



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

Ref. no: 11/3/R

TREASURY INSTRUCTION NOTE NO. 06 OF 2020/21

THE PREMIER

THE SPEAKER: LIMPOPO PROVINCIAL LEGISLATURE
THE DEPUTY SPEAKER: LIMPOPO PROVINCIAL LEGISLATURE
THE MEC FOR EDUCATION
THE MEC FOR AGRICULTURE AND RURAL DEVELOPMENT
THE MEC FOR FINANCE
THE MEC FOR ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM
THE MEC FOR HEALTH
THE MEC FOR TRANSPORT AND COMMUNITY SAFETY
THE MEC FOR PUBLIC WORKS, ROADS AND INFRASTRUCTURE
THE MEC FOR SPORT, ARTS AND CULTURE
THE MEC FOR CO-OPERATIVE GOVERNANCE HUMAN SETTLEMENTS AND TRADITIONAL AFFAIRS
THE MEC FOR SOCIAL DEVELOPMENT

ALL OTHER MEMBERS OF THE LEGISLATURE

THE ACCOUNTING OFFICER: VOTE 01: DIRECTOR GENERAL
THE ACCOUNTING OFFICER: VOTE 03: EDUCATION
THE ACCOUNTING OFFICER: VOTE 04: AGRICULTURE AND RURAL DEVELOPMENT
THE ACCOUNTING OFFICER: VOTE 05: PROVINCIAL TREASURY
THE ACCOUNTING OFFICER: VOTE 06: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM
THE ACCOUNTING OFFICER: VOTE 07: HEALTH
THE ACCOUNTING OFFICER: VOTE 08: TRANSPORT AND COMMUNITY SAFETY
THE ACCOUNTING OFFICER: VOTE 09: PUBLIC WORKS, ROADS AND INFRASTRUCTURE
THE ACCOUNTING OFFICER: VOTE 10: SPORT, ARTS AND CULTURE
THE ACCOUNTING OFFICER: VOTE 11: CO-OPERATIVE GOVERNANCE HUMAN SETTLEMENTS AND TRADITIONAL AFFAIRS
THE ACCOUNTING OFFICER: VOTE 12: SOCIAL DEVELOPMENT

THE ACCOUNTING AUTHORITY: LIMPOPO ECONOMIC DEVELOPMENT AGENCY
THE ACCOUNTING AUTHORITY: LIMPOPO GAMBLING BOARD
THE ACCOUNTING AUTHORITY: LIMPOPO TOURISM AGENCY
THE ACCOUNTING AUTHORITY: ROAD AGENCY LIMPOPO
THE ACCOUNTING AUTHORITY: GATEWAY AIRPORTS AUTHORITY LIMITED

THE GROUP CHIEF EXECUTIVE OFFICER: LIMPOPO ECONOMIC DEVELOPMENT AGENCY
THE CHIEF EXECUTIVE OFFICER: LIMPOPO GAMBLING BOARD
THE CHIEF EXECUTIVE OFFICER: LIMPOPO TOURISM AGENCY
THE CHIEF EXECUTIVE OFFICER: ROAD AGENCY LIMPOPO
THE CHIEF EXECUTIVE OFFICER: GATEWAY AIRPORTS AUTHORITY LIMITED

THE CHIEF FINANCIAL OFFICER: VOTE 01: OFFICE OF THE PREMIER OFFICER
THE CHIEF FINANCIAL OFFICER: VOTE 03: EDUCATION
THE CHIEF FINANCIAL OFFICER: VOTE 04: AGRICULTURE AND RURAL DEVELOPMENT
THE CHIEF FINANCIAL OFFICER: VOTE 05: PROVINCIAL TREASURY
THE CHIEF FINANCIAL OFFICER: VOTE 06: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM
THE CHIEF FINANCIAL OFFICER: VOTE 07: HEALTH
THE CHIEF FINANCIAL OFFICER: VOTE 08: TRANSPORT AND COMMUNITY SAFETY
THE CHIEF FINANCIAL OFFICER: VOTE 09: PUBLIC WORKS, ROADS AND INFRASTRUCTURE
THE CHIEF FINANCIAL OFFICER: VOTE 10: SPORT, ARTS AND CULTURE
THE CHIEF FINANCIAL OFFICER: VOTE 11: CO-OPERATIVE GOVERNANCE HUMAN SETTLEMENTS AND TRADITIONAL AFFAIRS
THE CHIEF FINANCIAL OFFICER: VOTE 12: SOCIAL DEVELOPMENT

THE CHIEF FINANCIAL OFFICER: LIMPOPO ECONOMIC DEVELOPMENT AGENCY
THE CHIEF FINANCIAL OFFICER: LIMPOPO GAMBLING BOARD
THE CHIEF FINANCIAL OFFICER: LIMPOPO TOURISM AGENCY
THE CHIEF FINANCIAL OFFICER: ROAD AGENCY LIMPOPO
THE CHIEF FINANCIAL OFFICER: GATEWAY AIRPORTS AUTHORITY LIMITED

For information

MANAGEMENT AND REPORTING OF UNWANTED EXPENDITURES (UNAUTHORISED EXPENDITURE, IRREGULAR EXPENDITURE AND FRUITLESS AND WASTEFUL EXPENDITURE)

1. PURPOSE

- 1.1. The purpose of this instruction note is to regulate matters relating to the three unwanted expenditures for public institutions (Departments and Public Entities) in the Province subject to the Public Finance Management Act (Act 1 of 1999).
- 1.2. The three unwanted expenditures are as follows:
 - 1.2.1. Unauthorised Expenditure;
 - 1.2.2. Irregular Expenditure; and
 - 1.2.3. Fruitless and Wasteful Expenditure.

2. BACKGROUND

- 2.1. In terms of sections 38(1)(c)(ii) and 51(1)(b)(ii) of the PFMA, accounting officers and accounting authorities must take effective and appropriate steps to, prevent unauthorised (departments), irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct.
- 2.2. Sections 47(c) and 57(c) of the PFMA also provide that officials in departments, trading entity, constitutional institution and public entity must take effective and appropriate steps to prevent, within that official's area of responsibility, any unauthorised expenditure (departments), irregular expenditure and fruitless and wasteful expenditure.
- 2.3. In terms of sections 81(b) and 83(b) of the PFMA, accounting officers and accounting authorities commits an act of financial misconduct if that accounting officer or accounting authority wilfully or negligently makes or permits an unauthorised expenditure (departments), an irregular expenditure or a fruitless and wasteful expenditure

3. HANDLING OF UNWANTED EXPENDITURES

- 3.1. Upon confirmation that a transaction meets the criteria of any of the unwanted expenditures, such transaction should be recorded in the register of unwanted expenditures as provided by Provincial Treasury. **(Annexure A and accompanying Excel Spreadsheet)**
- 3.2. Where it has been confirmed that the identified non-compliance constitutes an unwanted expenditure, as defined in section 1 of the PFMA, the accounting officer or accounting authority must –
 - a) strengthen the internal control environment where the non-compliance was identified and confirmed; and

- b) refer the non-compliance matter to the Human Resource Management Function in the institution to institute disciplinary processes against the employee responsible for the non-compliance.
- 3.3. The Loss Control Function or another relevant function must conduct a determination test or analyse particulars of the non-compliance to establish the facts and losses, if any, related to the transaction.
- 3.4. The Loss Control Function or another relevant function must, at least, collect information on –
- a) the root causes that led to the transgression;
 - b) the employee(s) responsible for the irregular expenditure;
 - c) whether the department, constitutional institution or public entity suffered a loss; and
 - d) any breakdown in the designed internal controls.
- 3.5. The determination test referred to in paragraph 3.3 above, must commence within 30 days after the unwanted expenditure was reported to the accounting officer or accounting authority.
- 3.6. The accounting officer or accounting authority must conduct an investigation if it is suspected that there is a possibility of fraudulent, corrupt or other criminal conduct emanating from the incurrence of the unwanted expenditure.
- 3.7. The accounting officer or accounting authority must, upon suspicion of a fraudulent, corrupt or other criminal conduct, refer the unwanted expenditure matter to a function performing investigations in order to establish the facts about the transaction and to obtain recommendations on the next step(s) to be taken.
- 3.8. The investigation must provide the accounting officer or accounting authority with at least the following –
- a) root causes that led to the transgression;
 - b) impact of the transgression;
 - c) fraudulent, corrupt or other criminal conduct;
 - d) employee(s) responsible for the irregular expenditure;
 - e) whether the department, constitutional institution or public entity suffered a loss;
 - f) whether the matter must be referred to the South Africa Police Service; and
 - g) any breakdowns in the designed internal controls and the impact thereof.
- 3.9. The investigation referred to in paragraph 3.6 above must commence within 30 days after the determination test.
- 3.10. All matters of misconduct and recovery of losses incurred should be dealt with in terms of applicable prescripts.
- 3.11. Attached please find an Irregular Expenditure Framework Process Flow diagram (**Annexure B**)
(Please note that Annexure B is best printed on A3 paper size, but can be printed on A4)

4. SUBMISSION OF UNWANTED EXPENDITURE REGISTERS TO PROVINCIAL TREASURY

- 4.1. Every month public institutions must submit to Provincial Treasury together with the In-Year Monitoring report, the unwanted expenditure register outlined in paragraph 3.1 above (**Annexure A and accompanying Excel Spreadsheet**).
- 4.2. The register must be completed in full per transaction. (**No blank cells**)

5. APPLICABILITY

- 5.1. This Treasury Instruction applies to all departments and public entities (3C and 3D) as listed in the schedule of the PFMA.
- 5.2. Should there been any conflict with National Treasury Instruction Note 2 of 2019/20 and the National Treasury Irregular Expenditure Framework the National Treasury Instruction Note and Irregular Expenditure Framework will take precedence.

6. AUTHORITY FOR THIS INSTRUCTION NOTE

- 6.1. The instruction note is issued in terms of Section 18 (1) (c) of the PFMA read together with Section 18 (2) (a), (b), (f) and (i).

7. EFFECTIVE DATE FOR IMPLEMENTATION

- 7.1. The effective date of the instruction note is 15 July 2020.

8. DISSEMINATION OF INFORMATION CONTAINED IN THIS INSTRUCTION NOTE

- 8.1. Accounting Officers and Accounting Authorities are requested to bring the contents of this instruction note to the attention of all officials within the public institutions.

9. NOTIFICATION TO THE AUDITOR - GENERAL AND AUDITABILITY OF THE INSTRUCTION NOTE

- 9.1. The Auditor General will be notified of the contents of this Provincial Treasury Instruction Note and contents thereof will be subject to audit.

10. CONTACT OFFICE

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15/7/2020
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Mr. GAVIN PRATT CA(SA)
HEAD OF DEPARTMENT
PROVINCIAL TREASURY
DATE:

ANNEXURE A – PROCEDURE ON COMPLETING THE REGISTER

Step 1 – Summary Sheet

- a) Summary sheet is locked and thus no modifications can be done – it will provide a summary of the expenditures recorded in the “Details Sheet”

Step 2 – Details Sheet

- a) In cell H3 capture the name of your institution
- b) In cell H4 select the reporting period from drop down list provided
- c) In column G capture the reference number as per example provided PT-IE/201920_001 (PT stand for Provincial Treasury, IE stands for Irregular Expenditure, 201920 stands for financial year, 001 stand for identifying the expenditure as the first). You can replace IE with UE for Unauthorised Expenditure or FEW for Fruitless and Wasteful Expenditure.
- d) In column H to K, from row 21, select response from drop down list provided.
- e) In column L, from row 21, please capture in a short but precise manner incident description as per example provided.
- f) In column M, from row 21, please capture the amount to the last Rand, (No cents must be included).
- g) In column N, from row 21, select the date from drop down list provided.
- h) In column O, from row 21, capture the payment reference number as per your respective payment systems.
- i) In column P, from row 21, select from the drop down list provided whether the transaction was reported to the Loss Control Function for Assessment and Determination
- j) In column Q, from row 21, select from the drop down list provided whether the transaction was referred to HRM for disciplinary action.
- k) In column R, from row 21, select from the drop down list provided whether the recovery process was instituted.
- l) In column S, from row 21, select from the drop down list provided whether the transaction was reported to SAPS)
- m) In column T, from row 21, select from the drop down list provided whether the transaction was referred for condonement by the relevant authority
- n) In column U, from row 21, select from the drop down list provided whether the transaction, if not condoned, was removed in terms of paragraph 57 to 59 of the framework by the Accounting Officer or Accounting Authority.
- o) In column V, from row 21, select current status from the drop down list provided - at which point is the transaction as at reporting date
- p) In column W, from row 21, from the drop down list provided select the estimated month the matter will be submitted for condonation to Treasury or to the AO/AA if it is fruitless and wasteful expenditure.
- q) In column X, from row 21, capture the capital amount to be recovered as a debt
- r) In column Y, from row 21, capture the capital debt amount recovered to date
- s) In column Z, capture challenges experienced which hinder conclusion of the matter.
- t) In column AA, capture preventative steps (remedial action) undertaken that will prevent occurrence of the non-compliance.