

Reference number: RCS-C.6

Private Bag X9165
CAPE TOWN
8000

TREASURY CIRCULAR NO. 27/2020 (SUPPLEMENTARY 1/2023)

THE PREMIER

THE MINISTER OF AGRICULTURE
THE MINISTER OF CULTURAL AFFAIRS AND SPORT
THE MINISTER OF EDUCATION
THE MINISTER OF FINANCE AND ECONOMIC OPPORTUNITIES
THE MINISTER OF HEALTH
THE MINISTER OF INFRASTRUCTURE
THE MINISTER OF LOCAL GOVERNMENT, ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING
THE MINISTER OF MOBILITY
THE MINISTER OF POLICE OVERSIGHT AND COMMUNITY SAFETY
THE MINISTER OF SOCIAL DEVELOPMENT

THE SPEAKER: PROVINCIAL PARLIAMENT

THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

THE EXECUTIVE AUTHORITY: WESTERN CAPE GAMBLING AND RACING BOARD (MINISTER M WENGER)
THE EXECUTIVE AUTHORITY: WESTERN CAPE NATURE CONSERVATION BOARD (MINISTER A BREDELL)
THE EXECUTIVE AUTHORITY: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MINISTER M WENGER)
THE EXECUTIVE AUTHORITY: SALDANHA BAY IDZ LICENCING COMPANY (MINISTER M WENGER)
THE EXECUTIVE AUTHORITY: WESTERN CAPE CULTURAL COMMISSION (MINISTER A MARAIS)
THE EXECUTIVE AUTHORITY: WESTERN CAPE LANGUAGE COMMITTEE (MINISTER A MARAIS)
THE EXECUTIVE AUTHORITY: WESTERN CAPE HERITAGE (MINISTER A MARAIS)
THE EXECUTIVE AUTHORITY: CASIDRA (MINISTER IH MEYER)
THE EXECUTIVE AUTHORITY: WESTERN CAPE LIQUOR AUTHORITY (MINISTER R ALLEN)

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (DR H MALILA)
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR R ADAMS)
THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (MR D SAVAGE)
THE ACCOUNTING OFFICER: VOTE 4: POLICE OVERSIGHT AND COMMUNITY SAFETY (ADV. Y PILLAY)
THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MR B WALTERS)
THE ACCOUNTING OFFICER: VOTE 6: HEALTH AND WELLNESS (DR K CLOETE)
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (DR R MACDONALD)
THE ACCOUNTING OFFICER: VOTE 8: MOBILITY (MR K REINECKE)
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR G GERBER)
THE ACCOUNTING OFFICER: VOTE 10: INFRASTRUCTURE (MS J GOOCH)
THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (DR M SEBOPETSA)
THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR V DUBE)
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR G REDMAN)
THE ACCOUNTING OFFICER: VOTE 14: LOCAL GOVERNMENT (MR G PAULSE)

THE CHIEF FINANCIAL OFFICER: VOTE 1: PREMIER (MR D BASSON)
THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS N PETERSEN)
THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MS A SMIT)
THE CHIEF FINANCIAL OFFICER: VOTE 4: POLICE OVERSIGHT AND COMMUNITY SAFETY (MR M FRIZLAR)
THE CHIEF FINANCIAL OFFICER: VOTE 5: EDUCATION (MR L ELY)
THE CHIEF FINANCIAL OFFICER: VOTE 6: HEALTH AND WELLNESS (MR S KAYE)
THE CHIEF FINANCIAL OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MR JO SMITH)
THE CHIEF FINANCIAL OFFICER: VOTE 8: MOBILITY (MR F DE WET)
THE CHIEF FINANCIAL OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR RT MOSOME)
THE CHIEF FINANCIAL OFFICER: VOTE 10: INFRASTRUCTURE (ADV. C SMITH)
THE CHIEF FINANCIAL OFFICER: VOTE 11: AGRICULTURE (MR F HUYSAMER)
THE CHIEF FINANCIAL OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MS M ABRAHAMS)
THE CHIEF FINANCIAL OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MS BG RUTGERS)
THE CHIEF FINANCIAL OFFICER: VOTE 14: LOCAL GOVERNMENT (MS B SEWLALL-SINGH)

For information

THE ACCOUNTING AUTHORITY: WESTERN CAPE GAMBLING AND RACING BOARD (MR D LAKAY)
 THE ACCOUNTING AUTHORITY: WESTERN CAPE NATURE CONSERVATION BOARD (PROF. D HENDRICKS)
 THE ACCOUNTING AUTHORITY: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MR D GREEN)
 THE ACCOUNTING AUTHORITY: SALDANHA BAY IDZ LICENCING COMPANY (MR H METTLER) (ACTING)
 THE ACCOUNTING AUTHORITY: WESTERN CAPE CULTURAL COMMISSION (MS J MOLELEKI)
 THE ACCOUNTING AUTHORITY: WESTERN CAPE LANGUAGE COMMITTEE (MS J MOLELEKI)
 THE ACCOUNTING AUTHORITY: WESTERN CAPE HERITAGE (MR M DLAMUKA)
 THE ACCOUNTING AUTHORITY: CASIDRA (PROF. J KIRSTEN)
 THE ACCOUNTING AUTHORITY: WESTERN CAPE LIQUOR AUTHORITY (ADV. T SIDAKI)
 THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE GAMBLING AND RACING BOARD (MR P ABRAHAMS)
 THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE NATURE CONSERVATION BOARD (DR R OMAR)
 THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MS W STANDER)
 THE CHIEF EXECUTIVE OFFICER: SALDANHA BAY IDZ LICENCING COMPANY (MS K BEUKES)
 THE CHIEF EXECUTIVE OFFICER: CASIDRA (DR K DU PLESSIS)
 THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE LIQUOR AUTHORITY (ADV. L PETERSEN) (ACTING)
 THE CHIEF EXECUTIVE OFFICER: ATLANTIS SPECIAL ECONOMIC ZONE (MR P VOGES)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE GAMBLING AND RACING BOARD (MS Z SIWA)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE NATURE CONSERVATION BOARD (MR M BHAYAT)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MR S GCWABE)
 THE CHIEF FINANCIAL OFFICER: SALDANHA BAY IDZ LICENCING COMPANY (MR H BONESCHANS)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE CULTURAL COMMISSION (MS B RUTGERS)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE LANGUAGE COMMITTEE (MS B RUTGERS)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE HERITAGE (MS B RUTGERS)
 THE CHIEF FINANCIAL OFFICER: CASIDRA (MR F VAN ZYL)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE LIQUOR AUTHORITY (MR S GCWABE)
 THE CHIEF FINANCIAL OFFICER: ATLANTIS SPECIAL ECONOMIC ZONE (MS W SAIB)
 THE DIRECTOR: GOVERNMENT MOTOR TRANSPORT (MR R WIGGILL)
 THE HEAD OFFICIAL: PROVINCIAL TREASURY (MR D SAVAGE)
 THE DEPUTY DIRECTOR-GENERAL: FISCAL AND ECONOMIC SERVICES (VACANT)
 THE DEPUTY DIRECTOR-GENERAL: GOVERNANCE AND ASSET MANAGEMENT (MS J GANTANA)
 THE CHIEF DIRECTOR: PUBLIC POLICY SERVICES (MS S ROBINSON)
 THE CHIEF DIRECTOR: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS A PICK)
 THE CHIEF DIRECTOR: LOCAL GOVERNMENT PUBLIC FINANCE (MR S KENYON)
 THE CHIEF DIRECTOR: ASSET MANAGEMENT (MR I SMITH)
 THE CHIEF DIRECTOR: FINANCIAL GOVERNANCE AND ACCOUNTING (MR A HARDIEN)
 THE CHIEF FINANCIAL OFFICER (MS A SMIT)
 THE HEAD: OFFICE OF THE FINANCE MINISTRY (MR R BRUETON)
 THE DIRECTOR: BUSINESS INFORMATION AND DATA MANAGEMENT (MR P PIENAAR)
 THE DIRECTOR: FINANCIAL GOVERNANCE (MS M VAN NIEKERK)
 THE DIRECTOR: FISCAL POLICY (MR M BOOYSEN)
 THE DIRECTOR: INFRASTRUCTURE (MS S VAN BRED A) (ACTING)
 THE DIRECTOR: LOCAL GOVERNMENT ACCOUNTING (MR F SALIE)
 THE DIRECTOR: LOCAL GOVERNMENT BUDGET OFFICE (MS N RINQUEST)
 THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (MR T NTSHINGILA)
 THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR I TSIE)
 THE DIRECTOR: LOCAL GOVERNMENT MFMA COORDINATION (MR D CRONJE)
 THE DIRECTOR: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS L SALLIES) (ACTING)
 THE DIRECTOR: PROVINCIAL GOVERNMENT ACCOUNTING (MS A ABOO)
 THE DIRECTOR: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS T VAN DE RHEEDE)
 THE DIRECTOR: PROVINCIAL GOVERNMENT FINANCE (EXPENDITURE MANAGEMENT) (MS M NICHOLAS)
 THE DIRECTOR: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS N EBRAHIM)
 THE DIRECTOR: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (MS N ISMAIL)
 THE DIRECTOR: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A MAZOMBA)
 THE PROVINCIAL AUDITOR
 MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT
 THE DEPUTY DIRECTOR-GENERAL: CORPORATE ASSURANCE, DEPARTMENT OF THE PREMIER (MS H ROBSON)

GUIDANCE WITH THE INTERPRETATION AND IMPLEMENTATION OF NATIONAL TREASURY INSTRUCTION NO. 4 OF 2022/23 AND PFMA COMPLIANCE AND REPORTING FRAMEWORK

1. PURPOSE

1.1 The purpose of this Treasury Circular is to:

- a. inform departments and public entities of National Treasury Instruction No. 4 of 2022/23 and concomitant Annexure A: PFMA Compliance and Reporting Framework (hereafter the PFMA Framework), effective from 3 January 2023.

- b. inform departments and public entities that National Treasury Instruction No. 2 (NTI 2 of 2019/20) and No. 3 (NTI 3 of 2019/20) which respectively deal with the irregular expenditure framework and fruitless and wasteful expenditure framework, are hereby repealed.
- c. give direction for the interpretation and application of the PFMA Framework in managing and reporting on irregular, unauthorised, fruitless and wasteful expenditure and communicate the reporting requirements on payment of supplier invoices and supply chain management information.

2. BACKGROUND

- 2.1 On 23 December 2022, the Office of the Accountant General issued National Treasury Instruction No. 4 of 2022/23 (NTI 4 of 2022/23) and the PFMA Framework to prescribe a set of principles and compliance reporting requirements for the departments, trading entities, constitutional institutions and public entities listed in Schedule 2 and 3 of the Public Finance Management Act of 1999 (Act No. 1 of 1999 "PFMA") on matters relating to -
- a. application, implementation and reporting of unauthorised, irregular expenditure and fruitless and wasteful expenditure;
 - b. reporting on payments of suppliers' invoices; and
 - c. reporting on supply chain management information related to –
 - (i) procurement by other means; and
 - (ii) contract variations and expansions.
- 2.2 NTI 4 of 2022/23 is effective from 3 January 2023.
- 2.3 NTI 4 of 2022/23 and the PFMA Framework (Annexure A) effectively repeal and replace NTI 2 and NTI 3 of 2019/20 which dealt with the irregular expenditure framework and fruitless and wasteful expenditure framework, respectively.

3. KEY AMENDMENTS INTRODUCED IN THE MANAGEMENT OF IRREGULAR, UNAUTHORISED, FRUITLESS AND WASTEFUL EXPENDITURE

- 3.1 The following changes were made to the definition of the relevant authority responsible for the condonation of irregular expenditure:
- a. **Provincial Treasury (PT)**, in the case where an employee or the Accounting Officer (AO) of a provincial department or an employee or Accounting Authority (AA) of an entity listed in Schedule 3C or 3D of the PFMA, was responsible for the irregular expenditure.
 - b. **Accounting Officer/Accounting Authority**, in the case where an employee responsible for the non-compliance exercised a power or performed a duty that falls outside their delegation of authority.
 - c. **Accounting authority**, in a case where an employee of an entity listed in Schedule 3A and 3C of the PFMA, was responsible for exceeding the budget of that entity.
 - d. AO's and AA's have the authority to condone irregular expenditure incurred by employees when exercising a power outside their delegation of authority; however, the PFMA Framework does not elaborate and/or provide further guidance to departments and public entities to distinguish when AO's and AA's may consider irregular expenditure for condonation in

accordance with paragraph 3.1(b) and (c) of this circular and where AO's and AA's are required to report irregular expenditure to PT in accordance with paragraph 3.1.(a).

- e. All departmental Internal Control managers were approached for comment on the practical implementation of this new requirement, which was followed up with a PT/departmental workshop on 3 February 2023, in preparation for NT/PT's information session on the PFMA Framework on 16 March 2023, during which PT shared the WCG's implementation challenges with NT for reconsideration.

3.2 In the interim, WCG departments and public entities are advised to follow the principles below to determine when AO's and AA's may consider irregular expenditure for condonation and when AO's and AA's must refer irregular expenditure to PT, as follows:

- a. the AO or AA is the **relevant authority** to consider condonation of irregular expenditure, if the approval of that AO or AA would have been required prior to entering that transaction or incurring such expenditure;
- b. where the AA 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 the Chief Executive Officer; and
- c. PT is the **relevant authority** to consider condonation of irregular expenditure if the AO or AA is implicated in the irregular expenditure or the AO or AA did not have the authority to enter a transaction or incur such expenditure.

3.3 The following examples extracted from National Treasury's Updated Guideline on Irregular Expenditure, 2015, and amended accordingly in line with NTI 4 of 2022/23 and the PFMA Framework, should be applied by departments and public entities to assist in the determination of the relevant authority.

Categories of Irregular Expenditure (IE)	Relevant Authority
IE incurred as a result of non-compliance with a Treasury Regulation (TR) where prior written approval was required from PT. (e.g., a department or public entity that incurred expenditure related to a public private partnership without obtaining prior written approval from PT, as required by TR16.4.2).	PT in the case of provincial departments or provincial public entities.
IE incurred as a result of non-compliance with a TR that required cognisance to be taken of a NT determination. (e.g., a department or public entity procured goods or services by means of price quotations where the value of the purchase exceeded the threshold values determined by NT for price quotations - contravention of TR16A6.1)	PT in the case of departments or public entities.
IE 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 AO or AA (contravention of TR16A6.4)	AO in the case of departments and AA in the case of public entities.

Categories of Irregular Expenditure (IE)	Relevant Authority
IE incurred as a result of non-compliance with a requirement of the institution's delegations of authority issued in terms of the PFMA. (e.g., an official approves the purchase of goods to the value of R35 000; however, the official's limit in terms of delegation of authority is R30 000).	AO in the case of departments and AA in the case of public entities.
IE incurred as a result of non-compliance with a provision contained in any applicable legislation. (e.g., 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).	PT in the case of departments or public entities.

- 3.4 National Treasury's **Examples of Irregular Expenditure**, attached as Annexure C, should also be considered by departments and public entities. The examples must be read in line with the definition of the relevant authority in accordance with paragraph 3.4 of this circular.
- 3.5 The timeframe to complete irregular, unauthorised, fruitless, and wasteful expenditure assessments and determination tests is 30 days. Departments and public entities may complete assessments within 3 months and/or determination test within 4 months from the date of discovery of the alleged irregularity, subject to a dispute being formally raised with the PT and the Auditor-General of South Africa (AGSA)/external auditors, within a period of 7 days, from the discovery date of the dispute.
- 3.6 PT notes the PFMA Framework does not make provision for **complex assessments or determination tests**. For this reason, WCG departments and public entities shall be allowed to complete assessments and determinations within 3 months and/or 4 months respectively, when the alleged irregularity relates to complex matters, subject to the written approval by the AO or AA.
- 3.7 Irregular expenditure emanating from Inter-Institutional arrangements must be dealt with as follows:
- a. For the department or public entity to be accountable for the irregular expenditure, the budget holder must have –
 - (i) not complied with legislation; and
 - (ii) incurred expenditure.
 - b. If the budget holder was not involved, as outlined in accordance with section 3.13 of the PFMA Framework, the budget holder must not record irregular expenditure in its Annual Financial Statements (AFS) disclosure and disclose only the non-compliance that led to the irregular expenditure in the annual report.
 - c. Furthermore, where no binding arrangement exists 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.

4. KEY REPORTING REQUIREMENTS INTRODUCED IN TERMS OF NTI 4 OF 2022/23 AND THE PFMA FRAMEWORK

4.1 Irregular, unauthorised, fruitless, and wasteful expenditure must be disclosed in the AFS upon confirmation, as follows:

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

a. The **current financial year** disclosure must include:

- (i) amounts incurred and confirmed in that financial year; and/or
- (ii) payments made as it relates to multi-year contracts.

b. The **previous financial year** disclosure must include:

- (i) amounts confirmed in that financial year;
- (ii) amounts that were under assessment in that financial year and confirmed in the current financial year; and
- (iii) amounts not identified in that financial year and discovered and confirmed in the current financial year.

4.2 AO's and AA's must disclose the details of irregular, unauthorised, fruitless and wasteful in Part E of the annual report as it relates to the current and previous financial year's and no longer as a note to the AFS, as previously required.

4.3 Irregular expenditure must be reported in Part E of the annual reporting guide, as follows:

Reconciliation of Irregular Expenditure	20YY/20ZZ R'000	20XX/20YY R'000
Irregular expenditure confirmed		
Less: Irregular expenditure condoned		
Less: Irregular expenditure not condoned and removed		
Less: Irregular expenditure recoverable		
Less: Irregular expenditure not recovered and written off		
Total		

Reconciliation notes	20YY/20ZZ R'000	20XX/20YY R'000
Irregular expenditure that was under assessment in 20XX/YY		
Irregular expenditure that relates to 20XX/YY and identified in 20YY/ZZ		
Irregular expenditure for the current year		
Total		

- 4.4 The following **disclosure risks** were identified in accordance with NTI 4 of 2022/23 and the PFMA Framework:
- 4.4.1 The comparative amount of irregular, unauthorised, fruitless and wasteful expenditure (unwanted expenditure) per the audited Annual Financial Statements (AFS) will change each year to reflect the movement of the unwanted expenditure relating to that financial year although confirmation of the unwanted expenditure is only concluded in the following financial year. However, the new disclosure requirement does not make provision for the line-item prior period error on the face of the AFS notes.
- 4.4.2 The restatement of the opening balances is included as an additional narrative in the AFS; however, the unwanted expenditure amounts reported in the AFS are total amounts and not balances carried forward resulting in a completeness risk.
- 4.4.3 The balances maintained in the unwanted expenditure registers are the source document that must align to the AFS disclosure; however, in terms of the new reporting requirement only the current year and previous financial year's figures must be disclosed in the AFS and annual report. This may result in the omission of information and potential misstatements since the closing balances of the registers will not align to the information presented in the AFS and annual report.
- 4.4.4 Since irregular, unauthorised, fruitless, and wasteful expenditure and its related governance requirements will no longer be reported on if it does not relate to the current financial year or previous financial year, PT is of the opinion the new disclosure requirements is not in line with the objective of the AFS and annual report requirements which is to ensure fair presentation of financial and non-financial information to the users.
- 4.5 The reporting requirements in Part E of the annual report guide also includes information and templates as set out in Appendix D and E, related to –
- a. late payment of suppliers; and
 - b. supply chain management.
- 4.6 In terms of the transitional arrangements to report on inter-institutional arrangements, irregular expenditure previously disclosed in the AFS and not yet addressed, the budget holder or mandated institution that previously reported the irregular expenditure must:
- a. disclose the irregular expenditure as a comparative amount in the AFS; and
 - b. address the irregular expenditure in accordance with the PFMA Framework and report the details thereof in the annual report.
- 4.7 The monthly and/or quarterly reporting on unwanted expenditure necessitates modifications to the current In-Year-Monitoring (IYM) reporting requirements to PT, due to the amendments to the AFS disclosure requirements and the removal of the IYM reporting requirement as far as it relates to unwanted expenditure.
- 4.8 AO's and AA's are required to submit quarterly reports to PT in the form set out in Appendix A, B and C of this circular.

5. POINTS TO NOTE

- 5.1 PT will document the WCG's implementation challenges and risks identified in terms of NTI 4 of 2022/23 and the PFMA Framework which will be submitted to the Office of the Accountant General together with the WCG's proposed amendments to the PFMA Frameworks.
- 5.2 NTI 4 of 2022/23 and the PFMA Framework is applicable and must be implemented by all departments and public entities irrespective of the challenges and risk highlighted by PT in this circular.
- 5.3 In the interim, PT amended Appendix A, B and C as prescribed by NT in terms of the WCG context, to assist departments and public entities with the monitoring and reporting of unauthorised, irregular, fruitless and wasteful expenditure.
- 5.4 AO's, AA's or delegated authorities must include the following information when requesting condonation of irregular expenditure:
- a. confirmation that a determination test was conducted;
 - b. findings and recommendations of the internal control unit or another relevant function or component that conducted the determination test;
 - c. confirmation that an investigation was conducted in cases of identified 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 Service;
 - e. confirmation that no loss was 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(s); and
 - g. confirmation of remedial actions taken or being taken by the AO or AA to prevent the recurrence of irregular expenditure in similar circumstances.
- 5.5 The Provincial Government Accounting and Compliance unit will from time to time conduct reviews on the irregular expenditure condoned by AO's and AA's in accordance with NTI 4 of 2022/23 and the PFMA Framework.
- 5.6 The PFMA Framework is silent on the disclosure of irregular expenditure resulting in partial losses and the condonation aspects thereof. This matter was previously referred to NT; however, it must be noted that it was not taken up in the final PFMA Framework. AO's and AA's are advised to deal with partial losses as follows:
- a. the full transaction amount must be disclosed as irregular expenditure in the AFS;
 - b. the partial loss must be dealt with in accordance with chapter 6 of the PFMA Framework; and
 - c. once the AO, AA or delegated authority is satisfied that the requirements in section 5.6 of PFMA Framework have been complied with, submit a request to the relevant authority to condone the difference between the transaction value less the loss recovery or write-off.

- 5.7 PT shall update the monthly reporting requirements on irregular, unauthorised, fruitless and wasteful expenditure as set out in **Annexure H, I and J of Treasury Circular No. 11 of 2022 - Month-End closure procedures for 2022/23, to meet the reporting requirements in terms of section 32 read with section 40(4)(c) of the PFMA**, and issue a new circular to institutions, effective 1 April 2023.
- 5.8 PT is in the process of amending the Transversal Standard Operating Procedures (SOP) on irregular, fruitless and wasteful expenditure respectively in accordance with NTI 4 of 2022/23 and the PFMA Framework, which will be sent to all institutions. Prior to finalisation and implementation, the relevant parties will be consulted on the draft SOP on unauthorised expenditure.
- 5.9 All timeframes as prescribed in the PFMA Framework refers to calendar days.

6. REQUIRED ACTIONS

- 6.1 AOs and AAs shall put in place processes to guarantee that irregular expenditure resulting from non-compliance with the institution's delegation system are assessed for condonation in accordance with paragraph 3.1 to 3.6 of this circular.
- 6.2 AO's must report to PT within 30 days after the end of each quarter on irregular, unauthorised, fruitless and wasteful expenditure, in accordance with section 38(1)(g) of the PFMA and section 6.5 of NTI 4 of 2022/23. The format of the quarterly reports are prescribed in **Appendix A, B and C** of this circular and must be sent to PT.helpme@westerncape.gov.za.
- 6.3 AA's must report to PT within 30 days after the end of each quarter on irregular, fruitless and wasteful expenditure, in accordance with section 6.5 of NTI 4 of 2022/23. The format of the quarterly reports are prescribed in **Appendix B and C** of this circular and must be sent to PT.helpme@westerncape.gov.za.
- 6.4 AO's are required to submit monthly and annual reports on the payment of supplier invoices in accordance with Treasury Circular No. 35 of 2014 and paragraph 1.1(b) of NTI 4 of 2022/23. The annual reporting format is prescribed in **Appendix D** of this circular. AO's are advised to consult **Treasury Circular No. 35 of 2014 - Monthly monitoring of invoices settled within 30 days from date of receipt to comply with Treasury Regulation 8.2.3**, to assist departments in reporting on payment of suppliers' invoices.
- 6.5 AA's are required to submit annual reports on payment of supplier invoices in accordance with section 1.1(b) of NTI 4 of 2022/23. To assist public entities with the annual reporting, AA's are required to submit quarterly reports on payments of supplier invoices to PT within 30 days after the end of each quarter. The reporting format is prescribed in **Appendix D** of this circular and must be sent to PT.helpme@westerncape.gov.za.
- 6.6 AO's and AA's are required to report on supply chain management information in Part E of the annual report in accordance with section 1.1(c) of NTI 4 of 2022/23. The annual reporting format is prescribed in **Appendix E** of this circular. AO's and AA's are also advised to consult **Treasury Circular No. 16 of 2022 – PFMA SCM Instruction 3 of 2021/22**, for assistance in reporting on supply chain management information.
- 6.7 AO's and AA's must ensure that the content of this circular is brought to the attention of all relevant officials within their institution.

7. ENQUIRIES

- 7.1 All enquiries in respect of this circular, NTI 4 of 2022/23 or the PFMA Framework must be directed to Franklin.Links@westerncape.gov.za.

MS A ABOO

DIRECTOR: PROVINCIAL GOVERNMENT ACCOUNTING AND COMPLIANCE

ANNEXURES

- Annexure A - National Treasury Instruction No. 4 of 2022/23
- Annexure B - PFMA Compliance and Reporting Framework
- Annexure C - Examples of Irregular Expenditure

APPENDIXES FOR REPORTING REQUIREMENT ON ANNUAL REPORT AND AFS

- Appendix A - Unauthorised expenditure
- Appendix B - Irregular expenditure
- Appendix C - Fruitless and wasteful expenditure
- Appendix D - Reporting on late payment of suppliers
- Appendix E - Reporting on supply chain management (procurement by other means, contract variations and expansions of contracts)

UNAUTHORISED EXPENDITURE REGISTER

DEPARTMENT NAME:

e.g. PROVINCIAL TREASURY

FINANCIAL YEAR

e.g. 2023/24

QUARTER

e.g. 1st Quarter

Total amount of unauthorised expenditure	Amount R'000
Total amount of unauthorised expenditure: Overspending of vote or main division within a Vote	-
Total Amount of unauthorised expenditure: Expenditure not in accordance with the purpose of the vote or main division within a vote.	-
Total losses	-

Ref no.	Incident description	Date Incurred	Date identified	Amount of UE	Status (under assessment, determination, investigation, confirmed not UE)	Date UE confirmed	Amount of Loss	Loss Amount Recovered	Loss Amount Written-off	Alleged fraud, corruption or other criminal conduct reported to SAPS	Details of disciplinary action taken/ to be taken (if applicable)	Remedial steps taken to prevent recurrence of similar UE
				R'000	(select drop-down)		R'000	R'000	R'000	(Select drop-down)		

IRREGULAR EXPENDITURE REGISTER

DEPARTMENT NAME:

e.g. PROVINCIAL TREASURY

FINANCIAL YEAR

e.g. 2023/24

QUARTER

e.g. 1st Quarter

Total amount of Irregular Expenditure	Amount R'000
Total amount of irregular expenditure	-
Total condoned	-
Total removed	-
Total recovered	-
Total written off	-

Ref no.	Incident description	Legislation contravened	Date Incurred	Date identified	Amount of IE	Status (under assessment, determination, investigation, confirmed non-compliance)	Date IE confirmed	Loss Amount Recovered	Loss Amount Written-off	Fraud, corrupt, or other criminal conduct reported to SAPS)	Details of disciplinary action taken/ to be taken	Condoned or removed by AO/ relevant authority	Remedial steps taken to prevent recurrence of similar UE
					R'000	(select drop-down)		R'000	R'000	(select drop-down)	(if applicable)		

FRUITLESS AND WASTEFUL EXPENDITURE REGISTER

DEPARTMENT NAME:

e.g. **PROVINCIAL TREASURY**

FINANCIAL YEAR

e.g. **2023/24**

QUARTER

e.g. **1st Quarter**

Total amount of Fruitless and Wasteful Expenditure	Amount R'000
Total amount of fruitless and wasteful expenditure	-
Total recovered	-
Total written off	-

Ref no.	Incident description	Date Incurred	Date identified	Amount of FWE	Status (under assessment, determination, investigation, confirmed not FWE)	Date FWE confirmed	Loss Amount Recovered	Loss Amount Written-off	Alleged fraud, corruption or other criminal conduct reported to SAPS (Details of disciplinary action taken/to be taken (if applicable)	Remedial steps taken to prevent recurrence of similar FWE
				R'000	(select drop-down))		R'000	R'000	(select drop-down)		

INFORMATION ON PAYMENT OF SUPPLIER'S INVOICES

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 (unpaid and without dispute)		
Invoices older than 30 days or agreed period (unpaid and in dispute)		

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

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	Value of previous contract expansions/ variations (if applicable)	Value of current contract expansion or variation
				R'000"	R'000	R'000