

# NDLAMBE LOCAL MUNICIPALITY



## IRREGULAR EXPENDITURE (IE) REDUCTION STRATEGY

THREE-YEAR IMPLEMENTATION PLAN  
2025/2026 - 2027/2028

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# 1. PURPOSE

The purpose of this document is to implement a three-year strategy and control measures to reduce irregular expenditure (IE) within Ndlambe Municipality. This strategy sets out a systematic approach to achieve an annual reduction in historical and new irregular expenditure over the period 1 July 2025 to 30 June 2028, using 30 June 2025 as the baseline.

## 2. BACKGROUND

### 2.1 National Context

The 2019-24 Medium-Term Strategic Framework (MTSF) prioritized building a capable, ethical and developmental state with a key outcome to eliminate wasteful, fruitless and irregular expenditure in the public sector, which included a three year unauthorized, irregular and fruitless and wasteful expenditure reduction plan. While the MTSF period has concluded, the imperative to reduce irregular expenditure remains a critical governance requirement for all municipalities.

### 2.2 Ndlambe Municipality Context

Analysis of Ndlambe Municipality's expenditure patterns has identified that legacy contracts, Auditor General SA identified transactions and Regulation 36 deviations from the Supply Chain Management (SCM) Policy constitute the leading cause of irregular expenditure. These deviations, when not properly justified, documented, or approved, result in non-compliance with procurement legislation and regulations.

In response to this challenge, Ndlambe Municipality has developed this three-year Irregular Expenditure Reduction Strategy with specific emphasis on reducing non-compliant Regulation 36 deviations in the initial year, phasing out of legacy contracts and elimination of new occurrences of irregular transactions.

### 2.3 Three-Year Reduction Strategy

Ndlambe Municipality commits to implementing a structured three-year reduction strategy as follows:

- **Baseline Date:** 30 June 2025
- **Year 1 (2025/26):** 1 July 2025 to 30 June 2026 - 33.3% reduction target
- **Year 2 (2026/27):** 1 July 2026 to 30 June 2027 - Additional 33.3% reduction target
- **Year 3 (2027/28):** 1 July 2027 to 30 June 2028 - Final 33.3% reduction target

This approach will result in a cumulative reduction of approximately 100% of new irregular expenditure by 30 June 2028, demonstrating the municipality's commitment to clean governance and compliance with procurement legislation.

## **2.4 Definitions**

### **Irregular Expenditure:**

In terms of section 1 of the MFMA, irregular expenditure means expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA, the Municipal Systems Act, the Public Office-Bearers Act, or any regulations made in terms of the MFMA, or any of the municipality's by-laws giving effect to such legislation, and which has not been condoned in terms of section 170 of the MFMA; or the Supply Chain Management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy.

### **Regulation 36 Deviation:**

In terms of SCM Regulation 36 of the Municipal Supply Chain Management Regulations, a deviation from competitive bidding may only be approved in specific circumstances, including cases of emergency, sole supplier, or impracticality. All deviations must be properly justified, documented, and approved by the Accounting Officer with reasons recorded and reported to Council.

## **3. LEGISLATIVE FRAMEWORK**

The following legislation and regulations provide the legal framework for the prevention, identification, and management of irregular expenditure:

- Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
- Municipal Supply Chain Management Regulations (Government Gazette 27636, 30 May 2005)
- Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings
- Municipal Budget and Reporting Regulations
- Municipal Systems Act, 2000 (Act No. 32 of 2000) and related regulations
- Municipal Structures Act, 1998 (Act No. 117 of 1998) and related regulations
- Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
- Local Government: Disciplinary Regulations for Senior Managers
- MFMA Circular 111: Irregular Expenditure Reduction Strategy and Implementation Plans
- Any other applicable legislation and future applicable legislation

## 4. SUMMARY OF SCOPE AND OBJECTIVES

### 4.1 Scope

This Irregular Expenditure Reduction Strategy applies to all departments, directorates, and officials within Ndlambe Municipality. It encompasses all financial transactions and procurement activities undertaken by the municipality and provides a framework for preventing, detecting, reporting, and resolving instances of irregular expenditure.

### 4.2 Strategic Objectives

The objectives of this three-year strategy in respect of irregular expenditure are to:

1. Reduce new irregular expenditure by 33.3% annually over three years (baseline: 30 June 2025)
2. Significantly reduce and eliminate non-compliant Regulation 36 deviations as the primary driver of irregular expenditure
3. Phasing out of legacy contracts
4. Elimination of new occurrences of irregular transactions
5. Strengthen SCM compliance, particularly regarding deviation processes and approvals
6. Improve demand management and procurement planning to reduce emergency procurement
7. Enhance consequence management and accountability for SCM non-compliance
8. Establish effective monitoring, reporting, and oversight mechanisms

### 4.3 Incremental Targets

Ndlambe Municipality will measure progress against the following incremental targets:

Financial Year	Period	Annual Reduction Target	Focus Area
<b>Baseline</b>	30 June 2025	Establish baseline	Complete data collection and analysis
Year 1 (2025/26)	1 July 2025 - 30 June 2026	33.3% reduction in new irregular expenditure	Implement deviation controls; establish a compliance framework; conduct capacity building through information sharing using formal trainings and formal/informal communications, which shall include memorandums and circulars
Year 2 (2026/27)	1 July 2026 - 30 June 2027	Additional 33.3% reduction (cumulative ~67%)	Strengthen procurement planning; enhance consequence management; refine processes

Financial Year	Period	Annual Reduction Target	Focus Area
Year 3 (2027/28)	1 July 2027 - 30 June 2028	Final 33.3% reduction (cumulative ~100%)	Embed culture of compliance; achieve sustainable reduction; institutionalize best practices

## 5. ROLES AND RESPONSIBILITIES IN RESPECT OF IRREGULAR EXPENDITURE

### 5.1 The Accounting Officer (Municipal Manager)

In terms of section 62(1)(d) of the MFMA, the Accounting Officer must take all reasonable steps to ensure that irregular expenditure and other losses are prevented. The Accounting Officer must:

- Act with fidelity, honesty, integrity and in the best interests of the municipality in managing its financial affairs (section 61 of the MFMA)
- Develop an appropriate system of delegations that maximizes administrative and operational efficiency while providing adequate checks and balances
- Approve all Regulation 36 deviations and ensure proper justification, documentation, and reporting to Council
- Promptly inform the Mayor, the MEC for Local Government, the MEC for Finance, and the Auditor-General in writing of any irregular expenditure incurred (section 32(4) of the MFMA)
- Ensure that Council processes and procedures to address irregular expenditure are dealt with effectively, efficiently, and on a timely basis
- Ensure that disciplinary actions are instituted within time limits as contemplated in the Labour Relations Act
- Report to the South African Police Service all cases of alleged irregular expenditure that constitute a criminal offence, fraud, or corruption (section 32(6) of the MFMA)
- Maintain proper irregular expenditure registers and ensure monthly reporting to MPAC and Council

### 5.2 Chief Financial Officer (CFO)

The CFO must:

- Exercise primary responsibility for the financial administration of the municipality in terms of section 80 of the MFMA, ensuring sound financial management, compliance with all applicable legislation, and the integrity of financial reporting
- Ensure proper financial controls are in place and operating effectively
- Review irregular expenditure registers monthly and ensure proper disclosure in financial statements
- Monitor Regulation 36 deviation trends and report on reduction progress
- Coordinate investigations into irregular expenditure incidents

### **5.3 Manager: Supply Chain Management**

The Manager: SCM has specific responsibilities for reducing Regulation 36 deviations and must:

- Ensure all deviation requests are properly assessed against Regulation 36 requirements
- Verify that adequate justification and supporting documentation is provided for all deviations
- Maintain a comprehensive deviation register with reasons, approvals, and outcomes
- Report monthly to the Accounting Officer on deviations approved and compliance status
- Implement demand management and procurement planning to reduce emergency procurement
- Provide ongoing capacity building to end-user departments on procurement processes and planning through available means, including formal training sessions, written guidance, memoranda, and circulars
- Note reasons for non-compliance on deviation requests and refer these back to the end-user department for correction prior to submission for approval;
- where corrections are not made, ensure the end-user department formally acknowledges and accepts full accountability for the non-compliant deviation
- Formally notify the CFO and Accounting Officer in writing of any deviation proceeding without correction, clearly documenting the compliance implications and associated risk to the municipality

### **5.4 Senior Managers**

In terms of section 78(1) of the MFMA, senior managers must take all reasonable steps within their respective areas of responsibility to ensure that irregular expenditure is prevented. Senior Managers must:

- Ensure full implementation of this strategy within their directorates
- Plan procurement needs in advance to avoid emergency procurement and deviations
- Ensure deviation requests are only submitted when fully compliant with Regulation 36
- Monitor compliance with SCM policies and procedures
- Ensure all expenditure approvals are strictly in terms of delegated authority
- Report actual or potential irregular expenditure incidents to the CFO immediately
- Educate employees within their directorates on irregular expenditure prevention
- Institute disciplinary action where necessary in accordance with applicable policies
- Ensure proper budget planning and monitoring to prevent over-expenditure

### **5.5 Other Municipal Officials**

All municipal officials must:

- Ensure full implementation of this strategy within their areas of responsibility
- Comply with all applicable legislation, regulations, policies, and procedures
- Exercise due care and diligence in performing their duties
- Report any irregularities or potential irregular expenditure to their supervisors immediately

## **5.6 Municipal Council**

In terms of section 32(2) of the MFMA, the Council has the following responsibilities:

- Receive reports on Regulation 36 deviations approved by the Accounting Officer
- Recommend recovery of expenditure from the responsible person if necessary
- Approve the Irregular Expenditure Reduction Strategy and monitor its implementation

## **5.7 Municipal Public Accounts Committee (MPAC)**

The purpose of MPAC is to exercise oversight over the executive functionaries of Council and to ensure good governance. MPAC must:

- Hold quarterly irregular expenditure meetings to process and review irregular expenditure
- Interrogate irregular expenditure registers tabled by the Accounting Officer
- Review and scrutinize all Regulation 36 deviations for compliance and validity
- Review issues raised by the Auditor-General and monitor implementation of the Audit Action Plan
- Make recommendations to Council on irregular expenditure matters

## **5.8 Section 32 Irregular Expenditure Investigation Committee**

The Council nominated committee must:

- Investigate instances of irregular expenditure reported to Council
- Determine whether expenditure is recoverable or irrecoverable
- Investigate non-compliant Regulation 36 deviations and identify responsible officials
- Make recommendations to Council on recovery, write-off, or other actions
- Recommend disciplinary or legal action where appropriate

## **5.9 Audit Committee**

In terms of section 166 of the MFMA, the Audit Committee must advise the Accounting Officer, senior management, and Council on:

- Internal financial control and internal audits
- Risk management
- Accounting policies
- Adequacy, reliability, and accuracy of financial reporting and information
- Performance management
- Effective governance and compliance with the MFMA and other applicable legislation
- Issues raised by the Auditor-General in audit reports

## 5.10 Internal Audit

The Internal Audit function must:

- Provide independent assurance on the adequacy and effectiveness of internal controls
- Conduct quarterly compliance audits on Regulation 36 deviation processes
- Audit compliance with SCM policies and procedures
- Conduct investigations into irregular expenditure as directed by the Accounting Officer
- Report findings and recommendations to management and the Audit Committee

## 5.11 Risk Management

The Risk Management function must:

- Identify all critical risks that may result in irregular expenditure, including risks related to deviations
- Ensure a risk strategy to address identified risks is developed
- Monitor risk mitigation measures and report to Council and the Accounting Officer

# 6. IMPLEMENTATION OF CONTROLS TO PREVENT IRREGULAR EXPENDITURE

Ndlambe Municipality will implement preventative controls to establish a sound control environment related to the prevention and reduction of irregular expenditure. Given that Regulation 36 deviations are the leading cause of irregular expenditure, specific emphasis is placed on controls to reduce non-compliant deviations.

## 6.1 Control Environment

Control	Applicable Laws and Regulations
1. Effective leadership based on honesty, ethical business practices, and good governance	SCM reg 46(3)(c)
2. The municipality implements effective human resources management to ensure adequate and sufficiently skilled resources are in place and performance is monitored, including implementing effective consequences against officials who fail to comply with legislation, continuously underperform, or are negligent	SCM reg 7(1) & (3); SCM reg 8; minimum competency reg. 10; MSA sec 51(h); MFMA 32(2)(a)(ii); MFMA 102(1); SCM reg 38(1)
3. The municipality establishes and communicates policies and procedures to enable understanding and execution of internal control objectives, processes and responsibilities - an approved SCM policy is in place	MFMA sec.99(2)(h), 111 and 112; MFMA sec 62(1)(e); MFMA sec 95(f); MFMA sec. 32(6); MFMA sec 102(2); MFMA sec. 59(2)(a); MFMA sec. 79(3)(a); SCM reg. 5(2); SCM reg. 12(1) & (3); SCM

Control	Applicable Laws and Regulations
	reg. 19(a) & (b); SCM reg. 13; SCM reg. 15; SCM reg. 16; SCM reg. 17(1); SCM reg. 18; SCM reg. 21; SCM reg. 22(1); SCM reg. 23; SCM reg. 26(1); SCM reg. 33(1); SCM reg. 34; SCM reg. 36(1)(a); 38(1); SCM reg. 41(1); SCM reg. 42; SCM reg. 43(1); SCM reg. 44; SCM reg. 46(1), (3) & (4); SCM reg. 49; SCM reg. 50(1)
4. Officials understand their responsibilities and are held accountable for their internal control responsibilities	MFMA sec 78; MFMA sec 95; MSA sec 51(h); MFMA sec 59 (2)(a)
5. The municipality demonstrates commitment to attract, develop and retain competent individuals in alignment with objectives	MSA sec 51(h); minimum competency reg. 10

### 6.2 Specific Controls for Regulation 36 Deviations

To address one of the identified primary cause of irregular expenditure in Ndlambe Municipality, the following specific controls for Regulation 36 deviations will be implemented:

Control	Applicable Laws and Regulations
1. Deviation Policy and Procedures: <ul style="list-style-type: none"> <li>• Define valid grounds for deviations in accordance with Regulation 36</li> <li>• Establish approval thresholds and authorization levels</li> <li>• Require standardized deviation request forms with mandatory fields</li> </ul>	SCM reg. 36
2. Pre-Approval Assessment: <ul style="list-style-type: none"> <li>• All deviation requests must be screened by SCM Manager before submission to Accounting Officer</li> <li>• Verification that request meets one of the prescribed circumstances under Regulation 36</li> <li>• Assessment of adequacy of justification and supporting documentation</li> <li>• Refer non-compliant requests with feedback to requesting department</li> </ul>	SCM reg. 36
3. Documentation Requirements: <ul style="list-style-type: none"> <li>• Detailed written justification explaining why competitive bidding is impractical</li> </ul>	SCM reg. 36; MFMA sec 217

Control	Applicable Laws and Regulations
<ul style="list-style-type: none"> <li>• Market research or quotations to support pricing reasonableness</li> <li>• Confirmation of sole supplier status (where applicable) with supporting evidence</li> <li>• Emergency declaration with details of unforeseen circumstances (where applicable)</li> <li>• Risk assessment of proposed deviation • Alternative options considered</li> </ul>	
<p>4. Approval Process:</p> <ul style="list-style-type: none"> <li>• Only the Accounting Officer may approve deviations</li> <li>• Reasons for approval must be recorded in writing</li> </ul>	SCM reg. 36
<p>5. Reporting to Council:</p> <ul style="list-style-type: none"> <li>• All deviations approved must be reported to Council at the next meeting</li> <li>• Monthly report must include: reasons, suppliers, amounts, and justifications</li> <li>• Council must be informed of any patterns or trends requiring attention</li> </ul>	SCM reg. 36(1)(b)
<p>6. Deviation Register:</p> <ul style="list-style-type: none"> <li>• Comprehensive register maintained by SCM</li> <li>• Captures: date, requestor, justification, supplier, amount, approval date, Council reporting date</li> <li>• Monthly review by CFO and Accounting Officer</li> <li>• Quarterly trend analysis to identify problem areas</li> </ul>	SCM reg. 36(1); MFMA sec 62(1)(d)
<p>7. Demand Management and Planning:</p> <ul style="list-style-type: none"> <li>• Annual procurement plans developed and approved</li> <li>• End-user departments submit quarterly procurement forecasts</li> <li>• Emergency procurement minimized through proper planning</li> <li>• Regular procurement planning sessions for end-users</li> </ul>	SCM reg. 10; MFMA sec 112
<p>8. Training and Capacity Building:</p> <p>Mandatory SCM training for all officials involved in procurement on</p> <ul style="list-style-type: none"> <li>• Regulation 36 requirements, compliance and procedures</li> <li>• Awareness on consequences of non-compliance</li> </ul>	SCM reg. 38(1); Minimum Competency Regulations
<p>9. Monitoring and Compliance:</p> <ul style="list-style-type: none"> <li>• Internal Audit conducts bi-annual compliance reviews of deviations</li> <li>• Monthly SCM compliance reports to management</li> <li>• MPAC and AC scrutinizes all deviations quarterly</li> <li>• External audit findings on deviations addressed through action plans</li> </ul>	MFMA sec 165; MFMA sec 166

Control	Applicable Laws and Regulations
<p>10. Consequence Management:</p> <ul style="list-style-type: none"> <li>• Disciplinary action instituted for non-compliant deviations</li> <li>• Officials held personally liable where negligence is established</li> <li>• Performance agreements include SCM compliance targets</li> <li>• Zero tolerance for fraudulent or corrupt deviation requests</li> </ul>	<p>MFMA sec 32; Financial Misconduct Regulations; Labour Relations Act</p>

### 6.3 Irregular Expenditure - General Procurement and Contract Management

Control	Applicable Laws and Regulations
<p>1. Implementation of demand management and utilisation of procurement plans for goods, services, or infrastructure projects in a proactive manner (to get the right price, at the right location, and ensuring quality and quantity satisfy municipal needs) instead of merely reacting to purchasing requests</p>	<p>SCM reg. 10</p>
<p>2. An effective system of acquisition management to ensure that:</p> <ul style="list-style-type: none"> <li>• The municipality procures goods and services following authorised processes and different threshold values only</li> <li>• Expenditure is incurred in terms of an approved funded budget (section 15 of MFMA)</li> <li>• Quotes are evaluated following the preference point system prescribed by PPPFA</li> <li>• Bid documentation, evaluation and adjudication criteria, and contract conditions are in accordance with applicable legislation</li> </ul>	<p>SCM reg. 11; SCM reg. 12(1)(b) &amp; 16(a); SCM reg. 12(1)(c) &amp; 17(a); SCM reg 19(a); PPPFA Sec 2(1)(a) &amp; (f); PPRs 4(4), 4(5), 5(2), 10, 5(2)&amp;(3), 11(8), PPR 6(1), PPR 11(2), 5(1), 5(4) &amp; 11(4), 5(5) &amp; 11(5) and 7(1); SCM reg. 17(c); SCM reg. 36(2)</p>
<p>3. Contract management processes ensure contracts are monitored for compliance and performance</p>	<p>MFMA sec 116; SCM reg. 44</p>
<p>4. All SCM transactions are properly documented and records maintained in accordance with legislation</p>	<p>SCM reg. 5(2)(h); SCM reg. 50(1)</p>
<p>5. Segregation of duties in procurement processes to prevent conflicts of interest</p>	<p>MFMA sec 112; SCM reg. 44; SCM reg. 46(2)</p>
<p>6. Regular review and updating of supplier database to ensure compliance with requirements</p>	<p>SCM reg. 14; SCM reg. 15</p>

### 6.6 Consequence Management

Control	Applicable Laws and Regulations
1. There are consequences for transgressions, lack of action and poor performance. Consequences are instituted against officials who fail to comply with applicable legislation, continuously underperform or are negligent, and against those whose actions and decisions cause financial losses	MFMA sec. 32; MFMA 32(4); Financial Misconduct Regulations; Local Government: Disciplinary Regulations for Senior Managers; Municipal Systems Act
2. Disciplinary processes are initiated timeously and concluded within prescribed timeframes	Labour Relations Act; Local Government: Disciplinary Regulations
3. Cases of fraud, corruption, and criminal activity are reported to SAPS as required	MFMA sec 32(6); Prevention and Combating of Corrupt Activities Act
4. Recovery of losses from responsible officials is pursued where appropriate	MFMA sec 32(2)(b)
5. Performance agreements for SCM and financial officials include specific targets for reducing irregular expenditure and deviations	MSA sec 57; MFMA sec 78

## 7. IRREGULAR EXPENDITURE ACTION PLAN

The following action plan outlines the specific actions, timelines, and responsible persons for implementing this Irregular Expenditure Reduction Strategy, with particular emphasis on reducing Regulation 36 deviations:

No.	Actions	Timelines	Responsible Person/Committee
1	Develop and approve comprehensive Regulation 36 Deviation procedures and approval requirements	March 2026	Manager: SCM / CFO
2	Implement mandatory pre-approval assessment process for all deviation requests	July 2025 (ongoing monthly)	Manager: SCM
3	Establish comprehensive deviation register with monthly reporting to Accounting Officer and Council	July 2025 (ongoing monthly)	Manager: SCM
4	The MPAC committee will have irregular expenditure meetings to process irregular expenditure and scrutinize all deviations	Quarterly	MPAC Chairperson
5	The Accounting Officer must table the irregular expenditure registers and deviation reports at the MPAC committee meeting	Quarterly	Accounting Officer
6	Report all approved Regulation 36 deviations to Council with full justifications and reasons	Quarterly	Accounting Officer
7	Provide ongoing capacity building to end-user departments on procurement processes and planning through available means, including formal training sessions, written guidance, memoranda, and circulars	Ongoing	Manager: SCM / CFO
8	Conduct training for MPAC members on their oversight role, with specific focus on reviewing deviations	Annually (TBC)	Accounting Officer
9	Develop and implement annual procurement plans for all departments to reduce emergency procurement	May 2026 (annually thereafter)	Manager: SCM / All Directors
10	Implement quarterly procurement planning reviews and forecasting with end-user departments	Quarterly	Manager: SCM
11	Internal Audit conducts compliance reviews of Regulation 36 deviation processes and approvals	Quarterly	Internal Audit Manager

No.	Actions	Timelines	Responsible Person/Committee
12	Conduct quarterly trend analysis of deviations by department, reason, supplier, and compliance status	Quarterly	CFO / Manager: SCM
16	Progress Report submitted to Mayor, Provincial Treasury and National Treasury	Quarterly	Accounting Officer
17	Council appointed committee to investigate irregular expenditure cases, including non-compliant deviations, and make recommendations to Council	Within 60 days of identification	Committee Chairperson
18	Institute disciplinary action for non-compliant deviations and irregular expenditure-related transgressions	Within applicable timeframes	Municipal Manager / Senior Managers
19	Report cases of fraud, corruption, and criminal deviations to SAPS	Immediately upon identification	Accounting Officer
20	Review and update Irregular Expenditure Reduction Strategy and assess progress against annual 33.3% reduction target	Annually (September)	CFO
21	Reject non-compliant deviation requests and provide written feedback with guidance on proper procedures	Ongoing	Manager: SCM
22	Implement performance targets for SCM compliance and deviation reduction in performance agreements	July 2025 (annually thereafter)	Municipal Manager / CFO

## 8. MONITORING AND EVALUATION

The irregular expenditure registers and deviation registers must be reviewed monthly by the Chief Financial Officer to ensure that irregular expenditure is adequately disclosed, dealt with, and recorded. The following monitoring and evaluation mechanisms will be implemented:

### 8.1 Monthly Monitoring

- CFO reviews irregular expenditure registers and deviation registers monthly
- SCM compliance reports reviewed by management
- Manager: SCM reports on deviation trends and compliance to Accounting Officer

### 8.2 Quarterly Monitoring

- Accounting Officer tables irregular expenditure registers at MPAC meetings
- Accounting Officer reports all approved Regulation 36 deviations to Council
- MPAC reviews irregular expenditure and deviations and makes recommendations to Council
- Progress reports submitted to Mayor, Provincial Treasury, and National Treasury
- Internal Audit conducts compliance audits on SCM processes and Regulation 36 deviations
- Risk Management reviews and updates risk registers
- Trend analysis of deviations by department, reason, and supplier
- Assessment of progress against 33.3% annual reduction target

### 8.3 Annual Monitoring

- Strategy reviewed and updated based on audit findings and implementation challenges
- Performance against three-year reduction targets assessed
- Council receives annual report on irregular expenditure reduction progress
- Comprehensive analysis of deviation patterns and root causes
- Identification of systemic issues requiring policy or process changes

### 8.4 Key Performance Indicators

The following KPIs will be used to measure progress:

#### Primary KPIs:

- Percentage reduction in new irregular expenditure (target: 33.3% annually)
- Number of Regulation 36 deviations approved (target: progressive reduction)
- Value of irregular expenditure from deviations (target: progressive reduction)
- Percentage of compliant vs non-compliant deviations (target: 100% compliant)

#### Secondary KPIs:

- Percentage of irregular expenditure cases resolved within 90 days (target: 90%)
- Number of disciplinary cases concluded (target: 100% of cases within 6 months)

- SCM compliance rate (target: 95%)
- Procurement planning adherence rate (target: 90%)
- Percentage of deviations reported to Council within prescribed timeframes (target: 100%)

## **9. COMMUNICATION AND REPORTING**

### **9.1 Internal Communication**

This strategy will be communicated to all stakeholders through the following mechanisms:

- Council resolution and adoption of the strategy
- Distribution to all senior managers and directors
- Workshops for officials with financial management and SCM responsibilities
- Specific training on Regulation 36 compliance for all end-user departments
- Publication on the municipality's intranet
- Regular updates through management meetings
- Quarterly awareness campaigns on irregular expenditure prevention

### **9.2 External Reporting**

The municipality will report on irregular expenditure matters as follows:

- Progress reports to Mayor, Provincial Treasury, and National Treasury
- Reporting of all approved Regulation 36 deviations to Council with reasons
- Prompt notification to Mayor, MEC for Local Government, MEC for Finance, and Auditor-General of any irregular expenditure incurred (section 32(4) of MFMA)
- Disclosure in monthly section 71 reports to Council
- Disclosure in quarterly reports to Provincial Treasury
- Disclosure in annual financial statements
- Annual report to Council on strategy implementation and progress against three-year targets
- Cases of fraud and corruption reported to SAPS (section 32(6) of MFMA)

## **10. CONCLUSION**

This Irregular Expenditure Reduction Strategy provides a comprehensive and targeted framework for Ndlambe Municipality to achieve a 33.3% annual reduction in new irregular expenditure over a three-year period from 1 July 2025 to 30 June 2028, using 30 June 2025 as the baseline. The strategy places specific emphasis on addressing Regulation 36 deviations and the phase-out of legacy contracts and contracts previously identified as irregular.

Successful implementation of this strategy requires commitment from all levels of the organisation, from Council and senior management to all municipal officials. It requires a fundamental shift in procurement culture, with emphasis on proper planning, compliance with

SCM regulations, and accountability for deviations from competitive bidding processes. The focus on reducing non-compliant Regulation 36 deviations will address the root cause of irregular expenditure and establish a foundation for sustainable financial governance.

The strategy will be reviewed annually, following the submission of the Annual Financial Statements in August each year and updated as necessary to address emerging challenges and incorporate lessons learned. Progress will be monitored through the established oversight structures, particularly MPAC and the Audit Committee, with specific attention to deviation trends, compliance rates, and achievement of the annual reduction targets.

The incremental targets set for each year provide clear milestones against which progress can be measured. By the end of the three-year period on 30 June 2028, Ndlambe Municipality aims to have achieved a cumulative reduction of approximately 100% in new irregular expenditure, demonstrating its commitment to clean governance, compliance with procurement legislation, and sound financial management.

The Accounting Officer is responsible for ensuring that this strategy is brought to the attention of the Municipal Council, senior management, Chief Financial Officer, Manager: Supply Chain Management, Internal Audit Unit, Audit Committee, and all officials involved in procurement processes, and that it is implemented effectively across all directorates of the municipality.

## **APPROVED BY COUNCIL**

Resolution Number:

Date:

**Municipal Manager / Accounting Officer**