



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

GUIDELINE ON IRREGULAR EXPENDITURE

OFFICE OF THE ACCOUNTANT-GENERAL

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GUIDELINE ON IRREGULAR EXPENDITURE

PURPOSE

1. The purpose of this *Guideline* is to provide clarity on the procedures¹ to be followed when dealing with the identification and application of *irregular expenditure*, defined in section 1 of the Public Finance Management Act (PFMA), 1999 as '*expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including –*
 - (a) *this Act; or*
 - (b) *the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of that Act; or*
 - (c) *any provincial legislation providing for procurement procedures in that provincial government.*
2. This Act in section 1 of the PFMA includes any regulations and instructions issued in terms of section 69, 76, 85 or 91.

APPLICABILITY

3. This *Guideline* applies to all departments, government components, trading entities, constitutional institutions and public entities listed in Schedule 2 and 3 to the PFMA.

THE STATE TENDER BOARD ACT, 1968

4. The State Tender Board Act, 1968 (Act No. 86 of 1968) establishes the State Tender Board and provides, among others, for regulating the procurement of goods and services of national departments, for the disposal of movable property and the hiring or letting of anything. Provinces had similar legislation that established Provincial Tender Boards and which offered matters similar to those provided for in State Tender Board Act, 1968.
5. It must be noted that in section 1 of the PFMA, irregular expenditure is also deemed to have occurred if there was contravention of the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of that Act.
6. In December 2003, the National Treasury issued a Supply Chain Management Framework in terms of section 76(4)(c) of the PFMA. This Framework was published in Government Gazette No. 25767 dated 5 December 2003 and took effect from the same date.

¹ This *Guideline* does not prescribe any new principle or procedure related to the identification and application of irregular expenditure but is merely a consolidation of provisions that are currently contained in Practice Note 4 of 2008/2009 on Irregular Expenditure.

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7. In essence, the aforementioned Framework provides that accounting officers and accounting authorities of Schedule 3A and 3C public entities must develop and implement effective and efficient systems of supply chain management and to establish separate supply chain management units reporting to their respective chief financial officers.
8. Prior to this Framework taking effect, all national and provincial departments arranged for the procurement of their goods and services in terms of legislation that established their respective Tender Boards.
9. After this Framework took effect, all Provinces repealed legislation that established their respective Provincial Tender Boards and which also determined the manner in which their supplies (goods) and services were procured.
10. When the Supply Chain Management Framework took effect, it was recognized that the State Tender Board Act, 1968 (Act No. 86 of 1968) provided that national departments were only to procure their supplies for goods and services through the State Tender Board. This in effect was in conflict with provisions of the Supply Chain Management Framework, which required departments to procure their goods and services either through the State Tender Board or in terms of the PFMA.
11. On 5 December 2003, the Minister of Finance therefore published an amendment to regulations in terms of section 13 of the State Tender Board Act, 1968 (Act No. 86 of 1968) which essentially allowed for accounting officers of national departments to procure their goods and services either through the State Tender Board or by using the provisions contained in the Supply Chain Management Framework.
12. The amendment to the State Tender Board Act Regulations is consistent with the ethos of the PFMA which empowers accounting officers to manage but be held accountable for all expenditure incurred by their respective departments.
13. Whilst the above amendment provides for a 'dual system' of procurement, the State Tender Board at the national level of government has since been disbanded and it is the intention to repeal the currently dormant State Tender Board Act, 1968 (Act No. 86 of 1968) when amendments are effected to the PFMA.

PRINCIPLES FOR IRREGULAR EXPENDITURE

14. For a department or a government component² to incur irregular expenditure, the non-compliance must be linked to a financial transaction. Although a transaction, condition or an event may trigger irregular expenditure, a department or government component will only record irregular expenditure when a payment pertaining to the

² This provision is applicable to those government components that are currently applying the modified cash basis of accounting and the Modified Cash Standard issued by the National Treasury.

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non-compliance is actually made (i.e. when the expenditure is recognized in accordance with the recognition principles contained in the Modified Cash Standard). If 'possible irregular expenditure' is determined prior to a payment being made, then such a transgression shall be regarded as a non-compliance matter until payment is made at which point irregular expenditure shall be recorded. Non-compliance corrected prior to any payment being made will not result in any irregular expenditure.

15. A constitutional institution, trading entity or public entity listed in Schedules 2 and 3 to the PFMA shall incur irregular expenditure when a transaction, condition or an event linked to the non-compliance is recognized as expenditure in the Statement of Financial Performance in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), the Standards of Generally Accepted Accounting Practice (GAAP) or the International Financial Reporting Standards (IFRS).
16. The principle in paragraph 15 above shall also apply to government components that are required to comply with Standards of Generally Recognised Accounting Practice (GRAP), the Standards of Generally Accepted Accounting Practice (GAAP) or the International Financial Reporting Standards (IFRS).
17. For the purposes of determining whether irregular expenditure has taken place, there must have been a transgression of a provision contained in any applicable legislation which shall include:-
 - (a) the PFMA;
 - (b) the Treasury Regulations;
 - (c) a National Treasury Instruction, issued in terms of section 76 of the PFMA; and
 - (d) a Provincial Treasury Instruction issued in terms of section 18(2)(a) of the PFMA.
18. When applying the test to determine whether irregular expenditure has been incurred, it must be clear that the contravention must relate to how the transaction, condition or event was entered into and by whom as opposed to when the transaction, condition or event was entered into. For example, non-compliance with the requirement to pay an invoice within 30 days from its receipt (Treasury Regulation 8.2.3) shall not be regarded as irregular expenditure unless the expenditure itself was incurred in contravention of relevant legislation, such as an instance where the expenditure was authorized by an official who did not possess the appropriate delegated authority to approve the expenditure in question.

FINANCIAL MISCONDUCT

19. Section 38(1)(c)(ii) of the PFMA requires an accounting officer to take effective and appropriate steps to, amongst others, prevent irregular expenditure. The corresponding provision for public entities related to the prevention of irregular expenditure is contained in section 51(1)(b)(ii) of the PFMA.

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20. In terms of section 81(1)(b) and 83(1)(b) of the PFMA, an accounting officer and accounting authority shall commit an act of financial misconduct if that accounting officer or accounting authority makes or permits irregular expenditure.
21. Similarly, officials serving in the institutions referred to in paragraph 3 above shall commit an act of financial misconduct if he or she fails to take effect and appropriate steps to prevent irregular expenditure within that official's area of responsibility.
22. In terms of sections 38(1)(h)(iii) and 51(1)(e)(iii) of the PFMA, the accounting officer or authority must take effective and appropriate disciplinary steps against any official in the service of their respective establishments who makes or permits irregular expenditure.
23. Treasury Regulation 4.1.3 provides that, if an accounting officer is alleged to have committed financial misconduct, the relevant treasury, as soon as it becomes aware of the alleged misconduct, must ensure that the relevant executive authority initiates an investigation into the matter and if the allegations are confirmed, holds a disciplinary hearing in accordance with the prescripts applicable and agreements applicable in the public service.

UNAUTHORISED EXPENDITURE³ VERSUS IRREGULAR EXPENDITURE

24. If a department incurs expenditure that contravenes any applicable legislation, this expenditure meets the definition of irregular expenditure and must be classified as such.
25. Should the irregular expenditure in paragraph 24 relate to the procurement of goods or services that are not in accordance with the purpose of the main division/vote or which results in the overspending of the main division/vote, such expenditure also meets the definition of unauthorised expenditure.
26. Transactions such as those in paragraphs 24 and 25 above may not be accounted for as both irregular expenditure and unauthorised expenditure. Considering that irregular expenditure is defined as expenditure other than unauthorised expenditure, this means that unauthorised expenditure shall take precedence over irregular expenditure.

ACCOUNTING POLICY FOR IRREGULAR EXPENDITURE

27. The following is the recommended accounting policy for irregular expenditure:
When confirmed, irregular expenditure must be recorded in the notes to the financial statements. The amount to be recorded in the notes must be equal to the value of the irregular expenditure incurred unless it is impracticable⁴ to determine the value thereof.

³ Unauthorised expenditure is a concept that is only applicable to departments.

⁴ **Impractical means**, "Applying a requirement which is impracticable when a department, government component, trading entity, constitutional institution or a public entity cannot apply it after making every reasonable effort to do so."

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Where such impracticality exists, the reasons therefore must be provided in the notes. Irregular expenditure must be removed from the notes when it is either (a) condoned by the National Treasury or the relevant authority; (b) it is transferred to receivables for recovery; or (c) it is not condoned and is irrecoverable. A receivable related to irregular expenditure is measured at the amount that is expected to be recovered and must be de-recognised when the receivable is settled or subsequently written off as irrecoverable.

IRREGULAR EXPENDITURE THAT DOES NOT RESULT IN A LOSS

28. Whilst irregular expenditure is incurred as a result of transactions, conditions or events where there have been legislative transgressions, there are, however, instances where such transactions, conditions or events have not resulted in an institution suffering a loss and where value for money was derived from the use of the goods procured or services rendered.
29. If the National Treasury or the relevant authority does not condone the irregular expenditure in paragraph 28 above and it is confirmed that there is no person liable in law for the irregular expenditure, the accounting officer or accounting authority may write off the irregular expenditure as irrecoverable.

PROCEDURES FOR THE TREATMENT OF IRREGULAR EXPENDITURE

30. ***Procedures for the discovery, investigation and reporting of irregular expenditure***
 - (a) Any employee who becomes aware of or suspects the occurrence of irregular expenditure must immediately, in writing, report such expenditure to the accounting officer or accounting authority.
 - (b) On discovery of alleged irregular expenditure, such expenditure must be left in the expense account and the accounting officer or accounting authority must record the details of the expenditure in an irregular expenditure register.
 - (c) The accounting officer or accounting authority or his/her delegate must decide on the level of enquiry/investigation to be undertaken to determine whether the expenditure in question is irregular expenditure or not. During the period of enquiry/investigation, the expenditure must remain in the expense account. The results of the enquiry/investigation will determine the appropriate action to be taken regarding the transgression.
 - (d) Should the investigation reveal that the expenditure does not constitute irregular expenditure, the details of the expenditure should be retained in the register for the purposes of completeness (and to provide an appropriate audit trail). The register must then be updated to reflect the outcome of the investigation.

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- (e) If the investigation indicates that the expenditure is in fact irregular expenditure, the accounting officer must immediately report, in writing, in terms of section 38(1)(g) of the PFMA the particulars of the expenditure to the relevant treasury. In the case of departments, the irregular expenditure must also be included in the monthly report on revenue and expenditure as submitted by the accounting officer to the relevant treasury, in terms of section 40(4)(b) of the PFMA.

31. ***Procedures for raising a receivable and the recovery of irregular expenditure***

- (a) Receivables comprise of amounts due to the state as a result of the sales of goods, the provision of services or the recovery of expenditure incurred by the state. If an investigation into alleged irregular expenditure confirms that such expenditure has in fact been incurred, a receivable (debtor) for the recovery of the relevant amount must be raised.
- (b) The accounting officer or accounting authority must in terms of section 38(1)(c)(i) and 51(1)(b)(i) of the PFMA, take effective and appropriate steps to collect all money due to the institution, hence every effort must be undertaken to recover irregular expenditure.
- (c) The accounting officer or accounting authority must determine who the responsible party is from whom the amount should be recovered. This information would normally become evident while performing the investigation.
- (d) The accounting officer or accounting authority must in writing request that the responsible person 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 or an internal appointed attorney (in the case of departments) or appointed attorneys (in the case of constitutional institutions and public entities) for the recovery of the debt.
- (e) In terms of Treasury Regulation 9.1.4, the recovery of losses or damages resulting from irregular expenditure must be dealt with in accordance with Treasury Regulations 12 dealing with management of losses.
- (f) If the amount of the irregular expenditure is irrecoverable from a person who is liable in law⁵, the accounting officer may write off the debt in terms of Treasury Regulation 11.4. The accounting authority may perform similar in terms of the public entity's debt write off policy.

32. ***Procedures for the condonation of irregular expenditure***

- (a) As part of the enclosed procedures, provision is made for accounting officers and accounting authorities to forward submissions to the National Treasury or the

⁵A person who is liable in law means" a legal responsibility of a person's acts or omissions

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relevant authority to request condonation for non-compliance with the PFMA or other legislation respectively. The treasury to which the submission must be forwarded will depend on the provision that was contravened. It must, however, be emphasised that submissions requesting condonation for non-compliance must contain the following:

- (aa) detailed motivation as to why the irregular expenditure in question should be considered for condonation;
 - (bb) details of the transgression;
 - (cc) reference to relevant legislation;
 - (dd) reason(s) for deviating from the required legislation or prescripts;
 - (ee) whether the state suffered any loss due to the transgression;
 - (ff) in the case of supply chain management transgressions provide reasonableness of price(s) determined in a case where only one price was sourced from one bidder;
 - (gg) financial implications for such a transgression;
 - (hh) in the case of a supply chain management transgression provide contractor(s) who were involved;
 - (ii) corrective steps taken to prevent any recurrence; and
 - (jj) the relevant supporting documentation.
- (b) If the irregular expenditure is subsequently condoned by the National Treasury or the relevant authority, no further action is required by the department, government component, constitutional institution, trading entity of a public entity as the amount has already been expensed in the statement of financial performance. The register must be updated to reflect that the irregular expenditure was condoned and the notes to the annual financial statements must also be updated to reflect the condoned irregular expenditure.
- (c) In instances where condonation for irregular expenditure is not granted by the National Treasury or the relevant authority, immediate steps must be taken to recover such expenditure from the relevant person, if he/she is liable in law.
- (d) If there is doubt regarding liability in law referred to in (c) above, the accounting officer of a department must consult the internal appointed attorney or State Attorney. Constitutional institutions and public entities must at least consult their in house legal services in this regard.
33. The enclosed **Annexure A** illustrates procedures for the treatment of irregular expenditure by departments, trading entities, government components and constitutional institutions whilst **Annexure B** illustrates procedures to be followed by public entities.
34. Irregular expenditure not condoned must be accounted for in accordance with the relevant accounting standards.

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RELEVANT AUTHORITY

35. For purposes of condoning irregular expenditure, the relevant authority is “the person or institution whose approval would have been required prior to entering into that transaction or incurring such expenditure or the institution responsible for the relevant legislation”.
36. Where the accounting authority of a public entity consists of a board, such authority may delegate the power to condone irregular expenditure to the next lower level of authority within the public entity, for example, Chief Executive Officer.

DELEGATIONS OF AUTHORITY

37. Expenditure resulting from non-adherence to an institution’s delegations of authority is also regarded as irregular expenditure since such delegations are issued in terms of sections 44 and 56 of the PFMA for departments/constitutional institutions/trading entities and public entities respectively.

EXAMPLES OF IRREGULAR EXPENDITURE

38. The enclosed **Annexure C** provides a list of possible transgressions, the impact thereof (whether it results in irregular expenditure or non-compliance with laws and regulations) and the relevant authority for condonement in each particular instance. This annexure only provides possible transgressions and the list contained therein is not exhaustive.
39. The following table provides examples of irregular expenditure and the relevant authority that is empowered to condone such expenditure:

Categories of irregular expenditure	Relevant Authority
Irregular expenditure incurred as a result of non-compliance with a Treasury Regulation where prior written approval was required from a relevant treasury . For example, a department, trading entity, constitutional institution or public entity that incurred expenditure related to a public private partnership without obtaining the prior written approval of the relevant treasury , as required by Treasury Regulation 16.4.2.	The National Treasury , in the case of national departments, trading entities, constitutional institutions and national public entities and the relevant provincial treasury in the case of provincial departments or provincial public entities.
Irregular expenditure incurred as a result of non-compliance with a Treasury Regulation which required cognisance to be taken of a National Treasury determination. For example, a department, trading entity, constitutional institution or public entity procured goods or services by means of price quotations where the value of	The National Treasury , in cases of all departments, trading entities, constitutional institutions and public entities.

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Categories of irregular expenditure	Relevant Authority
the purchase exceeded the threshold values determined by the <u>National Treasury</u> for price quotations. (Contravention of Treasury Regulation 16A6.1)	
Irregular expenditure incurred as a result of institutions procuring goods or services by means other than through competitive bids and where reasons for deviating from inviting competitive bids have not been recorded and approved by the functionary to whom the power has been delegated by the accounting officer or accounting authority. (Contravention of Treasury Regulation 16A6.4)	The Accounting Officer , in cases of all departments, trading entities and constitutional institutions and in the case of public entities, the Accounting Authority .
Irregular expenditure incurred as a result of non-compliance with a requirement of the institution's delegations of authority issued in terms of the PFMA. For example: An official approves purchase of goods to the value of R35 000 however his limit in terms of delegation of authority is R30 000.	The Accounting Officer, in cases of all departments, trading entities or constitutional institutions and in the case of public entities, the Accounting Authority.
Irregular expenditure incurred as a result of non-compliance with a provision contained in any applicable legislation. For example, a department grants performance rewards to personnel without maintaining and implementing a Performance Management and Development System, as required by Part VIII B of the Public Service Regulations).	The Dept responsible for the legislation concerned and in the case of this example, the Dept of Public Service and Administration.

40. From the above it is clear that in certain instances, accounting officers and accounting authorities have the power to condone irregular expenditure that was incurred as a result of transgressions by their respective officials.
41. If, however, the accounting officer or accounting authority is responsible for the transgression, only the National Treasury or the relevant treasury (whichever is applicable) may condone such a transgression.

IRREGULAR EXPENDITURE REGISTER

42. Accounting officers and accounting authorities must maintain an irregular expenditure register which must contain a detailed schedule for each financial year listing all irregular expenditure incurred by their respective institutions. An example of an irregular expenditure register is contained in the enclosed **Annexure D**.
43. Prior to institutions recording expenditure as irregular, a process must be instituted to ensure that the expenditure in question falls within the definition of irregular expenditure, as provided in section 1 of the PFMA.

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44. If in doubt, accounting officers and accounting authorities must consult the relevant treasury for guidance on interpretation of the definition of irregular expenditure.
45. The irregular expenditure register must be kept up to date in order to track all alleged and confirmed irregular expenditure and for the purposes of maintaining an audit trail. This will also assist in ensuring that the irregular expenditure in the annual financial statements is complete and accurate.

RECORDING IN THE IRREGULAR EXPENDITURE REGISTER AND IN THE ANNUAL FINANCIAL STATEMENTS

46. On discovering possible irregular expenditure, the accounting officer or accounting authority must ensure the recording of such details in the irregular expenditure register.
47. If the irregular expenditure is confirmed, the register must be updated with the necessary confirmation that the expenditure in question is in fact irregular expenditure. These amounts must be included in the notes to the annual financial statements.
48. If the investigation reveals that the expenditure is not irregular expenditure, the register must be updated accordingly. Records of all the follow-up activities that take place once the alleged irregular expenditure is discovered must be maintained and referenced in the relevant register.
49. Accounting officers and accounting authorities are encouraged to conclude all investigations and resolve all matters related to irregular expenditure within 90 days from the date on which the alleged irregular expenditure was discovered or as soon as practically possible. If such investigations are not concluded by the date on which the annual financial statements are published, a narrative to this effect must be included part of the irregular expenditure note to the annual financial statements.
50. The accounting officer or accounting authority must ensure that the validity of irregular expenditure is confirmed before the annual financial statements are submitted for audit purposes. If irregular expenditure occurred during the year under review and is only discovered during the audit, the validity thereof must be confirmed before the audit is finalised. If an investigation is still in progress after the audit is completed then a narrative to this effect should be included in the irregular expenditure note in the annual financial statements.
51. Treasury Regulations 9.1.5 and 28.2.1 require accounting officers and accounting authorities to disclose all irregular expenditure incurred by their respective establishments as a note to their annual financial statements which must include particulars of amounts condoned by the National Treasury or relevant authority in the same financial year and/or before finalisation of financial statements.

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52. The disclosure of irregular expenditure incurred is a legal requirement rather than an accounting requirement. It is the act that results in irregular expenditure that is of importance to the user of the financial statements. The amount does not add to its significance and focusing on the quantification of irregular expenditure, while it is important, may divert attention away from the act itself. The primary focus from an oversight perspective is ensuring that spending agencies abide by the law in executing their mandates.
53. The Modified Cash Standard provides for the annual financial statements disclosure requirements for departments and government components operating on a modified cash basis of accounting. The annual financial statements template must be used to complement the Modified Cash Standard and provide for a format in which the disclosure requirements of irregular expenditure must be presented in the annual financial statements and related notes. The annual financial statements template must be used for disclosure requirements of irregular expenditure for government components operating on an accrual basis of accounting, trading entities, constitutional institutions and public entities.
54. Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the financial statements.
55. It is acknowledged that there may be instances where the irregular expenditure arose from fraudulent, corrupt and criminal activities or through actions that deprived the state of value for money and may result in the state instituting a civil claim against a third party. In such cases the institution would have to evaluate the impact of the infraction and the likelihood of someone being liable in law. The extent of the liability would thus have to be established. If the total amount could not be established by the date of approval for issue of the annual financial statements, the sub-notes must disclose this fact along with the reasons why.
56. In instances other than the above, the accounting officer or accounting authority must quantify the total amount of irregular expenditure unless it is impractical to do so. When the institution can demonstrate that it is impractical to quantify the full amount, it should disclose this fact along with the reasons why.
57. In summary, the disclosure requirements with regard to the identification and quantification of irregular expenditure are as follows:

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	Transgression took place in the current financial year	Transgression took place in a previous financial year
<p>Suspected irregular expenditure identified and in process of investigation to confirm</p> 	<p>No disclosure in the irregular expenditure note</p>	<p>No disclosure in the irregular expenditure note</p>
<p>Alleged irregularity confirmed as irregular expenditure and further investigated to determine the nature, extent and root cause of the transgression (where for example the department is in the process of establishing whether this is isolated).</p> 	<p>Disclose amount of irregular expenditure confirmed and note that further instances (the extent) of this type of irregular expenditure are under investigation.</p> <p>Continue with process as described below.</p>	<p>Disclose amount of irregular expenditure confirmed and note that further instances (the extent) of this type of irregular expenditure are under investigation.</p> <p>Continue with process as described below.</p>
<p>Institute a process to identify any fraudulent, corrupt and criminal activities or actions that deprived the state of value for money and may result in the state instituting a civil claim against a third party.</p> 	<p>If confirmed criminal activities etc.:</p> <ul style="list-style-type: none"> • follow relevant steps required in chapter 4, 9 and 12 of the Treasury Regulations (for depts., constitutional institutions and trading entities); • report in terms of section 34 of the Prevention and Combating of Corrupt Activities Act, 2003; • determine amount paid in current financial year; • disclose amount in the main note as “irregular expenditure - relating to current year”; • include supplementary disclosure on the disciplinary steps taken/criminal proceedings instituted. 	<p>If confirmed criminal activities etc.:</p> <ul style="list-style-type: none"> • follow relevant steps required in chapter 4, 9 and 12 of the Treasury Regulations (for depts., constitutional institutions and trading entities); • report in terms of section 34 of the Prevention and Combating of Corrupt Activities Act, 2003; • determine amount paid from date of transgression to end of reporting period; • disclose amount in the main note as “irregular expenditure – relating to prior year”; • include supplementary disclosure on the disciplinary steps taken/criminal proceedings instituted.

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	Transgression took place in the current financial year	Transgression took place in a previous financial year
<p>Confirmation that the irregular expenditure was not the result of fraudulent, corrupt and criminal activities or actions that deprived the state of value for money that may result in the state instituting a civil claim against a third party.</p>	<p>If not confirmed by the date on which the financial are authorized for issue:</p> <ul style="list-style-type: none"> • follow the process below and disclose the fact that further investigations are still underway; <p style="text-align: center;"></p> <ul style="list-style-type: none"> • follow relevant steps required in chapter 4, 9 and 12 of the Treasury Regulations (for depts., constitutional institutions and trading entities); • determine amount paid and disclose amount in the main note as “irregular expenditure - relating to current year”; • if can demonstrate that it is impractical to determine the total irregular expenditure, disclose details of transgression and reasons why the amount cannot be quantified. 	<p>If not confirmed by the date on which the financial are authorized for issue:</p> <ul style="list-style-type: none"> • follow the process below and disclose the fact that further investigations are still underway • if not conformed in a subsequent financial period, the full amount must be quantified and disclosed as above <p style="text-align: center;"></p> <p>required in chapter 4, 9 and 12 of the Treasury Regulations (for depts., constitutional institutions and trading entities);</p> <ul style="list-style-type: none"> • determine amount paid from date of transgression to end of reporting period and disclose amount in the main note as “irregular expenditure – relating to prior year”; • if can demonstrate that it is impractical to estimate the total irregular expenditure, disclose details of transgression and reasons why the amount cannot be quantified.

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	Transgression took place in the current financial year	Transgression took place in a previous financial year
<p>Confirmation that the irregular expenditure was not the result of fraudulent, corrupt and criminal activities or actions that deprived the state of value for money that may result in the state instituting a civil claim against a third party.</p>	<ul style="list-style-type: none"> • follow relevant steps required in chapter 4, 9 and 12 of the Treasury Regulations (for depts., constitutional institutions and trading entities); • determine amount paid and disclose amount in the main note as “irregular expenditure - relating to current year”; • if can demonstrate that it is impractical to determine the total irregular expenditure, disclose details of transgression and reasons why the amount cannot be quantified. 	<ul style="list-style-type: none"> • follow relevant steps required in chapter 4, 9 and 12 of the Treasury Regulations (for depts., constitutional institutions and trading entities); • determine amount paid from date of transgression to end of reporting period and disclose amount in the main note as “irregular expenditure – relating to prior year”; • if can demonstrate that it is impractical to estimate the total irregular expenditure, disclose details of transgression and reasons why the amount cannot be quantified.

CONTRACTS ARRANGED BY OTHER INSTITUTIONS

58. Where institutions are mandated (in terms of law) to make use of other organs of state to procure goods and/or services, the institution receiving the goods and/or services must, where possible, ensure that it has supply chain management representatives on the mandated institution’s bid adjudication committee to confirm that appropriate supply chain management procedures have been followed.

59. If supply chain management transgressions are identified in the procurement processes of the mandated institution, the supply chain management representatives of the institution that is going to receive the goods and/or services must immediately inform the accounting officer or accounting authority of the institution that he or she represents.

60. Where the mandated institution did not follow the required supply chain management processes, expenditure related thereto must be regarded as:
 - (a) irregular expenditure in the books of the procuring institution if that institution was represented on the bid adjudication committee of the mandated institution; and as a non-compliance matter in the books of the mandated institution indicating the value of the transaction; and

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- (b) a non-compliance matter in the books of the mandated institution indicating the value of the transaction if the procuring institution was not represented on the bid adjudication committee of the mandated institution.

ACCOUNTING FOR IRREGULAR EXPENDITURE

- 61. Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register and the relevant note to the annual financial statements.
- 62. Irregular expenditure that was incurred and identified during the current financial year and for which condonation is being awaited at year end must be recorded in the irregular expenditure register and in the relevant note to the annual financial statements.
- 63. Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the note to the financial statements must be updated with the amount condoned.
- 64. Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the relevant authority must be recorded appropriately in the irregular expenditure register and in the notes to the annual financial statements.
- 65. If liability for the irregular expenditure can be attributed to a person and that person is liable in law, a receivable must be created after which immediate steps must be taken to recover the amount from the person concerned. The irregular expenditure register and the note to the annual financial statements must be updated to reflect this.
- 66. If recovery is not possible, the accounting officer or accounting authority may write off the amount as irrecoverable and record such in the relevant note to the annual financial statements. The irregular expenditure register must also be updated accordingly.
- 67. Expenditure incorrectly recorded as irregular expenditure in prior years and which was only discovered to be proper during the year under review must be corrected using the accounting standards dealing with prior year errors.