

**FRUITLESS AND WASTEFUL EXPENDITURE POLICY**

**TABLE OF CONTENTS**

**TOPIC PAGE**

1. **General 3**
2. **Definition 3**
3. **Objectives 3**
4. **Procedures 3**
5. **Accounting treatment 5**
6. **Adoption or review 5**
7. **GENERAL**

This policy outlines the identification and treatment of fruitless and wasteful expenditure in Mohokare Local Municipality according to requirements of the Municipal Finance Management Act (MFMA) and Treasury Regulations.

1. **DEFINITION**

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

1. **OBJECTIVE**

The objective of the policy includes –

* Emphasising the accountability of employees for the Municipality’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 effectively, efficiently, economically and for authorised official purposes and ensuring that the Municipality’s resources are managed in compliance with the Municipal Finance Management Act, the Treasury Regulations and other relevant legislation; and
* Ensure that fruitless and wasteful expenditure is detected, processed and recorded timely.
1. **PROCEDURES**

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

**Discovery, investigation and reporting of fruitless and wasteful expenditure**

1. Any employee who becomes aware of or suspects the occurrence of fruitless and wasteful expenditure should immediately report, in writing, such expenditure to the Municipal Manager or his/her delegate.
2. On discovery of alleged fruitless and wasteful expenditure, such expenditure should be left in the expense account/vote and the Municipal Manager or delegate should record the details of the expenditure in a fruitless and wasteful expenditure register.
3. The Municipal Manager or 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.
4. 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.
5. Once an investigation has been concluded and the results verify that the expenditure constitutes fruitless and wasteful expenditure, the Municipal Manager must immediately report, in writing, the particulars of the fruitless and wasteful expenditure to the Mayor, MEC for Local Government in the Province and the Auditor General (MFMA, Section 32(4)).
6. The Municipal Manager must report to the South African Police Service all cases of alleged (MFMA, Section 32(6)):
7. irregular expenditure that constitutes a criminal offence; and
8. theft and fraud that occurred in the Municipality.
9. The Council of a Municipality must take all responsible steps to ensure that all cases referred to in (f) above are reported to the South African Police Service if (MFMA, Section 32(7)):
10. the charge is against the Municipal Manager; or
11. the Municipal Manager fails to comply with (f) above.
12. 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.
13. In addition to (h) above fruitless and wasteful expenditure should also be included in the Municipality’s report to the relevant Treasury.

**Recovery of fruitless and wasteful expenditure**

1. The Mayor or Municipal Manager or 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.
2. The Mayor or Municipal Manager or delegate must in writing request the responsible official to 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 recovery of the debt.
3. If the amount is not recoverable, Municipal Council may write the debt off in terms of MFMA, Section 32(2)(b) and/or Treasury Regulation 11.4
4. **ACCOUNTING TREATMENT**

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

1. **ADOPTION OR REVIEW**

This policy is adopted for the first time for implementation with effect from 1 July 2011 and shall be reviewed annually.