



**NATIONAL TREASURY  
REPUBLIC OF SOUTH AFRICA**

Private Bag X115, Pretoria, 0001 Tel: +27 12 315 5111, Fax: +27 12 315 5234

Enquiries: J Soobramanian

Ref: 3/4/3/2/10

Tel: 315-5336

Fax: 326-5445

e-mail: jeyrel.soobramanian@treasury.gov.za

TO ALL  
ACCOUNTING OFFICERS: NATIONAL DEPARTMENTS  
HEADS: PROVINCIAL TREASURIES  
CHIEF FINANCIAL OFFICERS: PROVINCIAL DEPARTMENTS  
CHIEF EXECUTIVE OFFICERS / CHIEF FINANCIAL OFFICERS: CONSTITUTIONAL  
INSTITUTIONS / PUBLIC ENTITIES


Supply Chain Management Office

**IRREGULAR EXPENDITURE**

**This circular is applicable to all national and provincial departments, constitutional institutions and public entities as defined in schedule 3A and 3C of the Public Finance Management Act (PFMA). All accounting officers of national departments and heads of provincial treasuries are required to disseminate the contents of this circular to all chief financial officers of departments and public entities that fall under their jurisdiction.**

- 1 The purpose of this circular is to draw the attention of accounting officers / authorities to the fact that Section 38 (1) (g) of the Public Finance Management Act (PFMA) prescribes that cases of irregular expenditure involving the procurement of goods and services must be reported to the relevant treasury as well as the relevant tender board whilst cases of unauthorized expenditure must be reported to the relevant treasury only.
- 2 To this end, the PFMA is explicit in its definition of "irregular expenditure" as being expenditure, other than unauthorized expenditure, incurred in contravention of or that is not in accordance with a requirement of any legislation applicable to public sector procurement. These legislations include the PFMA, the State Tender Board Act, Act No. 86 of 1968 and any regulations made in terms of the Act and any provincial legislation providing for procurement procedures in that provincial government.
- 3 Where procurement legislation is contravened the PFMA stipulates that it is irregular and such expenditure must be reported to the relevant tender board as well. The reason for this requirement is that condonation of irregular expenditure requires *ex post facto* approval and only the tender boards are currently empowered to grant *ex post facto* approvals.
- 4 It must be pointed out that there is no threshold value attached to the reporting of irregular expenditure. All cases, irrespective of whether goods or services were procured by means of price quotations or competitive bids must be reported.

- 5 Cases where goods and services are procured in terms of the applicable procurement legislation, but without the necessary departmental internal authorization are deemed to be unauthorized expenditure and not irregular expenditure. Such cases must be dealt with by the accounting officer / authority in terms of the department's disciplinary measures and reported to the treasury only and not to the tender board as well.
- 6 It must be pertinently pointed out that accounting officers / authorities are not currently empowered to grant *ex post fact* approvals for any irregular expenditure. The National Treasury is in the process of making provision for the ratification of any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature through Chapter 16 A of the Treasury Regulations issued in terms of the Public Finance Management Act. This would cater for the vacuum that would be created when the State Tender Board Act is repealed. Until such time, all requests for *ex post fact* approvals must be referred to the State Tender Board.
- 7 Circular No. 1 of 2004 "Irregular Expenditure" issued by the Chief Director: Contract Management on 28 January 2004 under reference number 5/4/5 is hereby repealed.

  
JAN BREYTENBACH  
CHIEF DIRECTOR: NORMS AND STANDARDS  
DATE: 2005/10/24

Js irregular exp.