative amounts) must be recognized in the period in which they occurred as follows:
- a) Unauthorised expenditure incurred and confirmed in the previous financial year;
 - b) Unauthorised expenditure that was under assessment in the previous financial year and confirmed in the current financial year; and
 - c) Unauthorised expenditure that was not discovered in the previous financial year and identified and confirmed in the current financial year.
- 7.5. Unauthorised expenditure in relation to the overspending of a vote or a main division within a vote will be determined once the financial year end systematic occurs has taken place. The unauthorised expenditure will reflect as a debit balance in the Exchequer Grant Account and a journal entry must be processed as follows:
- Debit: Unauthorised Exp: Dept Vote: CA
Credit: Exchequer Grant Account
- 7.6. Overspending occurs when a department or programme spends more than its allocation, and expenditure not in accordance with the purpose of the vote occurs when a department or programme incurs such expenditure using voted funds. A journal entry must be processed as follows:
- Debit: Unauthorised Exp: Dept Vote: CA

Credit: Exchequer Grant Account

- 7.7. Unauthorised expenditure not in accordance with the purpose of the vote, or in the case of a main division, not in accordance with the purpose of the main division, discovered and determined as unauthorised expenditure during the financial year must be journalised as follows:

Debit: Unauthorised Exp: Dept Vote: CA

Credit: Relevant Expenditure Allocation (Vote)

- 7.8. Additional information relating to unauthorised expenditure under assessment, determination, investigation, narratives and the process of dealing with unauthorised expenditure must be recorded in the annual report of the relevant department.

8. ASSESSMENT OF UNAUTHORISED EXPENDITURE

- 8.1. The Accounting Officer must ensure that the unit performing a budgetary regulatory function or another relevant function in their department conducts an assessment to identify if the expenditure of the department -
- a) Exceeds the appropriate amount in a main division within a vote;
 - b) Exceeds appropriated amount of the vote;
 - c) Was spent not in accordance with the purpose of the vote; or
 - d) Was spent not in accordance with the purpose of a main division within a vote.
- 8.2. The unit performing a budgetary regulatory function must confirm a case of unauthorised expenditure within thirty (30) days after the alleged expenditure has been reported to the Accounting Officer.
- 8.3. If there is a dispute regarding whether the alleged unauthorised expenditure meets the definition, the assessment process must be conducted and completed within three (3) months from the date the alleged expenditure was reported to the Accounting Officer.
- 8.4. Referring to “dispute” in paragraph above, it may only be known if it was formally raised with Treasury and the Auditor-General within a period of seven (7) days from the date the dispute was discovered.
- 8.5. The Accounting Officer must update the Register (Annexure B) to include a description of the reasons for the unauthorised expenditure and the amounts involved, and what steps have been taken to address and prevent a recurrence.

9. DETERMINATION OF UNAUTHORISED EXPENDITURE

- 9.1. A determination test must be conducted by the Loss Control or another relevant function, to examine and analyse the particulars of confirmed amounts of unauthorised expenditure and to establish the facts and losses related to the transaction and provide information related to:
- a) Root causes leading to unauthorised expenditure;
 - b) Employee/s responsible for the unauthorised expenditure;
 - c) Whether the department suffered a loss;
 - d) Allegations of fraudulent, corrupt, or other criminal conduct; and
 - e) Any breakdown in budgetary internal control systems.
- 9.2. The loss control function or another relevant function must finalise the determination process within thirty (30) days after assessment of unauthorised expenditure.
- 9.3. In case of a dispute, the determination process must be completed within four (4) months after confirmation of unauthorised expenditure.
- 9.4. If the determination of unauthorised expenditure confirms that an employee is responsible for unauthorised expenditure, the Accounting Officer must refer the matter to the human resource function or other responsible function to institute disciplinary process where applicable in accordance with the relevant prescripts.

10. INVESTIGATION OF UNAUTHORISED EXPENDITURE

- 10.1 The Accounting Officer or delegated official must conduct an investigation of any suspected fraudulent, corrupt or criminal conduct emanating from the occurrence of unauthorised expenditure, and must refer the matter to a function performing investigations to establish the facts about the allegation and make recommendations on the steps to be taken.
- 10.2 The investigation of unauthorised expenditure could be determined from:
- a) A review of the appropriation statement through a comparison of budgeted amounts against actual amounts arising from the execution of the budget; and/or
 - b) A review of the strategic plan and annual performance plan to identify whether actual amounts arising from the execution of the budget were spent in accordance with the purpose of the vote, main division within a vote and strategic objectives of the department.

- 10.3 The investigation must commence within thirty (30) days after the conclusion of the determination test of the unauthorised expenditure and must provide the Accounting Officer with at least the following information:
- (a) Root causes leading to the occurrence of unauthorised expenditure;
 - (b) Whether losses incurred as a result of unauthorised expenditure;
 - (c) The impact of the loss suffered
 - (d) Employee/s responsible for unauthorised expenditure;
 - (e) Any breakdown in internal controls and the impact thereof;
 - (f) Information on fraudulent, corrupt or criminal conduct; and
 - (g) Whether the matter must be referred to the South African Police Service.
- 10.4 If the investigation conducted confirms that unauthorised expenditure relates to fraudulent, corrupt or other criminal conduct, the accounting officer must, within seven (7) days, ensure that a criminal charge is laid with the South African Police Service against the responsible official or officials.
- 10.5 The Accounting Officer must also inform the relevant executive authority, Provincial Treasury and the Auditor-General within seven (7) days after laying the criminal charge referred to in paragraph 10.4 above.
- 10.6 Where criminal charges have been laid against the Accounting Officer, the executive authority through recommendation of the audit committee or another delegated official must inform Provincial Treasury and the Auditor-General within seven (7) days after laying a criminal charge against the Accounting Officer.
- 10.7 The unauthorised expenditure register must be updated with all the details of fraudulent, corrupt, and other criminal conduct reported to the South African Police Service.

11. IMPRACTICABILITY JUDGEMENT (departments)

- 11.1 An institution may apply judgement that it is impractical to quantify the full amount of unauthorised expenditure.
- 11.2 The accounting officer must take every reasonable step to demonstrate the impracticability when such judgement is reached including-
- a) Consideration of omissions or misstatements that could influence decisions of the users;
 - b) Use the impracticability judgement only in instances where-

- i. it will be impossible to collect the data that was not collected at the time of the event or circumstance of the non-compliance; or
- ii. it will be impossible to recreate or reproduce the data especially if such an exercise will result in additional costs, capacity and time or such documents were destroyed by fire etc.

11.3 A narrative to the annual report must be recorded in instances where quantification, assessment and determination of unauthorised is demonstrated to be impractical to disclose in the annual report.

12. MANAGEMENT OF LOSSES: RECOVERY OF UNAUTHORISED EXPENDITURE (Refer to Process Flow for the recovery of Losses: Annexure C)

12.1 When confirmed that unauthorised expenditure resulted in the institution suffering a loss, the Accounting Officer must recover such amount from those responsible which may include the Accounting Officer then in such a case, the executive authority must recover the determined losses.

12.2 The matter must be referred to the loss control function or to another relevant function to initiate a process of recovery against the official responsible.

Quantifying a Loss

12.3 The amount of loss recoverable from the responsible employee/s for incurring unauthorised expenditure may equate to:

- a) the value of the ~~debt~~ loss incurred as a consequence of the actions leading to the unauthorised expenditure; or
- b) a lesser amount determined by the Accounting Officer in accordance with the debt/loss management policy of the department.

12.4 In the case where the Accounting Officer is responsible for the debt/loss, the Provincial Treasury must determine the value of the loss incurred as a consequence of the actions leading to the unauthorised expenditure; or a lesser amount.

Raising a debt from the loss incurred

12.5 The Accounting Officer or delegated official must submit a request in writing for the responsible employee/s to pay the amount owing within 30 days or in reasonable instalments. This means the debtor is placed in "mora".

12.6 If the official has left the service of the department or it is a person not in the employ of the department or if the responsible employee/s deny liability for the debt, the Accounting Officer

- must follow processes to recover the debt which may include, amongst others, engaging the State Attorney.
- 12.7 Interest on debts incurred from losses emanating from the incurrance of unauthorised expenditure must be charged at the rates determined in terms of section 80(1)(b) of the Act (in a case of a department and entities) or internal policy in a case of public entity.
- 12.8 A debt must be registered on BAS as follows:
*“Business; Debt; Agreement Maintenance; Transaction details; credit the item
“Unauthorised Exp: Dept Vote: CA”.*
- 12.9 Should it be determined that the unauthorised expenditure is found to be irrecoverable it may be written off by the Accounting Officer, in terms of Treasury Regulation 11.4.
- 12.10 If the Accounting Officer is responsible for the loss and is unable to re-pay the debt, the Accounting Officer must report the inability to Provincial Treasury to consider approving the write off, if such a debt is irrecoverable.
- 12.11 The debt must be amended on BAS as follows:
“Business; Debt; Transaction maintenance; Amend status to “Doubtful”
and once authorised the status will be amended to
“Bad debt”, debiting “Thefts and Losses” and crediting “Debt Account: CA”.
- 12.12 If a debt was not registered on BAS, the loss must be recorded on the Loss Control System, debiting “Thefts and Losses” and crediting “Unauthorised Exp: Dept Vote: CA”.
- 12.13 If the amount of a loss is irrecoverable from a responsible official, the Accounting Officer of a department may write-off the debt in terms of Treasury Regulation 11.4.
- 12.14 All amounts written-off must be disclosed in the notes to the annual financial statements, as per Treasury Regulation 9.1.5.

13. ACCOUNTING FOR UNAUTHORISED EXPENDITURE

Books open

- 13.1 Once it has been determined that the expenditure meets the definition of unauthorised expenditure, the entry, during the financial year, must be journalised as follows:

Debit: Unauthorised Exp: Dept Vote: CA

Credit: The relevant expenditure allocation (Vote)

Books closed

13.2 Once the financial year systematic closure has taken place, and all programmes have been overspent the unauthorised expenditure will be reflected as a debit balance in the Exchequer Grant Account. A journal entry must be processed as follows:

Debit: Unauthorised Exp: Dept Vote: CA
 Credit: Exchequer Grant Account

13.3 If overspending has occurred within a programme/s, the amount overspent will constitute unauthorised expenditure and must be journalised as follows:

Debit: Unauthorised Exp: Dept Vote: CA
 Credit: Exchequer Grant Account

13.4 Once the journal entry has been processed, a credit balance will be reflected in the Exchequer Grant Account. This amount must be paid to the Revenue Fund as per a BAS payment debiting the Exchequer Grant Account.

14. REPORTING OF UNAUTHORISED EXPENDITURE

14.1 Reporting by the Accounting Officer to Provincial Treasury

(a) Reports on unauthorised expenditure referred to in section 38(1)(g) of the Act must be submitted to Provincial Treasury quarterly in the form set out in Annexure B to this SOP/Guideline

QUARTER	Due date of Submission
Q1 : Ending 30 June	31 July
Q2: Ending 30 September	31 October
Q3: Ending 31 December	31 January
Q4: Ending 31 March	30 April

14.2 Reporting of unauthorised expenditure in the note to the annual financial statements

- a) Unauthorised expenditure that is confirmed must be disclosed in the annual financial statements of a department.
- b) Unauthorised expenditure is recorded in the notes to the financial statements when confirmed after its assessment and in a statement of changes in net assets. The amount recorded is equal to the value of unauthorised expenditure incurred or confirmed in that current financial year unless it is impractical to determine, in which case reasons must be provided in the annual report.

- c) Disclosure of unauthorised expenditure in the annual financial statements is illustrated in the table below.

Notes to the Annual Financial Statements	20YY/20ZZ	20XX/20YY
	R'000	R'000
Total		

- d) Unauthorised expenditure for the current financial year include amounts incurred and confirmed in that financial year; and/or payments made as it relates to multi-year contracts.
- e) Unauthorised expenditure for the previous financial year include amounts confirmed in that financial year, amounts that were under assessment in that financial year and confirmed in the current financial year and amounts that were not identified and are identified and confirmed in the current financial year.

14.3 Annual Report

Unauthorised expenditure is recorded in the annual report when it is-

- a) either-
- i) under assessment, determination or investigation;
 - ii) approved with funding;
 - iii) approved without funding;
 - iv) transferred to receivables for recovery;
 - v) written off if it is not recoverable.
- (b) Details of current and previous year disciplinary or criminal steps taken as a result of unauthorised expenditure.
- (c) The Annual Report Guide can be found on the National Treasury website- ([https://oag.treasury.gov.za/Publications/20.Annual Report Guide](https://oag.treasury.gov.za/Publications/20.Annual%20Report%20Guide)).

15. REPORTING OF UNAUTHORISED EXPENDITURE TO SCOPA

- 15.1 Provincial Treasury, in consultation with the Budget Office, submits the Auditor-General Report in the department's Annual Financial Statements on all "Unauthorised Expenditure" which serves in front of the Standing Committee on Public Accounts (SCOPA), who advise on:

- Approval/non-approval of the unauthorised expenditure; and
- Funding of the unauthorised expenditure.

16. APPROVAL/NON-APPROVAL OF UNAUTHORISED EXPENDITURE

16.1 SCOPA will, after consultation with the departments recommend that:

Either:

- a) The unauthorised expenditure is not approved and will become an additional charge against the funds allocated for the next or future financial years under the relevant vote in terms of section 34(2) of the PFMA.

Or:

- b) SCOPA recommends to Provincial Legislature that the unauthorised expenditure be approved.

16.2 Once the appropriate legislation is promulgated to “authorise” the unauthorised expenditure as a direct charge against the Revenue Fund, the MEC for finance must table a Finance Bill in Parliament to give effect to the authorisation of the expenditure to be a direct charge against the Revenue Fund. The funds will be transferred by the Provincial Treasury Banking Section from the Provincial Treasury (Revenue Fund) to the respective department’s PMG bank account.

16.3 A journal entry must be processed allocating the funds to “Unauthorised Exp: Dept Vote: CA”, by the delegated official in the Banking Section or designated component.

16.4 Should Provincial Legislature approve the amount of unauthorised expenditure but not approve an additional amount for the overspending, the amount must be funded by a department through-

- a) Its future savings in its vote,
- b) Its future savings in one or more main divisions within its vote; or
- c) funds made available through reprioritisation of expenditure within its vote.

16.5 Should Parliament not approve the unauthorised expenditure in terms of section 34 of the PFMA, the amount must be recovered from the responsible official once the appropriate disciplinary measures have been taken in terms of section 38(1) (h) of the PFMA.

17. DISCLOSURE OF UNAUTHORISED EXPENDITURE

17.1 All valid unauthorised expenditure must be disclosed as a note to the financial statements.

17.2 Valid unauthorised expenditure is created as a receivable in the statement of financial position by **crediting** the Exchequer Grant Account of the department (reducing the available vote) and **debiting** a corresponding receivable/debt account in the statement of financial position.

17.3 The journal entry must be recorded as soon as the investigation meets the definition of unauthorised expenditure, as follows:

Debit: Unauthorised Exp: Dept Vote: CA

Credit: Exchequer Grant Account

18. PREVENTION AND DETECTION OF UNAUTHORISED EXPENDITURE

18.1 The Accounting Officer must exercise all reasonable care to prevent and detect unauthorised, irregular and fruitless and wasteful expenditure, and must for this purpose implement effective efficient and transparent processes of financial and risk management, as per Treasury Regulation 9.1.1.

18.2 Financial and risk management measures should include but are not limited to:

- a) Development of Unauthorised Expenditure Checklists.
- b) The official approving expenditure must ensure that the checklist is completed and attached to the payment, prior to capturing and authorising payments on BAS.
- c) Development of a compliance checklist for the various stages of procurement, inclusive of all legislative requirements, and attached to the final order.
- d) Strict application of financial management legislation and supply chain management policy and processes when procuring goods and services.
- e) Strict oversight over the annual budget and actual spending.
- f) Strict regulation of expenditure accounts where budget is exceeded.
- g) Ensuring funds are available prior to incurring expenditure.
- h) Reviewing monthly reports to determine if actual expenditure is likely to exceed budgeted expenditure.
- i) Determining any overspending in relation to both operational and capital budget.
- j) Performing weekly cash flow analysis to determine any variances.

19. FINANCIAL MISCONDUCT

In terms of section 81(1) of the PFMA, an Accounting Officer: -

- a) For a department commits an act of financial misconduct if the Accounting Officer wilfully or negligently: -
 - i) Fails to comply with a requirement of section 38, 39, and 40; or
 - ii) Makes or permits an unauthorised expenditure, an irregular expenditure or a fruitless and wasteful expenditure;

19.1 **Financial Misconduct by Officials**

19.1.1 In terms of section 81(2) of the PFMA, an official of a department, to whom a power or duty is assigned in terms of section 44 commits an act of financial misconduct if that official wilfully or negligently fails to exercise that power or perform that duty.

19.2 **Investigation of alleged Financial Misconduct**

19.2.1 In terms of Sections 85(1) (b) (c) and (d) of the PFMA: -

- a) The Accounting Officer of an institution must conduct an investigation if an official is alleged to have committed financial misconduct. On confirmation, a disciplinary hearing must be held in accordance with the relevant prescripts and agreements applicable in the public service.
- b) The Accounting Officer must ensure that an investigation is instituted within 30 days from the date of discovery of the alleged financial misconduct.
- c) If an Accounting Officer is alleged to have committed financial misconduct the Provincial Treasury, once aware of the alleged misconduct, must ensure that the relevant executive authority initiates an investigation, and once confirmed, hold a disciplinary hearing in accordance with the relevant prescripts and agreements applicable in the public service.
- d) The Provincial Treasury may: -
 - i) Direct that an official other than an employee of the institution conducts the investigation; and
 - ii) Issue any reasonable requirement regarding the way in which the investigation should be performed.

19.3 **Criminal Proceedings**

19.3.1 The Accounting Officer must advise the Executive Authority, Provincial Treasury and the Auditor-General of any criminal charges laid against any person in terms of Section 86 of the PFMA.

19.3.2 The Provincial Treasury may direct an institution to lay criminal charges against any person should an Accounting Officer fail to take appropriate action.

19.4 **Offences and Penalties**

19.4.1 In terms of Section 86 of the PFMA: -

- a) An Accounting Officer is guilty of an offence and liable on conviction to a fine, or to imprisonment for a period not exceeding five years if that Accounting Officer wilfully and negligently failed to comply with a provision of Section 38, 39 or 40.

19.5 **Reporting**

19.5.1 In terms of Section 85(1)(a) and (e) of the PFMA: -

- a) The Accounting Officer of a department must, once disciplinary proceedings are completed, report to the Executive Authority, the Department of Public Service and Administration and the Public Service Commission on the outcome, including:-
 - i) The name and rank of the official against whom proceedings were instituted;
 - ii) The charges, indicating the financial misconduct the official is alleged to have committed;
 - iii) The findings;
 - iv) Any sanction imposed on the official; and
 - v) Any further action to be taken against the official, including criminal charges or civil proceedings.

19.6 **Recording of Financial Misconduct**

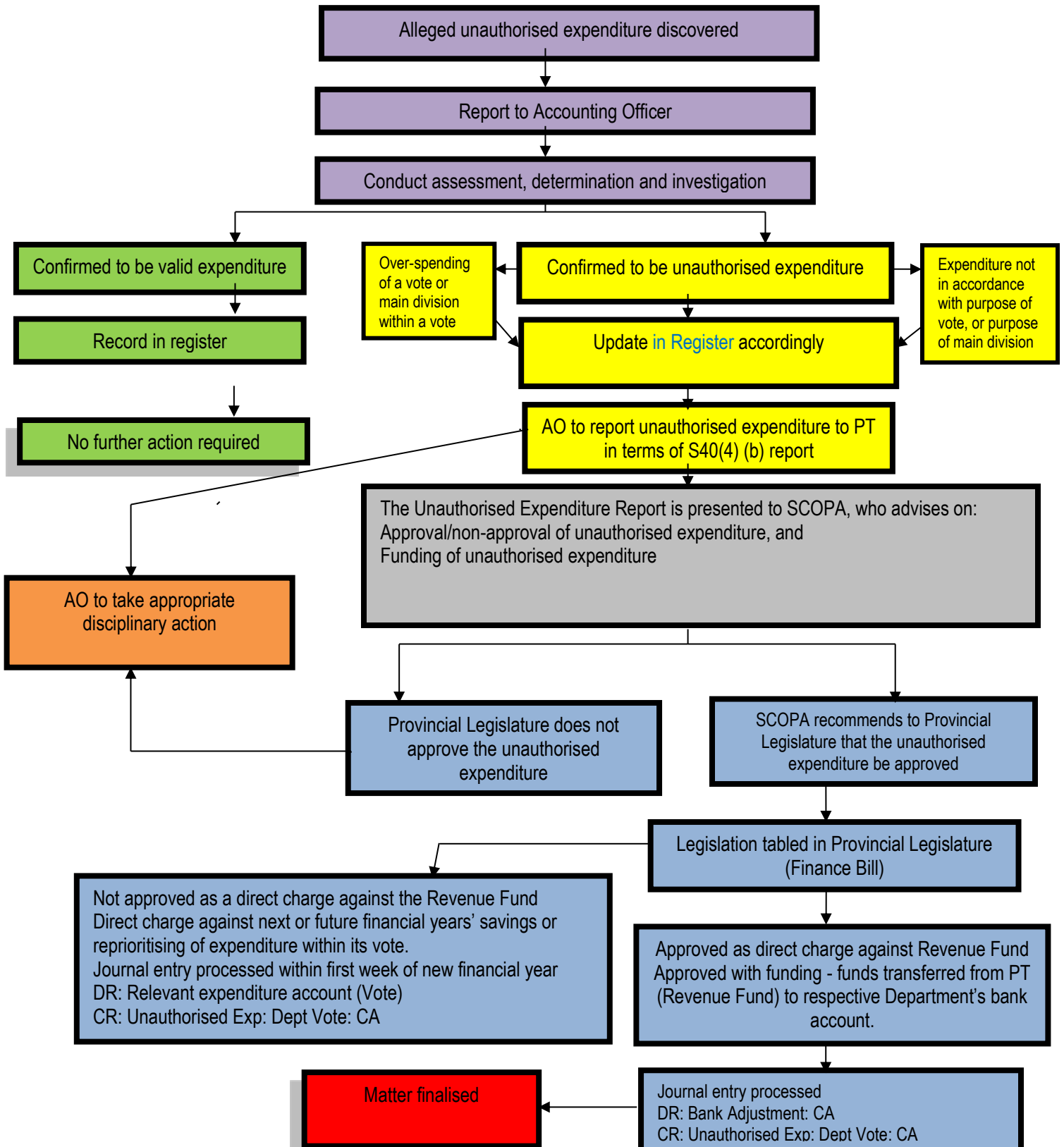
19.6.1 The Accounting Officer or delegated official must maintain a Financial Misconduct Register for Unauthorised Expenditure (Annexure D).

19.6.2 All cases of financial misconduct relating to unauthorised expenditure must be updated in the Financial Misconduct Register for record and audit purposes.

20. **COMPLIANCE CHECKLIST**

- 20.1 Compliance checklists ensure consistency in application of procedural requirements and financial norms and standards and facilitate compliance monitoring with regulatory requirements, policy and procedural frameworks.
- 20.2 The compliance checklist, attached as Annexure E, should be implemented or adapted, where applicable, to support departmental requirements.

ANNEXURE A: PROCESS FLOW FOR UNAUTHORISED EXPENDITURE



ANNEXURE B

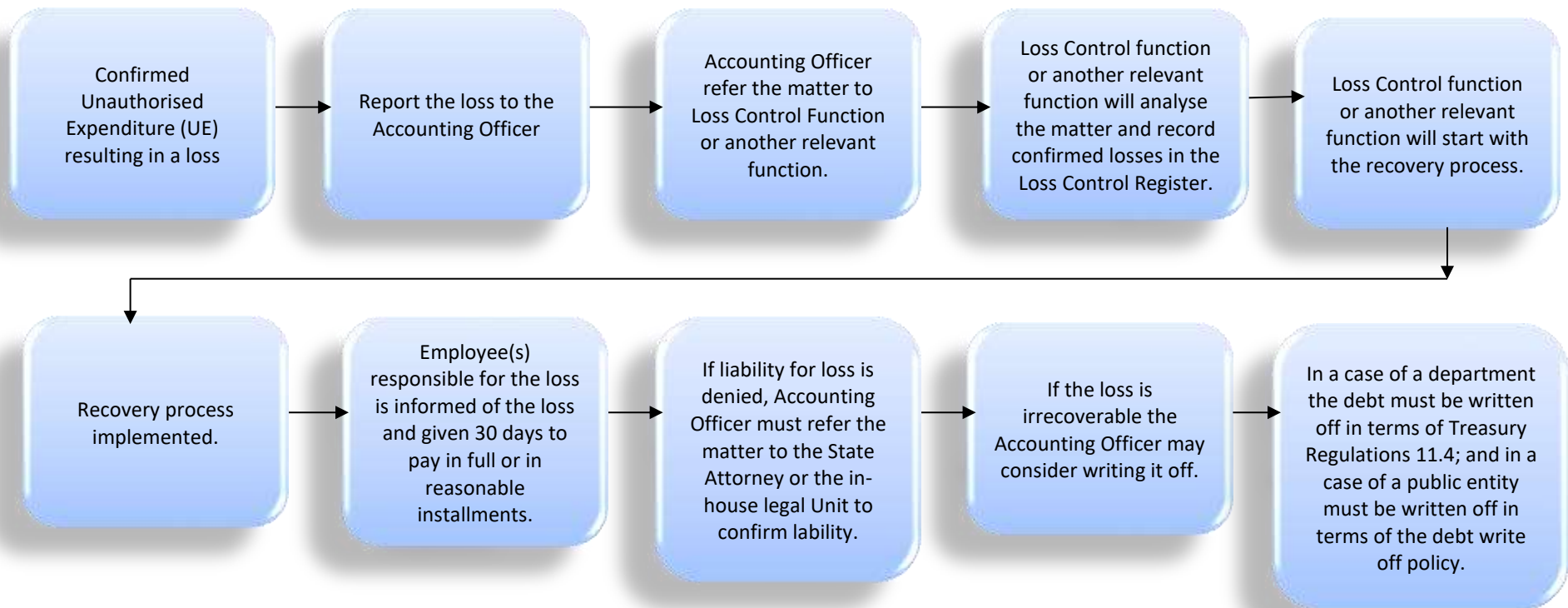
UNAUTHORISED EXPENDITURE REGISTER

Total Amount of Unauthorised Expenditure				Total Amount						
Total Amount - Unauthorised Expenditure: Overspending of vote or main division within a Vote				-						
Total Amount - Unauthorised Expenditure: Expenditure not in accordance with purpose of vote or main division Vote				-						
Total losses										
Report number and date e.g., 4th report of 2022/2023	Incident description	Date Incurred	Date Identified	Amount of Unauthorised Expenditure	Status (under assessment, determination, investigation)	Amount of losses	Amount of losses recovered	Unauthorised Expenditure due to fraudulent, corrupt or other criminal conduct reported to SAPS	Consequence Management	Steps taken to prevent Unauthorised Expenditure

A separate register must be kept and maintained for historical unauthorised expenditure incurred in previous financial years and not addressed.

ANNEXURE C

PROCESS FLOW FOR THE RECOVERY OF LOSSES



ANNEXURE D

FINANCIAL MISCONDUCT REGISTER – UNAUTHORISED EXPENDITURE

Transaction No	Date the alleged expenditure reported	Details of the alleged expenditure	Date of Determination or Investigation began	The name and rank of the responsible employee for UE,	The charges, indicating the financial misconduct the employee is alleged to have committed	Information on the amounts of UE for each case;	Information on the amounts recovered for each case, if applicable;	Information on irrecoverable amounts to be written off (if applicable	Disciplinary steps to be initiated against the employee	Outcome

ANNEXURE E

**COMPLIANCE CHECKLIST
UNAUTHORISED EXPENDITURE**

PROCESS		Y/N	REMEDIAL ACTION
UNAUTHORISED EXPENDITURE			
1.	Established processes to prevent and detect unauthorised expenditure.		
2.	Discovery of unauthorised expenditure reported to Accounting Officer and Provincial Treasury.		
3.	Established processes for assessment, determination and investigation of alleged and valid unauthorised expenditure.		
4.	Unauthorised expenditure recorded in Unauthorised Expenditure Register.		
5.	Supporting documentation retained for audit purposes.		
6.	Unauthorised expenditure disclosed as a note to the financial statements.		
7.	Losses suffered by department recovered from responsible official.		