

HANDLING OF IRREGULAR EXPENDITURE POLICY

2026/2029



public works & roads

Department:
Public Works and Roads
North West Provincial Government
REPUBLIC OF SOUTH AFRICA

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1. PREAMBLE

The Public Finance Management Act (PFMA) provides the legal foundation for the proper management of public finances, including strict rules for procurement, expenditure and financial accountability. This Policy is adopted to implement those laws and regulations in a clear, transparent and consistent manner ensuring that all expenditure by the Department is lawful, compliant and properly documented.

2. PURPOSE

This Policy provides a clear and transparent framework for the identification, investigation, reporting, recovery, condonation and write-off of irregular expenditure within the Department. It aims to ensure compliance with the Public Finance Management Act (PFMA), Treasury Regulations and relevant National Treasury guidelines. It safeguards public resources, upholds financial discipline, promotes accountability and enforces consequence management wherever irregular expenditure occurs (subject to investigation outcomes).

3. SCOPE OF APPLICATION

This Policy applies across the entire Department and covers all forms of expenditure (capital, operational, procurement, grant-funded) that may result in irregular expenditure.

4. LEGISLATIVE FRAMEWORK

- 4.1. Constitution of the Republic of South Africa, 1996;
- 4.2. Public Finance Management Act, 1999 (PFMA);
- 4.3. Labour Relations Act;
- 4.4. Public Service Act;
- 4.5. Treasury Regulations; and
- 4.6. Irregular Expenditure Framework.

5. DEFINITIONS

- 5.1. **Irregular Expenditure:** Expenditure incurred in contravention of, or not in accordance with, a requirement of applicable legislation (including PFMA and Treasury Regulations);
- 5.2. **Condonation:** Ex post facto approval (waiver) by the Relevant Authority of irregular expenditure when recovery is not feasible or justified;
- 5.3. **Recovery:** The process of reclaiming funds from a person or entity responsible for irregular expenditure;



- 5.4. **Irregular Expenditure Register:** The official Department register that records all identified irregular expenditure cases, including amounts, status, investigations, recoveries, condonations, and write-offs; and
- 5.5. **Relevant Authority:** The individual or institution authorised to condone irregular expenditure, as prescribed in applicable legislation and Treasury Regulations.

6. POLICY PROVISIONS

6.1 Roles And Responsibilities

6.1.1 Accounting Officer / Head of Department

- a) Approves and enforces this Policy;
- b) Ensures investigations take place for identified irregular expenditure;
- c) Decides on or recommends condonation, recovery, or write-off.

6.1.2 Chief Financial Officer (CFO)

- a) Maintains and updates the Irregular Expenditure Register;
- b) Ensures financial reporting (including disclosure in annual financial statements);
- c) Oversees the creation of debt accounts for amounts to be recovered.

6.1.3 Supply Chain Management (SCM) Unit

- a) Monitors procurement processes;
- b) Flags potential non-compliance or deviations;
- c) Refers suspected irregular expenditure for assessment.

6.1.4 Internal Control/Audit

- a) Performs audits to detect irregularities;
- b) Leads or oversees formal investigations;
- c) Reports on systemic issues and corrective actions.

6.1.5 Risk / Compliance Unit

- a) Conducts risk assessments of procurement and spending;
- b) Supports preventative measures and training;
- c) Tracks progress of investigations, recoveries and condonations.

6.1.6 Labour Relations / Legal

- a) Manages disciplinary processes where negligence or misconduct is found;
- b) Works with Finance to ensure recovery from responsible Employees or third parties;
- c) Recommends legal action where necessary.



6.2 Identification And Assessment

6.2.1 Triggering Events

- a) Instances may be identified via internal controls, SCM reviews, internal audits, quarterly financial reviews or external audits;
- b) All suspected cases must be reported to the CFO and Risk and Internal Control Manager immediately.

6.2.2 Preliminary Assessment

- a) A first-phase assessment shall be conducted (e.g. within **three months**) to evaluate whether the incident qualifies as irregular expenditure under PFMA and Treasury guidance;
- b) If uncertain, the Department shall consult the Provincial Treasury or National Treasury for guidance.

6.2.3 Recording

Validated cases to be recorded in the Irregular Expenditure Register, with details ie. date identified, amount involved, suspected cause and responsible party.

6.2.4 Formal Investigation

- a) Should be initiated by Internal Audit (or independent investigator) with clear Terms of Reference (ToR).
- b) ToR must define objectives, methodology, timeline, responsible persons and reporting lines.

6.2.5 Liability Determination

Post-investigation determining who is liable (employee, manager, third party) and whether recovery is possible or condonable.

6.3 Recovery, Condonation Or Write-Off

6.3.1 Recovery

- a) Where recoverable, a debt account must be raised;
- b) Issue a formal demand to the liable party, with clear terms for repayment;
- c) Monitor payments, escalate to legal/disciplinary action if necessary.

6.3.2 Condonation

- a) Must be requested when recovery is not feasible or not reasonable;
- b) The request must include investigation report, evidence of recovery efforts (loss and determination test) and justification (mitigating circumstances);



- c) The Relevant Authority must be clearly identified in the Policy (e.g., National Treasury or delegated authority);
- d) Approvals must be documented formally.

6.3.3 Write-Off

- a) If condonation is granted and recovery is no longer feasible, write-off may be approved;
- b) Define approval thresholds (e.g. small vs large amounts) and who can approve write-offs;
- c) All write-offs must be justified, documented and disclosed in financial statements.

6.4 Reporting And Disclosure

6.4.1 Internal Reporting

- a) Quarterly reports to Senior Management / Executive Committee on new cases, investigations, recoveries, condonations, write-offs, lessons learned;
- b) The Irregular Expenditure Register must be updated quarterly.

6.4.2 External Reporting

- a) Disclose irregular expenditure in the annual financial statements as required by Treasury Regulation;
- b) Report to the Provincial Treasury or other oversight bodies as required by PFMA or departmental governance;
- c) Provide investigation reports and recovery / condonation outcomes to Internal Audit Committee or Risk Committee.

6.5 Prevention and Control

6.5.1 Training and Awareness

- a) Annual training for SCM, Finance, Audit, Management on irregular expenditure risk, PFMA, internal processes;
- b) During induction (especially for procurement, project, finance staff).

6.5.2 Internal Controls

- a) Strengthen procurement, contract management and payment controls;
- b) Use approval delegations, checklists, contract file reviews, and sign-offs;
- c) Maintain proper documentation (contracts, change orders, approvals, receipts).



6.5.3 Risk Assessment and Analytics

- a) Perform periodic risk assessments to identify high-risk areas (e.g., emergency procurement, high-value infrastructure);
- b) Leverage data analytics, where possible, to detect patterns, anomalies or noncompliance.

6.6 Consequence Culture

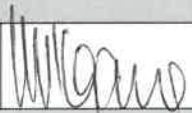

- a) Build a culture of accountability, apply disciplinary measures when non-compliance is due to negligence or misconduct;
- b) Ensure all Officials know that irregular expenditure is taken seriously.

7 MONITORING AND EVALUATION

Management has the responsibility of monitoring the implementation of the Policy and to ensure that the Policy remains current and fit for purpose.

8 POLICY REVIEW

This Policy shall be reviewed every three (3) years. Any new instructions or updates will be issued through an addendum.

DESIGNATION	NAME	SIGNATURE	DATE
RECOMMENDATION			
Policy Review Chairperson	Ms N.E Kgang		29/05/2026
Approval			
Head Of Department	Mr M.I Kgantsi		29/05/26