Best Practices for Avoiding UIFW in the Public Sector

CIGFARO
Chartered Institute of
Government Finance, Audit & Risk Officers

BONAKUDE
SINCE 2010
15 YEARS

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SAQA Recognised Professional Body

Contents

1. Introduction

What is UIFW expenditure and

how does it impact financial performance of municipalities

(government departments and other public entities)?

1. Introduction *cont'd*

What is Unauthorized , irregular , fruitless and wasteful expenditure? (simplified definitions)

Unauthorized expenditure:

- used more funds than had been allocated (in other words, overspending)
- used allocated funds for purposes other than those intended

Irregular expenditure

- expenditure that was not incurred in the manner prescribed by legislation and does not necessarily mean that money was wasted or that fraud was committed.

Fruitless and wasteful expenditure

- Fruitless and wasteful expenditure is expenditure that was made in vain and that could have been avoided if reasonable care had been taken.

2. Key Observations and Best Practice

- Poor Implementation of internal control to encourage compliance environment.
- Limited understanding of key legislation and transcripts.
- Limited capacity and skills to implement internal controls requirements.
- Delayed initiation and conclusion of investigation of unauthorized, irregular , fruitless and wasteful expenditure.
- Delayed decision - making and slow response to non-compliance (implementation of consequence management).
- Intimidation of those charged with compliance with legislations and regulations.
- Lack of communication and coordination between administration and oversight committees.

3. Internal Controls to Prevent UIFW Expenditure

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Role Players in the prevention and occurrence of UIFW Expenditure.

Governance structures:

- Administration (top , middle and lower management)
- Executive mayor and mayoral committees
- Speaker of the municipal council
- Municipal public accounts committee (MPAC)
- Risk management committee
- Municipal Finance Disciplinary Board
- Audit committee
- Internal Audit
- AGSA

4. Strategies to Reduce UIFW Expenditure

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Prevention of occurrence & re-occurrence of UIFW Expenditure.

- Implementation of internal controls.
- Integrated efforts from oversight committees and internal staff.
- Implementation of audit action plans.
- Development and implementation and regular updates of internal registers.
- Development and Implementation of reduction strategy .
- Improve skills of officials within the accountability model.
- Improve financial governance: align budgets with cash flow realities.

4. Strategies to Resolve UIFW Expenditure

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Develop, approve and implement a consequence management policy:

- Train municipal official on consequence management implementation processes and implementation framework.
- Train management on protection of whistle blowers.
- Train, promote and implement administrative accountability, professionalism, good governance and transparency culture from top to bottom.
- Train and promote escalation policies for potential consequence management matters.
- Train and implement system for quick escalation and resolution of non-compliance. Protect & empower internal auditors (independence, whistleblower protections).
- Enforce consequence management consistently withing the organisations.

4. Strategies to Resolve UIFW Expenditure *cont'd*

- Continuous training on how to manage unauthorized, irregular, fruitless and wasteful expenditure.
- Train management on appliable legislative framework for good governance.
- Benchmarking consequence management procedures with other municipalities.

5. Conclusion

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- Municipality should strengthen the controls around UIFW to ensure that they minimise the reoccurrence of new UIFW expenditures.
- Process owners to continue implementing internal controls within their processes.
- Municipality should prioritise the implementation of the UIFW expenditure reduction strategy.
- Municipal officials and MPAC should work together and hold quarterly meeting to discuss progress on the UIFW expenditures. Furthermore, track the implementation of the resolution by Council.
- Top management should set a tone of zero tolerance to transgressions that lead to UIFW expenditures.

Thank You!

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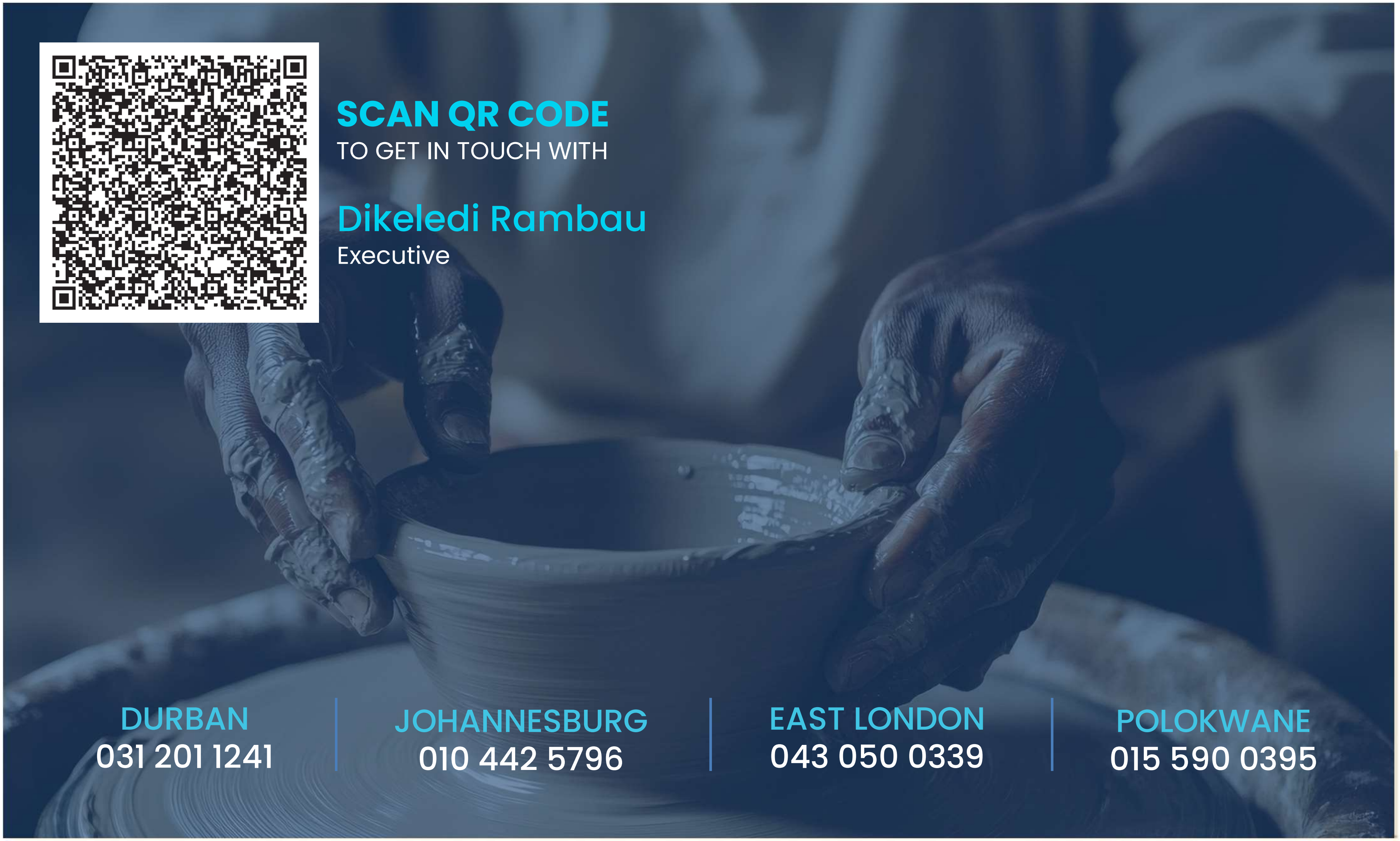

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