

**NATIONAL TREASURY****MFMA Circular No 111****Municipal Finance Management Act No. 56 of 2003**

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE REDUCTION STRATEGY AND PLANS

PURPOSE

The purpose of this Circular is to introduce the generic unauthorised, irregular, fruitless and wasteful (UIF&W) expenditure reduction strategy to municipalities and municipal entities which aims to support and introduce measures that will assist in reducing such expenditures. A copy of the strategy document is attached as Annexure A.

BACKGROUND

In recent years, there has been an increase in incidences of UIF&W expenditure. This is attributable to factors which include but are not limited to the repeated failures by municipalities and municipal entities to prevent non-compliance, introduce timely and decisive corrective measures and internal controls to ensure effective implementation of relevant laws and regulations. The lack of decisiveness in dealing with the UIF&W expenditure by many municipal councils and administrations has resulted in a negative public perception and narrative. Lack of focus and implementation of current measures on consequence management was identified as additional contributing factors.

The 2019-24 Medium Term Strategic Framework (MTSF) has highlighted the need to implement stronger monitoring, supporting, reporting and enforcement measures to reduce incidents of UIF&W expenditure. The emphasis has been to ensure measures are introduced to reduce irregular expenditure by 75% and to eliminate fruitless and wasteful expenditure by 100% during this period. Municipalities must also simultaneously address the growing incidents of unauthorised expenditure.

The strategy document and supporting tools have been developed to support specifically municipalities and municipal entities to meet the MTSF targets as highlighted above. The strategy is premised on three elements, namely, (i) supporting the municipal public account committees and municipal councils to fulfil their legislative responsibilities in terms of section 32(2)(b) of the MFMA to reduce incidences of UIF&W expenditures, (ii) the introduction of preventative controls to address further and future non-compliance with the legislative prescripts and (iii) the implementation of consequence management to ensure that strong ethical, accountable and transparent financial governance and institutional arrangements are implemented in all municipalities and municipal entities.

CONSULTATIVE PROCESS

The development of the UIF&W expenditure reduction strategy and tools were undertaken through a consultative process, including contributions from internal and external stakeholders, as well as provincial treasuries and municipalities. This document brings together the processes that must be undertaken by municipalities and municipal entities as outlined in the MFMA and its regulations in addressing the UIF&W expenditure in a coherent, consistent and timely manner.

BRIEF OUTLINE OF THE STRATEGY

The reduction strategy addresses a number of matters which includes role clarification of the different stakeholders in this process. These include the national and provincial treasuries, the municipal council, board of directors of municipal entities, accounting officers and other relevant stakeholders within municipalities and municipal entities, as well as to strengthen the role played by internal audit and audit committees. The strategy is supported by a number of annexures, tools and templates which provide information that municipalities and municipal entities can adapt and adopt for use in reducing UIF&W expenditure.

DEVELOPMENT OF THE UIF&W REDUCTION PLAN

As a result of an increase in incidences of UIF&W expenditures, it has become necessary for municipalities and municipal entities to develop and implement appropriate strategies/plans to reduce and prevent UIF&W expenditure to achieve the targets set in the 2019-24 Medium Term Strategic Framework (MTSF). It is for this reason that numerous municipalities and municipal entities have requested assistance in the development of the UIF&W reduction strategy.

The UIF&W Reduction Plan template which is attached as Annexure 7 to the UIF&W Reduction Strategy supports this effort.

Municipalities and municipal entities are encouraged to utilise these templates as management tools to give effect to this, monitor the reduction of the UIF&W expenditures and to be able to report effectively to Management, Council, Oversight institutions and Treasuries.

SUPPORT INITIATIVES

The national and provincial treasuries had provided support to both municipal officials and the Municipal Public Accounts Committees (MPACs) to understand their roles and responsibilities. The latest support from the national treasury, supported by provincial treasuries, national and provincial departments of cooperative governance and SALGA, undertook a number of provincial workshops aimed at capacitating MPACs and DC Boards to perform their functions relating to section 32 of the MFMA. Ongoing support and capacity building efforts are part of this strategy and will be rolled out to newly elected councillors appointed to these and other committees of council.

CONCLUSION

It is incumbent on the accounting officer of a municipality or municipal entity to ensure that this circular and the UIF&W Reduction Strategy are brought to the attention of the municipal council, board of directors, senior management, chief finance officers, internal audit units, audit committees and supply chain management practitioners.

Moreover, it must be communicated to those officials delegated with financial management responsibilities in terms of sections 79, 82 and 106 of the MFMA.

In conclusion, all municipalities and municipal entities are required to discuss and resolve on its own UIF&W reduction strategy and implementation plans as a matter of priority and urgently.

Given that the 2021 elections have been concluded and there are a number of new councillors elected, a copy of this document must be provided to councillors at its meeting scheduled for January/February 2022 or sooner.

This must be supported by the submission of the municipality's and entity's own UIF&W expenditure reduction strategy and implementation plan, along with a resolution taken by Council confirming previous decisions and reinforcing these measures through adoption of a new Council Resolution reflecting the commitment of the new Council to attend to historical and recent UIF&W matters. This plan and adopted resolutions taken by the newly elected council must be submitted to the National Treasury via email to the address mentioned below.

Failure to address these matters timeously is likely to attract further attention by the Auditor-General, arising from the amendment to the Public Audit Act, and which can result in implementation of additional consequence and enforcement measures.

CONTACT

Further clarifications or enquiries can be directed to the MFMA helpdesk facility email: mfma@treasury.gov.za



National Treasury

**Private Bag X115, Pretoria
0001**

Phone

012 315 5850

Fax

012 315 5230

Email – General

mfma@treasury.gov.za

Website

www.treasury.gov.za/mfma

TV PILLAY

Chief Director: MFMA Implementation

16 November 2021

Annexure A : MFMA UIF&W Expenditure Reduction Strategy