



2022 PFMA

COMPLIANCE AND REPORTING FRAMEWORK

Annexure A: National Treasury Instruction No. 4 Of 2022/23



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



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CHAPTER 1

DEFINITIONS

In this Annexure, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the Public Finance Management Act, 1999, or regulations made thereunder, has the same meaning, and—

“appropriation” means money appropriated by an appropriation Act for withdrawal from the Revenue Fund;

“assessment” means a test conducted by the unit performing a budgetary regulatory function (in a case of unauthorised expenditure) or a loss control function or another relevant function² (in a case of irregular or fruitless and wasteful expenditure) to evaluate and confirm whether the transaction is unauthorised, irregular or fruitless and wasteful expenditure;

“budget holder” means the receiving institution making use of the mandated institution or another organ of state to procure goods and services;

“condonation” means a process whereby the relevant authority acknowledges the irregular expenditure and pardons the expenditure that has resulted in the incurrence of irregular expenditure;

“determination” means a formal assessment to be conducted by a loss control function or another relevant function to examine or analyse the particulars of confirmed unauthorised, irregular or fruitless and wasteful expenditure 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;

“institution” means an institution to which the Act applies according to section 3 of that Act;

² Reference to another relevant function means a function assigned by the accounting officer or accounting authority to perform a task related to loss control management.

“investigation” means a formal probe conducted by a function performing investigations to analyse particulars of unauthorised, irregular or fruitless and wasteful expenditure to confirm facts about the transaction and allegations of any criminal conduct as it relates to the transaction;

“mandated institution” means an institution procuring goods or services on behalf of the budget holder;

“purpose of a vote or main division within a vote” means the description of the vote or the main division in an appropriation Act and includes the classification as current payments, payments for capital assess, payment for financial assets or transfers and subsidies;

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

“relevant authority” means–

- (a) the National Treasury, in the case where an employee or the accounting officer of a national department or constitutional institution, or an employee or the accounting authority of an entity listed in Schedules 2, 3A or 3B to the PFMA, was responsible for the irregular expenditure;
- (b) the relevant provincial treasury, in the case where an employee or the accounting officer of a provincial department or an employee or the accounting authority of an entity listed in Schedules 3C or 3D to the PFMA, was responsible for the irregular expenditure;
- (c) the accounting officer or accounting authority, in a case where an employee responsible for the non-compliance exercised a power or performed a duty through a delegation;
- (d) the accounting authority, in a case where an employee of an entity listed in Schedules 3A or 3C to the PFMA, was responsible for exceeding the budget of that public entity.

“removal” means the process of eliminating the irregular expenditure from the register and annual report if it was not condoned by the relevant authority;

“the Act” means the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended;

“the Treasury Regulations” means the Treasury Regulations published under Government Notice R225 of 15 March 2005, as amended;

“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 Act;

“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 Act;

“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 Act and Treasury Regulation 6.3.1; or
- (b) unspent funds in a vote approved in terms of an appropriation Act.

“vain” means an expenditure incurred without value being derived from it.

CHAPTER 2

PURPOSE AND APPLICATION

PURPOSE

- 2.1 The purpose of this Annexure is to provide for standards to be applied and reporting process to be followed by—
- (a) accounting officers of departments, trading entities and constitutional institutional when dealing with unauthorised, irregular and fruitless and wasteful expenditure and the reporting thereof;
 - (b) accounting authorities of public entities when dealing with irregular and fruitless and wasteful expenditure and the reporting thereof;
 - (c) accounting officers and accounting authorities when reporting on matters related to supply chain management processes; and
 - (d) accounting officers and accounting authorities when reporting on matters related to late payment of suppliers.

CHAPTER 3

DISCOVERY AND RECOGNITION OF UNAUTHORISED, IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

DISCOVERY

- 3.1 An employee of a department or constitutional institution who becomes aware or suspect the occurrence of unauthorised, irregular or fruitless and wasteful expenditure must, in terms of Treasury Regulation 9.1.2 immediately, in writing, report such expenditure to the accounting officer or a duly delegated official in the department or constitutional institution.
- 3.2 An employee of a public entity who becomes aware or suspect the occurrence of irregular or fruitless and wasteful expenditure must immediately, in writing report such expenditure to the accounting authority or a duly delegated official in the public entity in accordance with the public entity's reporting policies.

RECOGNITION

Unauthorised Expenditure (applicable to departments only)

- 3.3 For determining whether unauthorised expenditure has occurred, the following must be present:
- (a) amounts appropriated under a vote of a department is exceeded;
 - (b) amounts appropriated under a main division within a vote of a department is exceeded;
 - (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.
- 3.4 Unauthorised expenditure must be determined at the level of a vote, or main division within a vote and not with reference to its economic classification.
- 3.5 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 year³ comparative analysis.

3.6 Unauthorised expenditure for the previous financial year (comparative amounts) must be recognised 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.

3.7 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 as provided for in Chapter 8 of this Annexure.

Irregular Expenditure

3.8 For determining whether irregular expenditure occurred, the following must be present:

- (a) expenditure incurred in contravention of, or not in accordance with legislation; and
- (b) expenditure must have been recognised in the statement of financial performance or liability recognised in the statement of financial position (where expenditure is not reflected in the statement of financial performance) in a case of institutions that are required to comply with Standards of Generally Recognised Accounting Practice (GRAP) or the International Financial Reporting Standards (IFRS). The earlier of an invoice or payment will trigger irregular expenditure for these transactions.

³ 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 recorded in the register and dealt with in terms of its approval process.

- 3.9 Irregular expenditure when incurred and confirmed is recorded in the annual financial statements disclosure. This relates to irregular expenditure incurred in the current financial year, with a one financial year⁴ comparative analysis.
- 3.10 Irregular expenditure for the previous financial year (comparative amounts) must be recognised in the period in which they occurred as follows:
- (a) irregular expenditure incurred and confirmed in the previous financial year;
 - (b) irregular expenditure that was under assessment in the previous financial year and confirmed in the current financial year; and
 - (c) irregular expenditure that was not discovered in the previous financial year and identified and confirmed in the current financial year.
 - (d) irregular expenditure payments relating to multi-year contracts that was not condoned or removed.
- 3.11 Additional information relating to irregular expenditure under assessment, determination, investigation, narratives, and the process of dealing with the irregular expenditure must be recorded in the annual report of the relevant institution as provided for in Chapter 8 of this Annexure.

Inter-Institutional Arrangements

- 3.12 For the institution to be accountable for irregular expenditure, the budget holder must have –
- (a) not complied with legislation; and
 - (b) incurred expenditure.
- 3.13 If the budget holder was not involved in the non-compliance with legislation because –

⁴ This analysis does not include irregular expenditure recognised in the previous financial years and does not include irregular expenditure not recognised in those previous financial years as such analysis must be recorded in the register and dealt with in terms of its approval process.

- (a) it was not involved in the supply chain management (SCM) process even though it was required by legislation to make use of a mandated institution for the procurement of goods and services; or
- (b) it was excluded from participating in the bid specification, evaluation, and adjudication committee of the mandated institution even though required to be part of those bid committees; or
- (c) it could for justifiable reasons (such reasons must be in writing to the accounting officer/authority of the budget holder) not be represented in the specification, evaluation and adjudication committee of the mandated institution even though required to be part of the bid committee of the mandated institution.

3.14 In such instances referred to in paragraph 3.13 above, the budget holder must not record irregular expenditure in its annual financial statements disclosure and disclose only the non-compliance that led to the irregular expenditure in the annual report.

3.15 Where no binding arrangement exist between the budget holder and the mandated institution or other organ of state procuring on behalf of the budget holder, it is assumed that the budget holder is acting for itself and will incur irregular expenditure emanating from non-compliance with legislation.

Fruitless and Wasteful Expenditure

3.16 For determining whether fruitless and wasteful expenditure has been incurred, the following must be present –

- (a) expenditure must be made in vain; and
- (b) would have been avoided had reasonable care been exercised.

- 3.17 Fruitless and wasteful expenditure when incurred and confirmed is recorded in the annual financial statements disclosure. This relates to fruitless and wasteful expenditure incurred in the current financial year, with a one previous financial year⁵ comparative analysis.
- 3.18 Fruitless and wasteful expenditure for previous financial year (comparative amounts) must be recognised in the period in which they occurred as follows:
- (a) fruitless and wasteful expenditure incurred and confirmed in the previous financial year;
 - (b) fruitless and wasteful expenditure that was under assessment in the previous financial year and confirmed in the current financial year; and
 - (c) fruitless and wasteful expenditure that was not discovered in the previous financial year and identified and confirmed in the current financial year.
- 3.19 Additional information relating to fruitless and wasteful expenditure under assessment, determination, investigations, narratives and a process of dealing with the concerned fruitless and wasteful expenditure must be recorded in the annual report of the relevant institution as provided for in Chapter 8 of this Annexure.

⁵ This analysis does not include fruitless and wasteful expenditure recognised in the previous financial years and does not include fruitless and wasteful expenditure not recognised in those previous financial years as such analysis must be recorded in the register and dealt with in terms of its recovery process.

CHAPTER 4

ASSESSMENT, DETERMINATION AND INVESTIGATION OF UNAUTHORISED, IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

ASSESSMENT

- 4.1 The unit performing a budgetary regulatory function (in a case of unauthorised expenditure) or the loss control function or another relevant function must confirm a case of unauthorised, irregular or fruitless and wasteful expenditure within 30 days after the alleged expenditure has been reported to the accounting officer or accounting authority.
- 4.2 If there is a dispute⁶ regarding whether the alleged unauthorised, irregular or fruitless and wasteful expenditure meets the definition, the assessment process must be conducted and completed within three months from the date the alleged expenditure was reported to the accounting officer or accounting authority.

Unauthorised Expenditure (applicable to departments only)

- 4.3 The accounting officer in performing the duties referred to in section 39 of the Act, 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 appropriated 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.
- 4.4 The accounting officer must record details and amounts of alleged unauthorised expenditure in the Register contained in **Appendix A** to this Annexure.

⁶ A dispute may only be known if it was formally raised with the relevant treasury and the Auditor-General of South Africa (AGSA) or external auditors within a period of seven days from the date the dispute was discovered. Disputes between the AGSA/external auditors and the auditee must be escalated by the auditee to the relevant treasury.

Irregular Expenditure

- 4.5 Accounting officers and accounting authorities must identify the legislation applicable to each transaction that their respective institutions undertake.
- 4.6 The loss control function or another relevant function must conduct an assessment to identify possible non-compliance in transactions that are to be processed or have been processed and confirm whether irregular expenditure has been incurred or may be incurred.
- 4.7 The accounting officer or accounting authority must record details and amounts of alleged irregular expenditure in the Register contained in **Appendix B** to this Annexure.

Fruitless and Wasteful Expenditure

- 4.8 To exercise reasonable care to prevent fruitless and wasteful expenditure, an official of an institution must, in his or her area of responsibility, evaluate incidents of that particular transaction that may lead to fruitless and wasteful expenditure.
- 4.9 Once it has been evaluated that an incident may lead to fruitless and wasteful expenditure, the official must immediately⁷ take action to avoid the incurrence of fruitless and wasteful expenditure.
- 4.10 Upon detection of alleged fruitless and wasteful expenditure, the loss control function or another relevant function must conduct an assessment to confirm whether expenditure incurred meets the definition of fruitless and wasteful expenditure.
- 4.11 The accounting officer or accounting authority must record details and amounts of alleged fruitless and wasteful expenditure in the Register contained in **Appendix C** to this Annexure.

DETERMINATION

- 4.12 The loss control function or another relevant function must finalise the determination process within 30 days after assessment of unauthorised, irregular or fruitless and wasteful

⁷ “**immediately**” means that the official must act speedily to ensure that fruitless and wasteful expenditure is not incurred before the incident takes place.

expenditure. In case of a dispute⁸, the determination process must be completed within four months after confirmation of unauthorised, irregular or fruitless and wasteful expenditure.

4.13 A determination test must be conducted by the loss control function or another relevant function to examine and analyse particulars of confirmed amounts of unauthorised, irregular or fruitless and wasteful expenditure to establish facts related to the expenditure and any losses incurred.

4.14 The determination test to be conducted by the loss control function or another relevant function must collect information related to-

- (a) the root causes that led to the unauthorised, irregular or fruitless and wasteful expenditure;
- (b) the official or officials responsible for the unauthorised, irregular or fruitless and wasteful expenditure;
- (c) any losses incurred;
- (d) allegations of fraudulent, corrupt, or other criminal conduct; and
- (e) any breakdown in the designed internal control systems.

INVESTIGATION

4.15 The accounting officer or accounting authority must investigate suspected fraudulent, corrupt, or other criminal conduct emanating from the incurrence of unauthorised, irregular or fruitless and wasteful expenditure.

4.16 Upon suspicion of fraudulent, corrupt or other criminal conduct, refer the unauthorised, irregular or fruitless and wasteful expenditure matter to a function performing investigations to establish the facts about the allegation and obtain recommendations on the next step or steps to be taken.

⁸ A dispute may only be known if it was formally raised with the relevant treasury and the Auditor-General of South Africa (AGSA) or external auditors within a period of seven days from the date the dispute was discovered. Disputes between the AGSA/external auditors and the auditee must be escalated by the auditee to the relevant treasury.

4.17 The investigation must provide the accounting officer or accounting authority with at least the following:

- (a) the root causes that led to the occurrence of unauthorised, irregular and/or fruitless and wasteful expenditure;
- (b) the official or officials responsible;
- (c) whether the institution suffered a loss;
- (d) the impact of the loss suffered by the institution; and
- (e) whether the matter must be referred to the South African Police Service.

4.18 The investigation must commence within 30 days after the conclusion of the determination test.

IMPRACTICABILITY JUDGEMENT

4.19 An institution may apply judgement that it is impractical to quantify the full amount of unauthorised (in a case of a department), irregular and fruitless and wasteful expenditure.

4.20 The accounting officer or accounting authority 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 users⁹; and
- (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.

⁹ The users of the financial statements are management, investors, customers, and competitors (where applicable), other government institutions, employees, investment analysts, lenders etc.

4.21 A narrative to the annual report must be recorded in instances where quantification, assessment, and determination of unauthorised, irregular or fruitless and wasteful expenditure is demonstrated to be impractical to disclose in the annual report.

CHAPTER 5

MANAGEMENT OF UNAUTHORISED, IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

Unauthorised expenditure

Approved as a direct charge against the Revenue Fund

5.1 If Parliament or a provincial legislature approves unauthorised expenditure as a direct charge against the Revenue Fund, the Minister of Finance or the MEC for finance in the relevant province must table a Bill in Parliament or the provincial legislature to give effect to authorisation of the expenditure to be a direct charge against the Revenue Fund.

Not approved as a direct charge against the relevant revenue fund

5.2 If Parliament or a provincial legislature does not approve an additional amount for any overspending as envisaged in section 34(2) of the Act, 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.

Unauthorised, irregular expenditure and fruitless and wasteful expenditure referred to the human resource

5.3 If the determination into unauthorised, irregular or fruitless and wasteful expenditure confirms that an employee is responsible for unauthorised, irregular or fruitless and wasteful expenditure, the accounting officer or accounting authority must refer the matter to the human resource function or other responsible function to institute disciplinary processes (where applicable) in accordance with the relevant prescripts.

5.4 The accounting officer or accounting authority must follow the steps below in dealing with unauthorised, irregular and fruitless and/or wasteful expenditure matters.

Irregular expenditure referred to the relevant authority for condonation

- 5.5 The relevant authority may, at the request of the accounting officer or accounting authority or delegated official, condone the irregular expenditure.
- 5.6 The accounting officer or accounting authority or delegated official must consider the following information when requesting condonation of irregular expenditure:
- (a) confirmation that a determination test was conducted;
 - (b) findings and recommendations of the loss control function or another relevant function that conducted the determination test;
 - (c) confirmation that the matter is free of fraudulent, corrupt or other criminal conduct;
 - (d) if the matter has fraudulent, corrupt or other criminal conduct, confirmation of a case number showing that a case was opened with the South African Police Services;
 - (e) confirmation that no loss was not incurred and that value for money was achieved;
 - (f) confirmation that disciplinary action was taken or in the process of being taken against the responsible official or officials; and
 - (g) confirmation of remedial actions taken or being taken by the accounting officer or accounting authority to prevent the recurrence of irregular expenditure in similar circumstances.

Irregular expenditure referred to the accounting officer or accounting authority for removal

- 5.7 The accounting officer or accounting authority may, in terms of paragraph 5.8 remove irregular expenditure that was not condoned by the relevant authority.
- 5.8 Removal of irregular expenditure may take place only if the accounting officer or accounting authority is satisfied that the recommendations of the loss control function or another relevant function that conducted the determination confirms that –
- (a) the matter is free of fraudulent, corrupt or other criminal conduct;
 - (b) if the matter has fraudulent, corrupt or other criminal conduct, confirmation of a case number showing that a case was opened with the South African Police Services (in such a case) a register must be updated;

- (c) disciplinary action was taken against the responsible official or officials;
- (d) the institution did not suffer any loss;
- (e) the non-compliance that led to the irregular expenditure has been addressed; and
- (f) transactions of a similar nature are regularly reviewed to ensure compliance with the relevant prescripts.

Unauthorised, irregular and fruitless and wasteful expenditure referred to the South African Police Service

- 5.9 If the investigation conducted confirms that unauthorised, irregular and fruitless and wasteful expenditure relates to fraudulent, corrupt or other criminal conduct, the accounting officer or accounting authority must, within seven days, ensure that a criminal charge is laid with the South African Police Service against the responsible official or officials.
- 5.10 The accounting officer or accounting authority must also inform the relevant executive authority, the relevant treasury and the Auditor-General within seven days after laying the criminal charge referred to in paragraph 5.9.
- 5.11 Where criminal charges have been laid against the accounting officer or accounting authority, the executive authority through recommendation of the audit committee or another delegated official must inform the relevant treasury and the Auditor-General within seven days after laying a criminal charge against the accounting officer or accounting authority.
- 5.12 The unauthorised, irregular and fruitless and wasteful expenditure register must be updated with all the details of fraudulent, corrupt, and other criminal conduct reported to the South African Police Service.

Fruitless and wasteful expenditure

- 5.13 The accounting officer or accounting authority must follow the process set out in Chapter 6 of this Annexure to address any matters related to losses incurred.

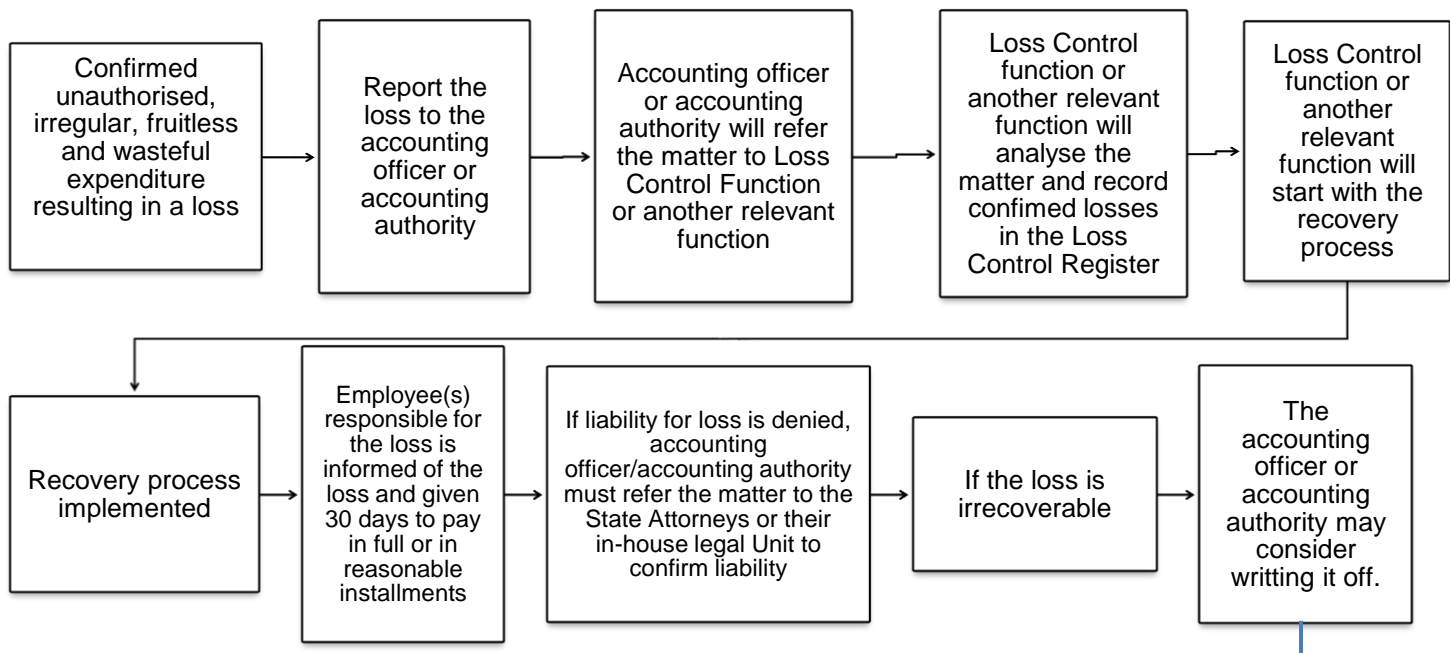
CHAPTER 6

MANAGEMENT OF LOSSES

6.1 Upon confirmation that unauthorised, irregular or fruitless and wasteful expenditure resulted in the institution suffering a loss, the accounting officer or accounting authority must recover such amounts from those responsible which may include the accounting officer or members of the accounting authority, then in such a case, the executive authority must recover the determined losses.

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

Figure 1: Process for the recovery of losses



In a case of a department or constitutional institution, the debt must be written off in terms of Treasury Regulations 11.4; and in a case of a public entity, the debt may be written off in terms of the debt write off policy of that public entity

Quantifying a Loss

6.3 The amount of loss recoverable from those responsible for incurring unauthorised, irregular or fruitless and wasteful expenditure is—

- (a) the value of the loss incurred because of the action or actions that led to incurrence of the expenditure; or
 - (b) a lesser amount determined by the accounting officer or accounting authority in accordance with the debt/loss management policy of the institution.
- 6.4 If the accounting officer or accounting authority is responsible for the loss, the amount of the loss is determined by the relevant treasury.

Raising a debt from the loss incurred

- 6.5 Treasury Regulation 11.2 requires an accounting officer of a department or constitutional institution to take effective and appropriate steps to timeously collect all money due to their relevant institutions. The accounting authority of a public entity must do the same in terms of the debt management policy of the public entity.
- 6.6 If a debt arose from losses incurred because of unauthorised, irregular or fruitless and wasteful expenditure by an institution, it must be identified, reported, and recorded in the books of the institution.

Informing the responsible employee of the loss

- 6.7 When the accounting officer or accounting authority becomes aware of the loss, the accounting officer or accounting authority must, in writing, notify the responsible official of the loss and that the amount thereof be paid within 30 days.
- 6.8 The notification in writing referred to in paragraph 6.7 means that the debtor is placed "*in mora*".
- 6.9 Interest on debts incurred from losses emanating from the incurrence of unauthorised, irregular or fruitless and wasteful expenditure must be charged at the rates determined in terms of section 80(1)(b) of the Act (in a case of a department, constitutional institution, trading entity and government components) or internal policy in a case of a public entity.
- 6.10 If the official has left the service of the institution or it is a person not in the employ of the institution, the accounting officer or accounting authority must follow processes to recover the debt which may include, amongst others, engaging the State Attorney.

Liability in law (if there are disputes)

- 6.11 If the official responsible for the loss is still in the employ of the institution and denies liability for the loss, the accounting officer or accounting authority must refer the matter to the State Attorney or in-house legal division or an external legal service provider¹⁰ to confirm the debtor's liability in law.
- 6.12 If the amount of a loss is irrecoverable from a responsible official, the accounting officer of a department or constitutional institution may write off the debt in terms of Treasury Regulation 11.4. In the case of a public entity, the accounting authority may write off the loss in accordance with the debt write off policy of the public entity.
- 6.13 If the accounting officer or accounting authority is responsible for the loss and is unable to re-pay the debt, the accounting officer or accounting authority must report the inability to the relevant treasury to consider approving the write off, if such a debt is irrecoverable.

¹⁰ An external legal service provider must be procured in accordance with the relevant supply chain management prescripts.

CHAPTER 7

QUARTERLY REPORTING OF UNAUTHORISED, IRREGULAR AND FRUITLESS AND EXPENDITURE

7.1 Reporting by the Accounting Officer

- (a) Reports on unauthorised, irregular and fruitless and wasteful expenditure referred to in section 38(1)(g) of the Act must be submitted to the relevant treasury in the form set out in **Appendix A, B and C** to this Annexure.
- (b) Reports for national departments, trading entities, constitutional institutions and national government components at the end of each quarter to the following address:

PFMAComReports@Treasury.gov.za
- (c) Reports for provincial departments, trading entities and government components must be submitted to their relevant provincial treasury in a timeframe and a format as may be prescribed in the relevant provincial treasury instruction.
- (d) Unauthorised, irregular and fruitless and wasteful expenditure that is confirmed must be disclosed in the annual financial statements of a department, trading entity or government component or constitutional institution as referred to in Chapter 3 of this Annexure.
- (e) Unauthorised, irregular, and fruitless and wasteful expenditure that is still under assessment, determination or investigations and the progress thereof must be recorded in the annual report as referred to in chapter 8 of this Annexure.

7.2 Reporting by the Accounting Authority

- (a) The accounting authority must report irregular and fruitless and wasteful expenditure quarterly to the relevant treasury in the form set out **Appendix B and C** to this Annexure.
- (b) Reports for national public entities must be submitted to the National Treasury at the end of each quarter to the following address:

PFMAComReports@Treasury.gov.za

- (c) Reports for provincial public entities must be submitted to the relevant provincial treasury in a timeframe and a format as may be prescribed in the relevant provincial treasury instruction.
 - (d) Irregular and fruitless and wasteful expenditure that is confirmed must be disclosed in the annual financial statements of a public entity as referred to in Chapter 3 of this Annexure.
 - (e) Irregular and fruitless and wasteful expenditure that is still under assessment, determination or investigations and the progress thereof must be recorded in the annual report as referred to in chapter 8 of this Annexure.
- 7.3 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.
- 7.4 Fruitless and wasteful expenditure must be recorded in the notes to the financial statements when confirmed after its assessment. The amount recorded is equal to the value of fruitless and wasteful expenditure incurred and confirmed in that current financial year unless it is impractical to determine, in which case reasons must be provided in the annual report.
- 7.5 Irregular expenditure is recorded in the notes to the financial statements when confirmed after its assessment. The amount recorded is equal to the value of irregular expenditure incurred and confirmed in that current financial year unless it is impractical to determine, in which case reasons must be provided in the annual report.

- 7.6 Table 1: Disclosure¹¹ of unauthorised expenditure (in a case of departments) and irregular and fruitless and wasteful expenditure (in a case of all institutions reporting in terms of the Act) in the annual financial statements.

Notes to the Annual Financial Statements	20YY/20ZZ	20XX/20YY
	R'000	R'000
Unauthorised expenditure		
Irregular expenditure		
Fruitless and wasteful expenditure		
Total		

- 7.7 Unauthorised, irregular and fruitless and wasteful expenditure for the current financial year include:
- (a) amounts incurred and confirmed in that financial year; and/or
 - (b) payments made as it relates to multi-year contracts.
- 7.8 Unauthorised, irregular and fruitless and wasteful expenditure for the previous financial year include:
- (a) amounts confirmed in that financial year;
 - (b) amounts that were under assessment in that financial year and confirmed in the current financial year
 - (c) Amounts that were not identified and are identified and confirmed in the current financial year.

¹¹ The amount disclosed for irregular and fruitless and wasteful expenditure must be inclusive of VAT.

CHAPTER 8

PART E OF THE ANNUAL REPORTING GUIDE: PFMA COMPLIANCE REPORT

- 8.1 Reporting of unauthorised expenditure (in a case of departments) and irregular expenditure and fruitless and wasteful expenditure (in a case of all institutions reporting in terms of the Act) is included in Part E of the annual report guide for departments, constitutional institutions, and public entities.
- 8.2 The reporting requirements in Part E of the annual report guide also includes information and templates related to –
- (a) late payment of suppliers; and
 - (b) supply chain management.
- 8.3 The relevant information referred to in paragraph 8.2 is set out in Appendix D and E to this Annexure.
- 8.4 Below is an outline of the reporting requirements for unauthorised expenditure (in a case of departments) and irregular expenditure and fruitless and wasteful expenditure (in a case of all institutions reporting in terms of the Act).

Irregular expenditure is recorded in the annual report when it is–

- (a) either—
- (i) under assessment, determination or investigation;
 - (ii) condoned by the relevant authority; or
 - (iii) transferred to receivables for recovery; or
 - (iv) written off if it is not recoverable; or
 - (v) not condoned and removed.
- (b) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure.

Fruitless and wasteful expenditure is recorded in the annual report when it is –

- (a) either–
 - (i) under assessment, determination and/or investigation;
 - (ii) transferred to receivables for recovery; or
 - (iii) written off if it is not recoverable.
- (b) Details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure.

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.

UNAUTHORISED EXPENDITURE REGISTER

APPENDIX A

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.

PFMA COMPLIANCE AND REPORTING FRAMEWORK

IRREGULAR EXPENDITURE REGISTER

APPENDIX B

Total amount of Irregular Expenditure		Total Amount										
Total amount of irregular expenditure		-										
Total irregular expenditure condoned		-										
Total irregular expenditure removed		-										
Total losses recovered		-										
Total losses written off		-										
Report number and date e.g., 4th report of 2022/2023	Date Incurred	Date Identified	Date reported to the accounting officer/authority	Amount of Irregular expenditure	Status (under assessment, determination, investigation)	Amount of losses recovered	Amount of losses written off	Irregular Expenditure due to fraudulent, corrupt or other criminal conduct reported to SAPS	Consequence Management	Irregular Expenditure condoned by the relevant authority	Irregular Expenditure removed by the accounting officer/authority	Steps taken to prevent irregular expenditure

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

PFMA COMPLIANCE AND REPORTING FRAMEWORK

FRUITLESS AND WASTEFUL EXPENDITURE REGISTER

APPENDIX C

Total amount of fruitless and wasteful expenditure			Total Amount						
Total amount of fruitless and wasteful expenditure			-						
Total losses recovered			-						
Total losses written off			-						
Report number and date e.g., 4th report of 2022/2023	Date Incurred	Date Identified	Date reported to the accounting officer/authority	Amount of fruitless and wasteful expenditure	Status (under assessment, determination, investigation)	Amount of losses recovered	Amount of losses written off	Fruitless and wasteful expenditure due to criminal conduct	Steps taken to prevent fruitless and wasteful expenditure

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

PFMA COMPLIANCE AND REPORTING FRAMEWORK

INFORMATION ON PAYMENT OF SUPPLIER'S INVOICES

APPENDIX D

Institutions are required to annually disclose information on payment of supplier's invoices in the annual report of their respective institutions as prescribed below. Public entities are required to report on information of payment of supplier's invoices from 1 April 2023.

Format of annual report

Description	Number of invoices	Value
		R'000
Valid invoices received		
Invoices paid within 30 days or agreed period		
Invoices paid after 30 days or agreed period		
Invoices older than 30 days or agreed period (<i>unpaid and without dispute</i>)		
Invoices older than 30 days or agreed period (<i>unpaid and in dispute</i>)		

Include reasons for the late and or non-payment of invoices, including reasons that the invoices are in dispute, where applicable.

INFORMATION ON SUPPLY CHAIN MANAGEMENT

APPENDIX E

Procurement by other means: Format of disclosure

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000

Contract variations and expansions: Format of disclosure

Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value R'000	Value of previous contract expansion/s or variation/s (if applicable) R'000	Value of current contract expansion or variation R'000

2022 PFMA

COMPLIANCE AND REPORTING FRAMEWORK

Annexure A: National Treasury Instruction No. 4 Of 2022/23

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