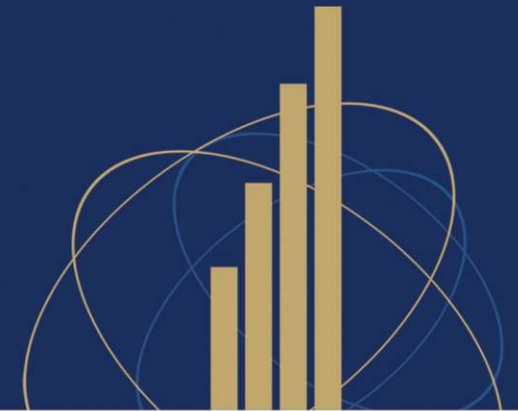




# UIFWE, Compliance Crisis: When Poor controls trigger treasury sanctions



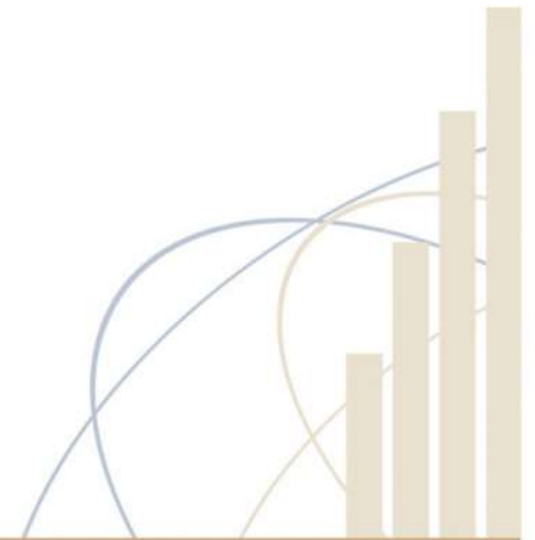
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# Presentation Outline

- Legislative Background
- Compliance with Section 32 of the MFMA
- Compliance with sections 62 and 78
- Consequence Management
- MFMA Circular 132

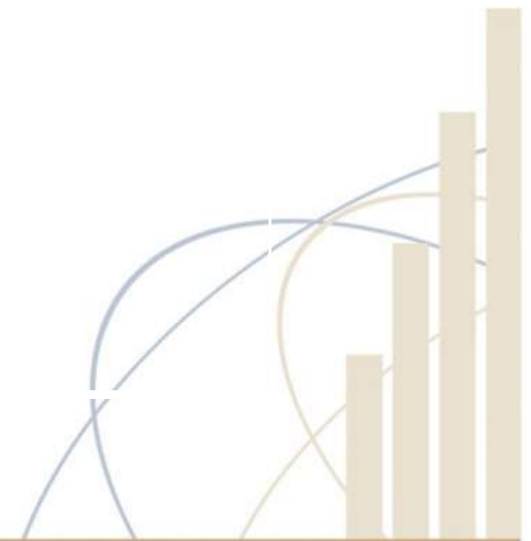


# Legislative Background

- **Section 5(2)** of the MFMA mandates National Treasury to take appropriate steps if a municipality or municipal entity commits a breach of this Act, including the stopping of funds to a municipality in terms of **section 216(2)** of the Constitution if the municipality or municipal entity under the sole or shared control of that municipality, commits a serious or persistent material breach of any measures referred to in that section and take any other appropriate steps necessary to perform its functions effectively.
- Funds can be stopped for a maximum of 120 days.

# Compliance with Section 32 of the MFMA

- Section 32 of the MFMA mandates a municipality to recover unauthorised, irregular, or fruitless and wasteful expenditure from the responsible person.
- Unless the expenditure is certified by municipal council after investigation by a council committee as irrecoverable and written off by the council.
- Treasury has noted failure to implement section 32 of the MFMA by MPAC over the years due to:
  - Political instability in municipal councils
  - lack of capacity and skills
  - Lack of administrative support
  - Lack of documentary evidence to support investigations



# Compliance with sections 62 and 78

- Sections 62 and 78 mandates the accounting officer and senior managers to take all reasonable steps to ensure that any UIFWe are prevented.
- Treasury has noted a continued incurrence of UIFW expenditure across municipalities.
- The recurring nature of the same UIFWe indicates that existing preventative controls are ineffective and require urgent review and strengthening.
- Municipalities must intensify implementation of consequence management to deter UIFWe.

# Consequence Management

- Non-Compliance with Chapter 15 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- The regulations require each municipality to establish a financial misconduct board (DC)
- However, Treasury has noted that there are still municipalities without the DC board as at 30 June 2025.
- Notwithstanding the municipality having a DC Board in place , not all UIFWE matters have been referred to the DC Board during the 2024/2025 financial period.
- Municipalities have not instituted disciplinary measures stemming from UIFWE incurred up to 30 June 2024 in the 2024/2025 financial year.



# MFMA Circular 132



- The following criteria will be applied in relation to addressing UIFWe and the implementation of consequence management as required in terms of Chapter 15 of the MFMA, read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings:
  - The municipality's UIFWe balance (audited) as at 30 June 2025 has not decreased by 75 per cent in the unaudited 2025/2026 AFS as submitted to the AGSA;
  - The municipality did not have a disciplinary board in place as at 30 June 2026; and/or
  - Notwithstanding the municipality having a DC Board in place, not all UIFWe matters have been referred to the DC Board during the 2024/2025 financial period and/or
  - Municipalities have not instituted disciplinary measures stemming from UIFWe incurred up to 30 June 2025 in the 2025/26 financial year.
- The National Treasury will start using the prevention of UIFWe as required in terms of sections 62 and 78 as a criteria from the 2026/27 financial year

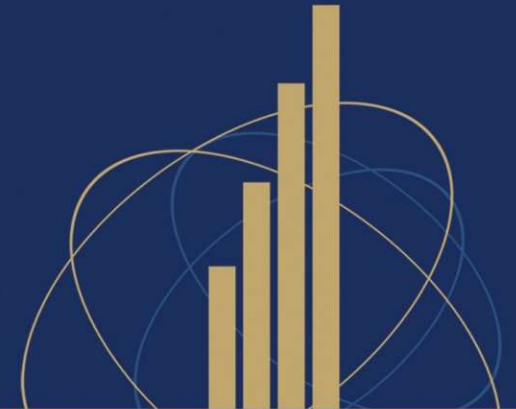
# MFMA Circular 132

## **Actions to address total UIFWE balances as at 30 June 2025:**

- All municipalities with UIFWE are required to prepare an action plan to process the UIFWE balances up to 30 June 2025 by 31 August 2026, and how future UIFWE will be prevented with specific UIFWE prevention controls.
- The action plan should include:
  - Monthly calendar actions that will allow for the monitoring of the action plan implementation.
  - The key process changes (including administrative processes) the municipality will implement to ensure that the UIFWE balances are processed to adhere to the August 2026 deadline; and
  - The process to be followed to establish and appoint members of the disciplinary board and address the backlog of financial misconduct referrals to the disciplinary board. This should include processes and procedures for the referral of matters to the disciplinary board.
- The action plan must be uploaded to the Muni e-Monitor as part of the evidence for UIFWE reporting.



# Thank You!



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