



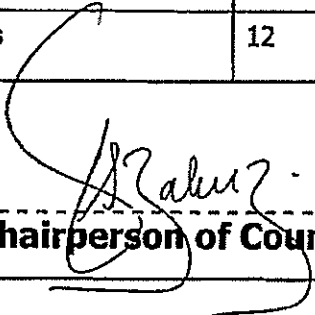
**WALTER SISULU UNIVERSITY**  
**IRREGULAR, FRUITLESS AND**  
**UNAUTHORISED EXPENDITURE**  
**POLICY**

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## IRREGULAR, FRUITLESS, WASTEFUL & UNAUTHORISED EXPENDITURE POLICY

<b>Sponsor Division</b>	Chief Financial Officer
<b>Responsible Department</b>	Finance
<b>Policy Name and Related WSU Policies</b>	
<b>Policy name</b>	<b>Policy Name</b>
Irregular, Fruitless, Wasteful & Unauthorised Expenditure Policy	
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<b>Chairperson of Council: Mr T Zakuza</b>	

## TABLE OF CONTENTS

1. INTRODUCTION.....	1
2. LEGISLATIVE GUIDANCE IN INTERPRETING POLICY PROVISIONS.....	1
3. DEFINITIONS .....	2
4. PURPOSE AND SCOPE.....	2
5. IRREGULAR EXPENDITURE.....	3
6. CONDONATION OF IRREGULAR EXPENDITURE.....	3
7. FRUITLESS AND WASTEFUL EXPENDITURE .....	4
8. UNAUTHORISED EXPENDITURE .....	5
9. UNAUTHORISED EXPENDITURE AND IRREGULAR EXPENDITURE .....	6
10. RECOVERY OF EXPENSES FROM OFFICIALS LIABLE IN LAW .....	6
11. PROCEDURE FOR INVESTIGATION AND REPORTING .....	7
12 NON-COMPLIANCE .....	8
13 POLICY REVIEW.....	8
APPENDIX A: REGISTER FOR IRREGULAR, FRUITLESS AND WASTEFUL, AND UNAUTHORISED EXPENDITURE .....	9

## 1. INTRODUCTION

- 1.1. This document sets out Walter Sisulu University's ("WSU", "the University") policy on the process of identifying, recording and disclosing irregular, fruitless and wasteful, and unauthorised expenditure.
- 1.2. The policy aims to ensure effective, efficient and transparent systems of financial and risk management and internal control; and to demonstrate commitment to prevent irregular, fruitless and wasteful, and unauthorised expenditure the University must:
- 1.3. Identify activities and transactions that could be construed as irregular, fruitless and wasteful, and unauthorised within their operations; and
- 1.4. Implement systems and processes that monitor and take appropriate action against irregular, fruitless and wasteful, and unauthorised expenditure.

## 2. LEGISLATIVE GUIDANCE IN INTERPRETING POLICY PROVISIONS

The Public Finance Management Act ("PFMA") 1 of 1999, as amended. (The University does not fall under the jurisdiction of the PFMA (Paragraph 47(4)(c)). However, the principles with regard to the identifying of and accounting for irregular, fruitless and wasteful expenditure are to be found in the PFMA. For this reason, the Act is referred to here.)

Higher Education Act 101 of 1997 as amended and Regulations.

Public Audit Act 25 of 2004. In terms of Paragraph 4(3)(b) of the Act the University falls under the jurisdiction of the Auditor General for audit purposes, to ensure that there is proper accounting for the use of public funds, hence its relevance.

### 3. DEFINITIONS

<i>Earmarked Funds</i>	Funds set aside by Council for a specific purpose
<i>Restricted Funds</i>	Funds paid to the University which may only be used for a specific purpose. This includes Infrastructure Grants from government
<i>Fruitless and wasteful expenditure</i>	Expenditure incurred in vain (see Section 7)
<i>Irregular expenditure</i>	Expenditure, other than unauthorised expenditure, incurred in contravention of any relevant legislation or is expenditure in violation of any University policy or directive (see Section 5)
<i>Unauthorised expenditure</i>	Overspending of any budget item or restricted funds or earmarked funds (see Section 8)
<i>University</i>	Walter Sisulu University
<i>WSU</i>	Walter Sisulu University

### 4. PURPOSE AND SCOPE

The purpose of this policy is :

- 4.1. Not to place the University under the auspices of the PFMA, but to be guided by and to incorporate its principles applicable to irregular, fruitless and wasteful, and unauthorised expenditure into the University policy framework;
- 4.2. To clarify the procedures to be followed when dealing with unauthorised, irregular, fruitless and wasteful expenditure;
- 4.3. To enhance the awareness of WSU officials to prevent and detect irregular, fruitless and wasteful, and unauthorised expenditure;
- 4.4. To enhance correct reporting, investigation, identification, prevention and management of irregular, fruitless and wasteful, and unauthorised expenditure;  
and
- 4.5. Strengthen the internal control environment with regard to management of irregular, fruitless and wasteful, and unauthorised expenditure.

## 5. IRREGULAR EXPENDITURE

- 5.1. Without restricting the concept in any way, the following may serve as examples of irregular expenditure:
  - 5.1.1. Procuring without inviting competitive bids when required to do so in terms of policy;
  - 5.1.2. Non-compliance with delegations of authority;
  - 5.1.3. Non-compliance with legislation or regulations issued; and
  - 5.1.4. Non-compliance with the Supply Chain Management policy;
- 5.2. For the purposes of determining whether irregular expenditure has taken place, there must be a transgression of a provision contained in applicable legislation, or any approved policy or procedure, and/or lawful instruction;
- 5.3. For the University to incur irregular expenditure, the non-compliance must be linked to a payment or contractual commitment.
- 5.4. Expenditure resulting from non-compliance to WSU's delegations of authority shall be regarded as irregular expenditure; and
- 5.5. An updated register for irregular expenditure must be kept at all times (see Annexure A).

## 6. CONDONATION OF IRREGULAR EXPENDITURE

- 6.1. The Vice-Chancellor, or in instances involving the Vice-Chancellor, the Finance Committee of Council, may condone irregular expenditure;
- 6.2. For condonation purposes, a detailed application must be submitted to the Vice-Chancellor containing:
  - 6.2.1. A detailed motivation as to why the irregular expenditure in question should be condoned; and
  - 6.2.2. A description of remedial steps taken to avoid the reoccurrence of this type of irregular expenditure; and
  - 6.2.3. A recommendation as to whether corrective or disciplinary action should be considered in respect of any person(s) (see Annexure B);
- 6.3. A submission for condonation must be structured as follows:
  - 6.3.1. Purpose;
  - 6.3.2. Background;
  - 6.3.3. Official responsible for this irregular expenditure
  - 6.3.4. Applicable legislative or policy framework;
  - 6.3.5. Motivation for condonation and reason for the deviation;
  - 6.3.6. Remedial steps to prevent reoccurrence;

- 6.3.7. Financial implications and whether WSU suffered financial loss;
  - 6.3.8. Personnel implications;
  - 6.3.9. Parties consulted; and
  - 6.3.10. Recommendations;
  - 6.3.11. An investigation of the facts and circumstances must be done by Internal Audit;
  - 6.3.12. Where the investigation find that nobody is responsible, such a recommendation must be made together with steps to be taken to prevent a recurrence of it;
- 6.4. Where the Vice-Chancellor condones any irregular expenditure, the Chief Financial Officer shall
- 6.4.1. Update the University's Irregular Expenditure Register accordingly; and
  - 6.4.2. Where the condoned irregular expenditure amounts to R25 000 (twenty five thousand rand or less), it can be submitted to the Chief Financial Officer for condonation;
  - 6.4.3. Where the condoned irregular expenditure amounts to R50 000 (fifty thousand rand) or more, report the decision and the reasons therefor to the Finance Committee of Council;
  - 6.4.4. Where the condoned expenditure amount to more than R250 000, it should be submitted to Council for condonation;
- 6.5. In the event of irregular expenditure not being condoned,
- 6.5.1. Determine whether any person(s) is liable in law for such irregular expenditure and take steps to recover such expenses from the appropriate person(s) (see also clause 10 below);
  - 6.5.2. And where the University is unable to recover all or part of such expenses, the relevant expenditure must remain against the relevant programme or expenditure item (no journal is passed) and be tabled at the Finance (FCC) and Audit, Risk and Compliance Committees of Council (ARCCC); and
  - 6.5.3. The University's Irregular Expenditure Register must be updated throughout the process until the case is finally closed; and
  - 6.5.4. Where the irregular expenditure cannot be recovered, a submission must be made to the Vice-Chancellor for the write-off of such expenditure

## 7. FRUITLESS AND WASTEFUL EXPENDITURE

- 7.1. The following are examples of fruitless and wasteful expenditure:
  - 7.1.1. Expenditure due to negligence, e.g. cancellation fees incurred for missing a flight;

## **IRREGULAR, FRUITLESS, WASTEFUL & UNAUTHORISED EXPENDITURE POLICY**

- 7.1.2. Interest on overdue accounts; and
- 7.1.3. Penalties paid (e.g. for rendering statutory returns late).
- 7.2. The Vice-Chancellor, or in instances involving the Vice-Chancellor, the Finance Committee of Council, shall deal with all fruitless and wasteful expenditure as prescribed;
- 7.3. Once fruitless and wasteful expenditure has been identified and confirmed
  - 7.3.1. The expenditure must be captured as such on the financial system;
  - 7.3.2. The Chief Financial Officer must determine whether any person(s) is liable in law for such expenditure and take steps to recover such expenses (see also clause 10 below); and
  - 7.3.3. If the Chief Financial Officer(CFO) is involved, then the determination must be made by the Vice-Chancellor as to whether the CFO is liable in law for such expenditure and take steps to recover such expenses (see clause 10 below);
  - 7.3.4. The University's Fruitless and Wasteful Expenditure Register must be updated throughout the process until the case is finally closed. Refer to Annexure A for the example of this register.

## 8. UNAUTHORISED EXPENDITURE

- 8.1. The following are examples of unauthorised expenditure:
  - 8.1.1. Overspending on budget;
  - 8.1.2. Earmarked funds used for other purposes; and
  - 8.1.3. Restricted funds used for other purposes;
- 8.2. The University must only spend funds provided and spend them only for the purposes for which they were provided;
- 8.3. Overspending on the budget is identified on the ITS Accounting System;
- 8.4. Unauthorised expenditure occurs when a payment is made or when a contractual commitment is incurred which will result in unauthorised expenditure.
- 8.5. The Vice-Chancellor, or in instances involving the Vice-Chancellor, the Finance Committee of Council, may condone any transaction which is otherwise unauthorised;
- 8.6. The Chief Financial Officer must determine whether any person(s) is liable in law for such expenditure and take steps to recover such expenses (see also clause 10 below); and
- 8.7. Where the CFO is involved, the Vice-Chancellor must determine whether the CFO is liable in law for such expenditure and take steps to recover such expenses (see clause 10 below);

## **IRREGULAR, FRUITLESS, WASTEFUL & UNAUTHORISED EXPENDITURE POLICY**



8.8. The University's Unauthorised Expenditure Register must be updated throughout the process until the case is finally closed. Refer to Annexure A for the example of this register.

8.9. Unauthorised expenditure must be reported to the Audit and Finance Committees.

## 9. UNAUTHORISED EXPENDITURE AND IRREGULAR EXPENDITURE

9.1. Where the University carries out a transaction that contravenes legislation or policy, the transaction meets the definition of irregular expenditure, irrespective of whether the transaction falls within or outside the University's mandate; or whether it causes overspending on a budget or project which meets the definition of unauthorised expenditure.

9.2. In respect of a transaction which could have elements of both Irregular and Unauthorised expenditure, unauthorised expenditure takes precedence over irregular expenditure; and such a transaction shall be accounted for as unauthorised expenditure; and not as both unauthorised expenditure and irregular expenditure.

## 10. RECOVERY OF EXPENSES FROM OFFICIALS LIABLE IN LAW

10.1. The process to determine whether any person(s) is liable should normally be conducted in consultation with the University's Legal Services Department and/or legal representatives;

10.2. Should any person(s) be considered to be liable to repay expenses, the University's Legal Services Department shall issue a written notice to such person(s), or take any other appropriate action to recover the amount;

10.3. The person(s) must be requested, in writing, to repay the amount(s) within 30 days or in mutually agreeable instalments;

10.4. Where the person(s) considered liable to repay the expenses, do not agree with such finding, a committee comprising of 3 members of the Institutional Management Committee (IMC) must meet to determine the facts and make a ruling on the case which will be binding on the incumbent(s) ;

10.5. Where the University and the person(s) involved fail to reach a satisfactory agreement regarding the recovery of the amounts, the University must refer the matter to the Debtors Unit in the Financial Accounting Directorate for recovery of the debt within 30 days of being instructed to pay;

10.6. Should no official be found liable in law, the expenditure related thereto must be reported as indicated above;

## **IRREGULAR, FRUITLESS, WASTEFUL & UNAUTHORISED EXPENDITURE POLICY**

- 10.7. Where recovery of a debt is not possible, the Chief Financial Officer may write off the amount as irrecoverable (having evidence that the debt is indeed irrecoverable) and if material (in excess of R100 000(one hundred thousand rand)), report such to the Finance and Audit, Risk and Compliance Committees of Council.

## 11. PROCEDURE FOR INVESTIGATION AND REPORTING

In addition to processes provided for in other clauses of this policy, the procedure for reporting irregular, fruitless and wasteful, and unauthorised expenditure is as follows:

- 11.1. Any employee who becomes aware or suspects the occurrence of irregular, fruitless and wasteful, and unauthorised expenditure must immediately report such expenditure in writing to the Chief Financial Officer and/or his or her delegate;
- 11.2. Reporting may also occur during the various assurance processes, i.e. internal audit, external audit, compilation of the annual financial statements or normal reviews;
- 11.3. Instances of alleged irregular, fruitless and wasteful, and unauthorised expenditure must be investigated without any delay to determine the validity thereof, i.e. whether they meet the definitions of irregular, fruitless and wasteful, and unauthorised expenditure, as contained herein;
- 11.4. Managers should assist and co-operate with the investigators in every aspect of the investigation;
- 11.5. A written report on the outcome of the investigation which is accompanied by relevant supporting documentation must be prepared and presented to the Chief Financial Officer (this investigation should be conducted by the Internal Audit department);
- 11.6. Details of reported cases of irregular, fruitless and wasteful, and unauthorised expenditure must be recorded in the Irregular, Fruitless and Wasteful, and Unauthorised Expenditure Register (see Annexure A);
- 11.7. A case file must be opened for each reported case containing all the evidence and reports received;
- 11.8. The Irregular, Fruitless and Wasteful, and Unauthorised Expenditure Register must be:
  - 11.8.1. Available always for inspection and audit purposes;

- 11.8.2. Kept in a safe place and protected against fire, water and damage; and
- 11.8.3. Maintained in electronic format;
- 11.9. The Irregular, Fruitless and Wasteful, and Unauthorised Expenditure Register must be updated with the progress of each investigation;
- 11.10. The results of the investigation will determine the appropriate action to be taken;
- 11.11. Should the investigation reveal that the expenditure does not constitute irregular, fruitless and wasteful, and unauthorised expenditure and is in fact valid expenditure, the details of the expenditure should not be retained in the relevant Irregular, Fruitless and Wasteful, and Unauthorised Expenditure Register, but kept in a separate register for the purposes of completeness and to provide an appropriate audit trail.
- 11.12. Should the investigation reveal that the expenditure constitutes irregular, fruitless and wasteful, and unauthorised expenditure, The Chief Financial Officer shall report the particulars of such expenditure to the Finance and Audit, Risk and Compliance Committees of Council.
- 11.13. The completeness of and amendments to the Irregular, Fruitless and Wasteful, and Unauthorised Expenditure Register must be reported to Management and Council through the normal reporting processes;
- 11.14. The Irregular, Fruitless and Wasteful, and Unauthorised Expenditure Register must be reviewed for completeness and correctness on a quarterly basis; and
- 11.15. The statistics of irregular, fruitless and wasteful, and unauthorised expenditure cases should be compiled on an annual basis in order to identify trends such as risk areas, control weaknesses and areas of non-compliance; and reported to the Audit, Risk and Compliance Committee of Council.

## 12 NON-COMPLIANCE

Non-compliance with this policy will result in appropriate disciplinary procedures being considered and, if necessary, instituted against the relevant person(s).

## 13 POLICY REVIEW

This policy will be reviewed as per University policy or when the need arises.

**APPENDIX A: REGISTER FOR IRREGULAR, FRUITLESS AND WASTEFUL, AND  
UNAUTHORISED EXPENDITURE**

<b>REGISTER FOR IRREGULAR, FRUITLESS AND WASTEFUL, AND UNAUTHORISED EXPENDITURE</b>													
No	Date of discovery	Date reported to Chief Financial Officer	Transaction details				Person Responsible (committed expenditure)	Status					
			Date of payment	Payment number	Amount	Description of incident		UI	C	DP	TR	P	WO

**Abbreviations:**

UI: Expenditure currently under investigation

C: Expenditure confirmed

DP: Disciplinary processes initiated against responsible person

TR: Transferred to Receivables for recovery

P: Paid in or in the process of paying in instalments

WO: Written-off as irrecoverable.