MARULENG MUNICIPALITY

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

(FINANCIAL MANAGEMENT POLICY)

2026-2027

Council Resolution no: SC007/05/2026

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ABBREVIATIONS / ACRONYMS

Except if otherwise stated in this policy, the following abbreviations and acronyms will represent the following word:

AFS – Annual Financial Statement

CFO – Chief Executive Officer

COO – Chief Operational Officer

MBRR – Municipality Budget Rules and Regulations

MIG – Municipal Infrastructure Grant

MLM – Maruleng Local Municipality

MFMA – Municipal Finance Management Act

MPAC – Municipal Public Account Committee

MM or AO – Municipal Manager or Accounting Officer

MSA – Municipal Systems Act, No. 32 of 2000

MSA – Municipal Structures Act No. 117 of 1998

PFMA – Public Finance Management Act

RPOBA – Remuneration of Public Office Bearers Act

SAPS – South African Police Service

1. INTRODUCTION

1.1 In terms of section 62 of the Municipal Finance Management Act No. 56 of 2003 (herein referred to as MFMA) states, the accounting officer is responsible for managing the financial affairs of the municipality and he/ she must, for this purpose, inter alia:

a) Take all reasonable steps to ensure that unauthorized, irregular, fruitless and wasteful expenditure and other losses are prevented; and
b) Ensure that disciplinary action or, when appropriate, criminal proceedings are instituted against any official or councilor of MLM who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 4 of the MFMA.

1.2 This is to ensure effective, efficient and transparent systems of financial, risk management and internal controls.

2. OBJECTIVES

2.1 This document sets out MLM's policy and procedures with regards to unauthorized, irregular, fruitless and wasteful expenditure.

2.2 This policy aims to ensure that, amongst other things;

a) Unauthorized, irregular, fruitless and wasteful expenditure is detected, processed, recorded and reported in a timely manner;
b) Officials or councilors have a clear and comprehensive understanding of the procedures they must follow when addressing unauthorized, irregular, fruitless and wasteful expenditure;
c) MM's resources are managed in compliance with the MFMA, the municipal regulation and other relevant legislation; and
d) All officials and councilors are aware of their responsibilities in respect of unauthorized, irregular, fruitless and wasteful expenditure.
e) Ensure transparency, accountability and appropriate lines of responsibility in the fiscal and financial affairs of MLM

3. ENABLING LEGISLATION

The following enabling legislation sets the precedent for the development of MLM unauthorized, 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 No. 56 of 2003
c) The Remuneration of Public Office – Bearers Act
d) The Municipal Systems Act No. 32 of 2000
e) MFMA Circular 68
f) The Municipal Structures Act No. 117 of 1998

g) Any other legislation, regulation or circular that may impact this policy

4. APPLICATION TO THE POLICY

4.1. This policy applies to all municipal officials and councilors of MLM

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

a) Delegation of Authority
b) Policy on financial misconduct
c) Breach of the Code of Conduct for Municipal Staff members, and
d) Breach of the Code of Conduct for Councilors

4.3. Municipal Official and Councilors must ensure in all instances of unauthorized and irregular expenditure as well as fruitless and wasteful expenditure is presented where possible, and is detected and reported in a timely manner.

5. DEFINITIONS

Except if otherwise indicated;

"Councilors" means members of the municipal council of MLM

"Municipal Manager" means a person appointed in terms of section 82(1)(a) or (b) of the Municipal Structures Act

"Officials" in relation to MLM, means –

a) An employee of the municipality or municipal entity
b) A person seconded to MLM or to work as a member of the staff of the municipality or municipal entity
c) A person contracted by a MLM to work as a member of the staff of MLM or otherwise than as an employee

"Mayor" in relation to –

a) A municipality with an executive mayor, means the councilor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act; or
b) A municipality with an executive committee, means the councilor elected as the mayor of the municipality in terms of section 48 of that Act

"Senior Manager" has the meaning assigned to it in section 1 of the MFMA and in relation to MLM, refer to Directors, Managers and CFO

"Political Office –Bearer" means the speaker, Mayor or a member of the executive committee as referred to in the Municipal Structures Act

a) The Speaker, Executive Mayor, Deputy Executive Mayor, Mayor, Deputy Mayor or a member of the executive or mayoral committee of a municipality elected, designated or appointed in terms of a specific provision of the Municipal Structures Act; or

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.

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

i, it was made in vain (meaning the municipality did not receive value for money) and;

ii, And could have been avoided had reasonable steps care been exercised (meaning that official or councillor concerned did not carelessly or negligently cause the expenditure to be incurred by the municipality furthermore another official or councillor under the same circumstances would not have been incurring the same expenditure)

8.6 in determining whether expenditure is fruitless or 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

- 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? And,

- is the expenditure being incurred at the right price, right quality, right time and right quantity?

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) A councillor of a municipality, must be reported to the speaker of the council;

b) The Municipal Manager and Speaker, must be reported to the Mayor

c) Senior Manager or Chief Financial Officer and all officials below senior management of the municipality, must be reported to the Municipal Manager;

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

9.2 All reports made by officials and councillors must be treated with utmost confidentiality.

9.3 The MM must promptly inform the Mayor, the MEC for local government in the province and also 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 following steps must be taken:

- To recover or rectify such expenditure; and
- To prevent recurrence of such expenditure

9.4 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 quarterly basis

d) MPAC on a quarterly bases; and

e) Audit Committee on a quarterly basis

9.5 In accounting for unauthorised, Irregular, Fruitless and wasteful expenditure, the municipal manager or delegated officials (as may be relevant) must ensure that:

a) 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;

b) All such expenditure is disclosed in the AFS as required by the MFMA and treasury regulations; and

c) 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 CFO and MM;

b) A separate register must be maintained by the MM for expenditure incurred by the CFO;

c) A separate register must be maintained by the Mayor for expenditure incurred by the MM; and

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, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

11.1 MPAC must institute an investigation of all prohibited expenditure reported in terms of clause 9.1 (d) above,

Section 32 (7):also states that The council of a municipality must take all reasonabl e steps to ensure that all cases referred to in subsection (6) are reported to the South African Police Service (SAPS) if—

(a) the charge is against the accounting officer; or

(b) the accounting officer fails to comply with that subsection.

Section 32(6) of the MFMA requires the Mayor to report to SAPS any alleged una uthorised expenditure, theft and fraud.

Section 32 (2) b: in the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.

12. DISCIPLINARY AND CRIMINAL CHARGES FOR UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

12.1 The MPAC, Mayor or Municipal Manager or delegated officials (as may be relevant) must promptly report to the SAPS all cases alleged

a) Irregular expenditure that constitute a criminal offence; and

b) Theft and fraud that occurred in the municipality

12.2 The Mayor must take all responsible steps to ensure that all cases referred to in the above paragraph are reported to the South African Police Service if;

a) The charges is against the Municipal Manager; or

b) The Municipal Manager fails to comply with the above paragraph.

12.3 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, fruitless and wasteful expenditure.4

13. RECOVERY OF UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

13.1 The MM or delegated person must recover any unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure is as per section 32(2) of the MFMA-

a) In a case of unauthorised expenditure, is-

i) Authorised in adjustment budget; or

ii) Certified by the municipal council, after investigation by a council committee as irrecoverable and written off by the council

b)In a case of Irregular or Fruitless and Wasteful Expenditure is, after investigation by a council committee, certified by the council as irrecoverable and written off by council

13.2 Irregular expenditure resulting from breaches of the Public Office – Bearers Act must be recovered from the council to whom it was paid.

13.3 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 Councillor or Official pay the amount within 30 days or in reasonable instalments.

13.4 Without limiting liability in terms of the common law or other legislation, the MM must recover such expenditure, in full, from the official or councillor where:

a) In the case of a councillor, the councillor knowing or after having been advised by the MM that the expenditure is likely to result in unauthorised, irregular, fruitless and wasteful expenditure but still proceeded in instructing an official of MLM to incur such expenditure; and

b) In case of the official deliberately or negligently incurred such expenditure.

13.5 The fact that the council may have approved the expenditure for writing off or deemed it to be irrecoverable is no excuse, in;

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; or

b) Recovery of such expenditure from liable personnel

13.6 If the official or councillor fails to make satisfactory payment arrangements or fails to honour payment arrangements made, the amount owed for prohibited expenditure must be recovered through the normal debt collection process of the MLM

14. CONSEQUENCES OF NON – COMPLIANCE

14.1 Any official or councillor who does not comply with their reporting duties in terms of this policy could be found guilty of financial misconduct.

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

15. PROTECTION OF OFFICIALS OR COUNCILLORS WHO HAVE REPORTED UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

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

15.2 The MM or Mayor must immediately take appropriate action to ensure that such a person is protected immediately after receiving such a report.

15.3 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.

16. EFFECTIVE DATE OF THIS POLICY

This policy should be effective upon adoption by the council.

17. REVIEW OF THIS POLICY

This policy must be reviewed and updated:

a) Annually in line with the budget cycle and submitted with the budget policies; or
b) Sooner if new legislation, regulation or circulars are issued that will impact this policy.

SIGNED BY________________ DATE 28/05/2026

MUROA ML
ACTING MUNICIPAL MANAGER