




Mitigating irregular expenditure and enhancing corrective measures at the Department of Water and Sanitation

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Background: In the fourth-year period (2018–2019 to 2021–2022) of the *Public Finance Management Act* (PFMA) audit, the Auditor-General South Africa (AGSA) reported that the Department of Water and Sanitation (DWS) had incurred approximately R1.7 billion in irregular expenditure; patterns of such expenditure were identified. The AGSA indicated this as a clear non-compliance with the Supply Chain Management (SCM) legislation.

Aim: This article evaluated the legislative frameworks to inhibit irregular expenditure and proposed a framework for its management.

Setting: The study was conducted in the DWS in South Africa.

Methods: The researchers referred to available documentation and adopted a qualitative research approach. Structured interviews were conducted with 10 out of 26 possible participants from the organisational structure of National Treasury, DWS SCM, Financial Management, Internal Audit, Risk Management, and Internal Controls with more than 10 years' experience in SCM processes, PFMA (1999), Treasury Regulations (2005), *Preferential Procurement Policy Framework Act* (2000), Public Service Commission (1997), and the manifestation of public decision-making.

Results: The ineffectiveness of implemented measures and a lack of consequence to hold officials responsible for transgressions were the primary causes of irregular expenditure.

Conclusion: Based on these findings, recommendations aimed to strengthen the procurement process. This includes development and implementation of a standard operating procedure (SOP) manual, and implementing consequences for transgressions. A framework will help manage irregular expenditure and to identify corrective measures. Although the research was limited to the DWS, the results and recommendations are transferable to other departments with comparable challenges.

Contribution: The study could help the DWS and other government departments or spheres with similar challenges in managing and reducing irregular expenditure.

Keywords: irregular expenditure; *Public Finance Management Act* (PFMA); Auditor-General South Africa (AGSA); supply chain management (SCM); legislative frameworks.

Introduction

Irregular expenditure in the National Department of Water and Sanitation

According to section 1(d) of the *Public Finance Management Act* (PFMA 1999), irregular expenditure is defined as expenditure incurred without following applicable regulation, for example, Supply Chain Management (SCM) processes, PFMA (1999), Treasury Regulations (TR) (National Treasury 2005) and *Preferential Procurement Policy Framework Act* No:5 (PPPFA) (National Treasury 2000). The Auditor-General South Africa (AGSA 2019:76, 2020:63, 2021:147, 2022:62) consolidated reports for the financial years 2018–2019 to 2021–2022 identified patterns of such expenditure like procurement without following competitive bidding or quotation process, non-compliance with the procurement process and legislation relating to contract management 'both in national and provincial government', indicating a clear 'non-compliance with the Supply Chain Management, PFMA (1999), TR (2005) and PPPFA (National Treasury 2000)'. Furthermore, AGSA identified non-compliance to the PFMA, SCM, TR and PPPFA in the DWS's annual performance reports (National Department of Water and Sanitation [DWS] 2019:351, 2020:155, 2021:201, 2022:164) in the 4-year period 2018–2019 to 2021–2022. The DWS's resulting irregular expenditure in this 4-year period was reported to be approximately R1.7 billion (DWS 2019:421, 2020:248, 2021:286, 2022:350).

However, according to AGSA, 'such expenditure does not necessarily mean that money was wasted, or fraud has been committed, but is an indicator that legislation' (among others legislation aimed to ensure that procurement processes are competitive and fair) was not being adhered to (AGSA 2019:351, 2020:155, 2021:201, 2022:164).

While, according to section 38 (1) (c) (iii) of the PFMA (1999:19) '[t]he accounting officer ... must take effective and appropriate steps to ... prevent unauthorised, irregular, and fruitless and wasteful expenditure and losses resulting from criminal conduct', AGSA found that the DWS did not comply with the PFMA requiring its accounting officer to implement such measures (DWS 2019:174, 2020:318, 2021:363, 2022:167).

Problem statement

Increased patterns of irregular expenditure because of non-compliance with the PFMA, SCM processes, TR and PPPFA were identified in the annual performance reports of the DWS (2019:351, 2020:155, 2021:201, 2022:164) in the 4-year financial years 2018–2019 to 2021–2022. Hence, the study is limited to the National Department of Water and Sanitation.

According to the annual performance reports of the DWS, the DWS incurred a significant increase in incidents of irregular expenditure from R 85m to R1.7 bn in the period from 2013–2014 to 2015–2016 (DWS 2014:192; 2015:207; 2016:197). Since then the level has still remained on high levels with approximately R1.7bn in the four financial years 2018–2019 to 2021–2022 (See Table 1; AGSA 2019:76, 2020:63, 2021:147, 2022:62; DWS 2019:421, 2020:248, 2021:286, 2022:350). Furthermore, its challenges seem to be comparable to the ones in other departments (DWS 2014:30, 2015:22, 2016:36) and (AGSA 2019:421, 2020:248, 2021:286, 2022:350). Hence, the derived results and recommendations should be transferrable to these departments as well.

This non-compliance is a signal for serious infringements of the PFMA (1999) and TR (2005) as the most important instruments of legislation regulating financial management in the national and provincial governments (PFMA 1999:1). While irregular expenditure is not necessarily a sign for wasted money or fraud, it indicates non-adherence to legislation that is aimed to ensure competitive and fair procurement processes (AGSA 2019:351, 2020:155, 2021:201, 2022:164).

The article evaluates existing regulatory measures with the target to reduce irregular expenditure and comes up with a framework that should help the DWS to deal with irregular expenditure. To reach this target, the following research objectives were identified:

- to explain the concepts of irregular expenditure as well as the authoritative system for public financial management in South Africa, in the context of the PFMA;
- to review policies and procedures at the DWS to establish to which degree they help mitigating irregular expenditure and to identify areas for improvements;

TABLE 1: The Department of Water and Sanitation irregular expenditure for the 4-year period (2018–2019 to 2021–2022).

Department	2018–2019	2019–2020	2020–2021	2021–2022
National Department of Water and Sanitation	579m	570m	264m	239m

Source: National Department of Water and Sanitation (DWS), 2019, *Annual performance report (2018/19)*, National Department of Water and Sanitation, Pretoria, p. 421; National Department of Water and Sanitation (DWS), 2020, *Annual performance report (2019/20)*, National Department of Water and Sanitation, Pretoria, p. 248; National Department of Water and Sanitation (DWS), 2021, *Annual performance report (2020/21)*, National Department of Water and Sanitation, Pretoria, p. 286; National Department of Water and Sanitation (DWS), 2022, *Annual performance report (2021/22)*, National Department of Water and Sanitation, Pretoria, p. 350

- to identify the main reasons of irregular expenditure;
- to identify corrective measures and develops a framework with which to manage irregular expenditure.

The article is organised as follows: starting with literature review, it presents the research findings, the practical recommendations to address these findings, and the adopted research methodological framework. The article concludes with the discussion of the proposed framework and the conclusions.

Literature review

The Public Finance Management Act No. 1 of 1999

Although studies or legal cases relating to PFMA and the procurement process by Dlomo (2015), De Lange (2013), John (2016), Mhlongo (2014), Moloto (2016), De Lange (2014), Rena and Mothupi (2018), Dhansay (2019), Myeza (2018), Jha and Tabish (2006), Baloyi and Beyers (2019), Nehawu v. Department of Health (2016:Online) and Pietersen v. State (2017) were conducted in different government levels (ranging from national via provincial to local government), certain known root causes of irregular expenditure were identified: including the lack of consequence for transgressions, non-compliance with SCM processes, PFMA (1999), TR (2005) and National Treasury (2000), Preferential Procurement Policy Framework, Act No 5 (PPPFA).

Various studies such as Dlomo (2015:13) on the impact of irregular expenditure in the South African public finance with specific reference to the Department of Public Works, De Lange (2013:Online) on irregular expenditure harming the image and reputation of municipalities at the eThekweni Metropolitan Municipality, Rena and Mothupi (2018:399) on the patterns of irregular expenditure focussing on Tswaing Local Municipality, Jha and Tabish (2006:Online) on irregularities committed in public procurement, Dhansay (2019:40) on the powers of the AGSA, Nehawu v. Department of Health (2016:Online) on the arbitration process, and John (2016:106) on the administration of the PFMA in the North West Province provincial administration revealed non-compliance with SCM processes and a lack of consequence for transgressions. Other studies such as Mhlongo (2014:10), evaluating transparency in SCM in the eThekweni Metropolitan Municipality, Myeza (2018:50) on efficiency in the procurement cycle of South African public entities, Moloto (2016:112) regarding expenditure in the Department of

Cooperative Governance, Baloyi and Beyers (2019:Online) on the impact of financial malpractice on service delivery, Pietersen v. State (2017) and De Lange (2014:Online) on the disclosure of irregular expenditure at Cacadu District Municipality revealed that there was a lack of adequate control, and understating of internal controls and no 'measures to prevent irregular expenditure'.

In conclusion, all these studies confirmed that irregular expenditure resulted from non-compliance with SCM processes and legislation relating to contract management. Furthermore, implementation of preventative measures such as consequences for transgression, instituting disciplinary actions, strengthening of the internal controls can prevent an increase in incidents of irregular expenditure.

Irregular expenditure in the South African context

For a better understanding of the idea of irregular expenditure in the South African context, the following sections provide more background information.

Irregular expenditure according to the Public Finance Management Act

As per part 1, section 1 of the PFMA (1999:5) three types of expenditures are identified, namely, 'unauthorised, irregular, and fruitless and wasteful expenditure'. The focus of this study is on irregular expenditures. According to section 1 of the PFMA (1999:5), section 3 paragraph 6 of the National Treasury Irregular Expenditure Framework (NTIEF) (2018:9) and AGSA (2017:94) in the PFMA Audit report for 2016–2017, irregular expenditure is defined as expenditure incurred without following applicable regulations. This includes SCM processes, PFMA (1999), TR (2005) and PPPFA (2000). This means that irregular expenditure is a clear non-compliance with SCM processes and legislation relating to procurement, for example, procuring goods or services without inviting the necessary number of quotations or without recording the reasons in case of deviations from this minimum number as expressed by the National Treasury Practice Note (NTPN) (2007:2). Moreover, according to NTIEF (2018:7), the definition is relevant for 'all departments, constitutional institutions and public entities listed in Schedule 2 and 3 to the PFMA'.

Regulatory frameworks to deal with irregular expenditure

Acquisition of goods and services in the national and provincial spheres of government is managed in accordance with the SCM processes (NTIEF 2018:7). Section 217 (2) of the Constitution of the Republic of South Africa (1996:127) makes provision for organs of state to implement 'fair, equitable, transparent, competitive and cost effective' procurement systems. Therefore, South Africa's National Treasury (NT) formulated and implemented various legislative frameworks which guide procurement practices in both the national and provincial spheres of government (PFMA 1999:8). The Acts and their functions are summarised as follows:

- *The PFMA* of the year 1999 establishes a regulatory framework to ensure effective and efficient public finance, which includes sourcing of goods and services in the national and provincial departments including state-owned enterprises (PFMA 1999:7). According to section 38 (1) (c) (iii) of the PFMA (1999:19) the accounting officer has to fill in a central role in the prevention of cybercrime, in so far as he 'must take effective and appropriate steps to ... prevent unauthorised, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct and manage available working capital efficiently'. Such preventative actions could comprise, *inter alia*, training, disciplinary action in a form of consequences for transgressions, recovering money from responsible officials as well as imposing precautionary suspensions (AGSA 2014a:7). Furthermore, the accounting officer must identify all the legislative requirements which institutions, including government departments, must comply with, including implementation of internal policies and standard operating procedure (SOP) manuals which forms part of their internal control systems (NTIEF 2018:13). On this basis, the Public Service Anti-Corruption Strategy (PSAS) prescribes a fraud risk assessment to identify potential indicators of fraud – supported by a fraud prevention plan and whistleblowing policy to protect whistle-blowers (PSAS 2002:14–15). Finally, internal policies and SOP manuals also help to safeguard the departments against loss and wastage of state resources. They provide a clear instruction to officials on how to execute their day-to-day tasks when managing incidents of irregular expenditure (AGSA 2014a:7). In this sense, accounting officers should ensure that the implemented internal policies and SOP manuals are aligned with the NT frameworks issued to regulate irregular expenditure to all departments. They should further be approved prior to implementation to ensure accountability and to show management's commitment to prevent an increase in cases of irregular expenditure (NTIEF 2018:9). As part of the implementation of policies and SOPs, officials responsible for procurement of goods and services should be trained to ensure that they all have a common understanding of how these measures should be implemented, including the adherence to the NTIEF (2018:13). The training of public servants, including management, is necessary to equip them with the skills, knowledge, and competencies to deliver quality services effectively and efficiently (*White Paper on transformation of Public Service* 1995:64):
- The TR (2005:3) are guidelines aimed to improve the PFMA, uphold compliance and talk to the operational aspects of the PFMA. They ensure transparency in the use of state resources and adequate accountability and governance.
- *The National Treasury, 2000, Preferential Procurement Policy Framework Act No 5, PPPFA* of 2000 establishes the way of implementing preferential procurement policies (PPPFA 2000:4): a policy and a system where bids (tenders) are not awarded purely on meeting the specifications or

having the lowest price, but on a prescribed points system. Preference is given to 'Historically Disadvantaged Individuals (HDI), Small, Medium and Micro Enterprises (SMMEs)'. By doing so, the PPPFA intends to promote persons who had been previously disadvantaged to access the mainstream economy (National Treasury 2000:3–7):

- The NTIEF of 2018 clarifies the procedures to be followed upon discovering incidents of irregular expenditure, including their assessment, confirmation and determination as irregular expenditure, investigations, recovery, condonation, and reporting (NTIEF 2018:7, 11).
- *The Public Audit Act (PAA) of 2018* aims to encourage 'clean governance in the public' service (PAA 2018:1) and allocates the AGSA with responsibilities of being the supreme audit function for auditing of all organs of the state. It further allows AGSA to be independent and receive unrestricted access to records on any organs of the state.
- The Public Sector Risk Management Framework (PSRMF 2010) aims to support the public service in order to 'improve and sustain their performance by enhancing their systems of risk management to protect against adverse outcomes' and mitigate opportunities.
- The *Prevention and Combating of Corrupt Activities Act (PRECCA)* of 2004 aims to place certain duties on particular persons holding positions of power to report particular 'corrupt transactions' and 'place certain restrictions on persons and enterprises convicted of corrupt activities relating to tenders and contracts' (PRECCA 2004:1).

Common examples of irregular expenditure in the Department of Water and Sanitation

The Public Sector Supply Chain Management Review (TPRSCMR) (2015:10), the DWS (2014:19; 2015:38; 2016:198) annual performance reports, and the AGSA in the PFMA audit report (2017:96) confirmed that certain common findings of irregular expenditure were reported because of the following non-compliance with SCM processes, PFMA (1999), TR (2005) and PPPFA (2000):

- Appointment of non-tax compliant suppliers.
- Procurement of goods and services to the value above R500 000 without soliciting competitive bids.
- Non application of the preference point system on all the goods and services above R30 000.00 thresholds.
- Utilisation of service providers who were not qualified according to the terms of references or bid specifications.
- Lack of appropriate bid committees.
- Approval of bids without adequate reasons.
- Inadequate reasons for deviations from SCM procedures.
- Failure to comply with closed bidding process.

Assessment of irregular expenditure

According to paragraph 16 of the NTIEF (2018:13), upon discovery of the supposedly irregular expenditure, the accounting officer or authority must conduct a preliminary assessment to identify possible non-compliance and to confirm whether the irregular expenditure has been incurred

or was a consequence of the non-compliance with laws and regulations. As explained, expenditure is declared irregular in case of non-compliance with SCM processes (PFMA 1999; PPPFA 2000; TR 2005) and if it meets the definition of irregular expenditure, it is then 'recorded in the irregular expenditure lead schedule' (NTIEF 2018:14). For example, procuring goods or services without inviting the necessary number of quotations or without recording the reasons in case of deviations from this minimum number would be treated like this (NTPN 2007:2). However, according to TPRSCMR (2015:10), reports of the accounting officers and authorities to the NT (borne out by the AGSA) still do not seem to prove high compliance with the SCM legal framework.

Enquiry or investigation of irregular expenditure

If the accounting officer or authority suspects that the irregular expenditure has led to possible 'fraudulent, corrupt or criminal acts', according to paragraph 26 of the NTIEF (2018:15), they have to start to investigate this within 30 days after the confirmation that irregular expenditure has been incurred and meets the definition. This investigation should provide the accounting officer with:

- the root causes that led to the transgressions;
- the impact;
- information on any fraudulent, corrupt, or criminal related act(s);
- employee(s) responsible for the irregular expenditure;
- if the department, constitutional institution, or public entity suffered a loss;
- the confirmation whether the matter must be referred to the law enforcement agencies;
- any breakdowns in the designed internal controls;
- the impact thereof (NTIEF 2018:15).

Where the department has suffered a loss because of the irregular expenditure, the matter must be referred to the Loss Control Officer to institute a civil claim to recover this loss (NTIEF 2018:19). When an official is confirmed liable in law, the outcomes of a then mandatory hearing will lead to raising a debt equivalent to the amount of irregular expenditure. However, Table 2 illustrates that the DWS had not instituted or finalised any identified enquiry into irregular expenditure in the 4-year period under examination.

Reporting of irregular expenditure

According to paragraph 72 (b) of NTIEF (2018:26) and section 38 (1) (g) of the PFMA (1999:19), the accounting officer should 'report the irregular expenditure to the relevant treasury in the monthly report on revenue and expenditure'. This report should indicate the description of the transgression, amount, whether the transgression is because of non-compliance with SCM processes, measures taken to avoid non-recurrence of such transgressions and the action taken against the responsible official (NTIEF 2018:26). Such reporting will assist the relevant treasury to have oversight of how state resources are managed and what actions are taken to prevent misuse of state resources (NTIEF 2018:26).

TABLE 2: Enquiry into irregular expenditure at the Department of Water and Sanitation in the 4-year period (2018–2019 to 2021–2022).

Financial Year	Type of irregular expenditure	Disciplinary steps taken or criminal proceedings	Amount (R'000)
2018–2019	Project implemented without treasury approval of the deviation (Ikusasa Media and Events)	All the transactions are under investigation	24 815
	Funds earmarked for a specific purpose were utilised for another purpose without obtaining prior approval – War on Leaks – Rand Water	-	298 322
2019–2020	Inappropriate disqualification of a bidder – CAPS Trading	All the transactions are under investigation	13 436
	Discrepancies with the Bid Specifications	-	75 350
2020–2021	Discrepancies with the Bid Specifications	All the transactions are under investigation	54 198
	Procurement processes not followed in extending the contract: Gift of the Givers	-	20 376
2021–2022	Discrepancies with the Bid Specifications (Limiting the market and contravention of Section 217 of the Constitution)	All the transactions are under investigation	59 079
	Bid awarded not in line with the advertised evaluation criteria and/or wrongful award in contravention of Section 217: Security Services	-	57 473

Source: National Department of Water and Sanitation (DWS), 2019, *Annual performance report (2018/19)*, National Department of Water and Sanitation, Pretoria, p. 291; National Department of Water and Sanitation (DWS), 2020, *Annual performance report (2019/20)*, National Department of Water and Sanitation, Pretoria, p. 248; National Department of Water and Sanitation (DWS), 2021, *Annual performance report (2020/21)*, National Department of Water and Sanitation, Pretoria, p. 287; National Department of Water and Sanitation (DWS), 2022, *Annual performance report (2021/22)*, National Department of Water and Sanitation, Pretoria, p. 217

Consequences of irregular expenditure

The TPRSCMR (2015:10) and the AGSA (2017:96) in the PFMA audit report for 2016–2017 confirmed that certain common findings of irregular expenditure reported were because of non-compliance to SCM process (procurement without competitive bidding or quotation process) and legislation relating to contract management. Non-compliance with SCM processes undermines service delivery, including in the infrastructure sector (roads, rail, sewage, water, and government building projects, such as schools and hospitals), because a large sum of public money is involved. This was also confirmed by Matolong (2015:11) who focussed on the guidelines to establish an effective SCM framework for local municipalities.

Research methods and design

For this study and based on the outcomes of the literature review, a qualitative research approach was adopted as it allowed to refer to natural social settings and is flexible as well as non-sequential (Bowling 2009:380; Fouché & De Voss 2005:74–75; Leedy & Ormrod 2016:251).

Data were gathered using:

- initially, an in-depth document review of the DWS's annual performance reports in the 3-year period,

2013/2014–2015/2016 showing the earlier reported huge increase in irregular expenditure;

- later, the corresponding reports for 2018/2019–2021/2022 financial years to confirm whether it is a persisting problem;
- structured interviews, through an interview guide.

The data were then analysed following a thematic data analysis.

Data were gathered through structured interviews conducted with 10 out of 26 possible participants from the organisational structure of NT, DWS SCM, Financial Management, Internal Audit, Risk Management, and Internal Controls with more than 10 years' experience in SCM processes, PFMA (1999), TR (2005), PPPFA (2000), Public Service Commission (1997) and the manifestation of public decision-making in relation to their roles and responsibilities. The participants from NT were selected as highly experienced senior managers from the highest decision-making structure of its Directorate Public Finance, responsible for providing oversight on the DWS. A sample of 10 participants was selected using a judgemental sampling method based on the participant's knowledge and expertise (Saunders, Lewis & Thornhill 2009:237); the positions ranging from a Deputy Director up to a Chief Director (representing senior management).

Because of unavailability of the intended respondents to conduct face-to-face interviews, the questions for the structured interviews were emailed. These questions were developed in a way that participants could either provide reasons for disagreeing or indicate how the processes could be improved. The interviews were followed up by phone to clarify certain information and comments.

A small overview about the contents of some of the questions is as follows:

- the participants' ability to display their understanding of irregular expenditure;
- the regulatory measures in use to regulate irregular expenditure at the DWS and their effectiveness;
- the effectiveness of training provided on the regulatory measures;
- constraints for the successful implementation of the regulatory measures and how these can be dealt with;
- mechanisms in place to prevent incidents of irregular expenditure – and their effectiveness.

Permission and approval to conduct the study were granted by the Faculty Research Ethics Committee (FREC) of Tshwane University of Technology's Faculty of Economics and Finance before the commencement of this research endeavour. The ethical clearance number allocated to this study is FREC 2019/0015(a) – ECO. Furthermore, approval was acquired to execute the research from the DWS, and the NT. Approval was granted through the office of the Chief Directorate: Human Resource Management of the DWS and Director General of the NT, respectively. Informed consent was received from all the participants.

Ethical considerations

Ethical approval to conduct this study was obtained from the Tshwane University of Technology Faculty of Economics and Finance Research Ethics Committee (FREC-ECO) (No. FREC 2019/015 - ECO and FREC 2019/0015(a) – ECO).

Discussion of study findings

Although the findings were initially informed by the responses gathered from the interviews as well as the data and in-depth document review of the DWS's annual performance reports in the 3-year period 2013/2014–2015/2016, the similar patterns were also observed later in the financial years 2018/2019–2021/2022. The latter were utilised to follow up and verify the responses provided by the participants. Furthermore, participants were requested to provide reasons for their responses. Mainly the following nine challenges contributed towards the increase in incidents of irregular expenditure: the absence of a standard operating manual, a lack of formal training on regulatory measures, consequences for transgression, outdated legislative frameworks, ineffective mechanisms to prevent irregular expenditure, lack of measures to avoid root causes of irregular expenditure, unclear roles and responsibilities, as well as ineffective oversight by the audit committee, and a lack of approved processes. These are discussed in more detail in the following.

No standard operating manual

Section 38 (1) (a) (i) of the PFMA (1999:18) requires the accounting officer to maintain a system on internal control which includes development of a SOP manual to manage cases of irregular expenditure. The feedback received from respondents including officials from Internal Audit indicated that the DWS was relying on frameworks from the NT and did not comply with the provisions of the PFMA (1999:18) by developing its own SOP manual to manage cases of identified irregular expenditure. Therefore, it can be inferred that the absence of a SOP manual contributed towards the increase in cases of irregular expenditure. Hence, the DWS received a qualified and unqualified audit opinion (DWS 2019:354, 2020:153, 2021:199, 2022:164). A similar finding was also already confirmed by Dlomo (2015:83) who evaluated the impact of irregular expenditure in public finance in South Africa focussing on the National Department of Public Works (NDPW).

Lack of formal training

Paragraph 14 of the NTIEF (2018:13) requires the accounting officers to provide training to all officials when implementing the regulatory measures and internal SOP manual on irregular expenditure. However, the feedback indicated that training was not consistently provided to:

- familiarise the officials responsible for acquisition of goods and services or;
- provide assurance on the effectiveness of the procurement of goods and services with the regulatory measures.

Of the nine participants, five (two who are responsible for acquisition of goods and services and three who provide assurance on the effectiveness of the procurement of goods and services) revealed that no formal training at all was provided to them, so that they had to resort to on-the-job training because their roles involved implementing the regulatory measures. Therefore, it can be inferred that – despite the DWS not having developed its own SOP manual and, thus, relying on frameworks from NT – the department should provide training to all the officials responsible for procurement of goods and services on regulatory measures. The training would ensure a consistent application of the regulatory measures and inhibit an increase in irregular expenditure. Similarly, Moloto (2016:95), with respect to the evaluation of expenditure in the Department of Cooperative Governance, confirmed that a lack of training on internal controls, including policies and procedures attributed to the increase in cases of irregular expenditure.

Lack of consequence for transgressions

Section 38 (1) (h) (iii) of the PFMA (1999:19) and paragraph 53 of the NTIEF (2018:21) require the accounting officers to take disciplinary measures against any official found to be responsible for incidents of irregular expenditure. However, the identified lack of consequences for transgressions against officials responsible for irregular expenditure constrained the successful implementation of the regulatory measures as they were not held accountable for their actions. Hence, the DWS incurred a significant increase in incidents of irregular expenditure in the period from 2013–2014 to 2015–2016 (AGSA 2014b:30; 2015:22; 2016:36). Since then, the level remained on a high level (AGSA 2019:76, 2020:63, 2021:147, 2022:62). It was further confirmed that the DWS had not instituted or finalised an investigation on all the incidents of irregular expenditure (DWS 2019:351, 2020:155, 2021:201, 2022:164). Thus, there was no compliance with PFMA (1999:19), PRECCA (2004:50) and NTIEF (2018:21) which require the accounting officers to take disciplinary measures against any official found to be responsible for incidents of irregular expenditure. This finding was also confirmed by Dlomo (2015:13) who evaluated the impact of irregular expenditure in South African public finance focussing on the NDPW. The results reported in Table 3 support the study finding that there was a lack of consequences for transgression as the DWS continued a steady increase in incidents of irregular expenditure.

Lack of review of the legislative frameworks

The legislative frameworks to manage irregular expenditure had not been reviewed to conform to the SCM regulatory circulars. Furthermore, the legislative frameworks (PFMA, TR and PPPFA) were not up to date, being last reviewed more than 5 years ago (PFMA 1999:1; TR 2005:1; PPPFA 2011:1 respectively). Hence, obviously, being outdated, they may no longer be in line with the current practices for managing irregular expenditure in the public sector of a developing South Africa.

TABLE 3: Reconciliation of irregular expenditure for the period from 2018–2019 to 2021–2022.

Reconciliation of Irregular Expenditure Note	2018–2019	2019–2020	2020–2021	2021–2022
	R'000	R'000	R'000	R'000
Opening balance	4 893 031	9 285 547	9 632 915	9 695 547
As restated	-	9 285 547	9 632 915	9 695 547
Add: Irregular expenditure – related to prior year	1 881 275	124 479	6075	11 685
Add: Irregular expenditure – relating to current year	579 117	570 145	264 622	209 179
Less: Prior year amounts condoned	-	(347 229)	-	(358 457)
Less: Current year amounts condoned	-	-	-	(98 848)
Closing balance	7 357 423	9 632 942	9 903 612	9 459 106

Source: National Department of Water and Sanitation (DWS), 2019, *Annual performance report (2018/19)*, National Department of Water and Sanitation, Pretoria, p. 421; National Department of Water and Sanitation (DWS), 2020, *Annual performance report (2019/20)*, National Department of Water and Sanitation, Pretoria, p. 248; National Department of Water and Sanitation (DWS), 2021, *Annual performance report (2020/21)*, National Department of Water and Sanitation, Pretoria, p. 286; National Department of Water and Sanitation (DWS), 2022, *Annual performance report (2021/22)*, National Department of Water and Sanitation, Pretoria, p. 216

Ineffective mechanisms

Chapter 5, section 38 (1) (c) (ii) of the PFMA (1999:19) and paragraph 9.1.1 of TR (National Treasury 2005:25) 'require the accounting officer to implement measures to inhibit irregular expenditure'. The mechanisms put in place to prevent irregular expenditure seem not to be effective enough as visible from still high level of such incidents – summing up to R1.7bn from 2018–2019 until 2021–2022 (DWS 2019:421, 2020:248, 2021:286, 2022:216). Furthermore, the audits by both internal and external auditors were only reactive because they were conducted after the incidents. Hence, also from this point of view (i.e. receiving continuously qualifications from AGSA despite implementing the mechanisms), the mechanisms cannot be categorised as effective.

Lack of measures

Paragraph 61 (g) of the NTIEF (2018:22) requires accounting officers to determine the root causes that lead to the irregular expenditure and strengthen internal controls to avoid a recurrence of the root causes. However, no such measures had been implemented in the 4-year period according to the DWS (2019:351, 2020:155, 2021:201, 2022:164). Moreover, similar root causes were identified in the 4-year period, that is non-compliance with SCM processes, PFMA, TR and PPPFA. This view was also confirmed by the literature review, and it can be concluded that the measures had not been implemented to avoid recurrence of root causes of irregular expenditure and to ensure compliance with the NTIEF (2018:22). A similar finding was also confirmed by Dlomo (2015:83) who evaluated the impact of irregular expenditure in South African public finance focussing on the NDPW.

No clear roles and responsibilities

Paragraph 25 of the NTIEF (2018:15) requires the accounting officer of public sector institutions to decide on the level of investigations to be undertaken to confirm whether the expenditure meets the definition of irregular expenditure. The

responsibility and development of a process for investigating the incidents of irregular expenditure were not formally allocated. However, the participants of this study indeed identified various responsibilities, for example, internal audit, risk management as responsible for investigating incidents of irregular expenditure. Furthermore, the in-depth document review of the DWS's (2019:291, 2020:248, 2021:287, 2022:217) annual performance reports in the 4-year period confirmed that the DWS had not instituted or finalised any enquiry on any incidents of irregular expenditure as already indicated in Table 2. Hence, it can be inferred that the responsibility to investigate such incidents of irregular expenditure has not been formally allocated to internal audit, leading to the continuous increase in cases of irregular expenditure.

Ineffective oversight responsibilities: Audit committee

According to paragraph 27 (1) (8) (a) of the National Treasury, Treasury Regulations (TR), (2005:80), the Audit Committee must review the effectiveness of internal controls, which, among others, must include the effectiveness of implemented preventative measures to inhibit irregular expenditure. The oversight responsibilities by the Audit Committee on the effectiveness of the monitoring mechanisms to inhibit irregular expenditure were not effective as confirmed by the continued and significant increase in incidents of irregular expenditure in just a 4-year period (DWS 2019:421, 2020:248, 2021:286, 2022:350).

Lack of an approved investigation process

Chapter 5, section 38 (1) (a) (i) of the PFMA (1999:18) expects the accounting officers to keep a system on internal controls which includes the development of a standard process to investigate incidents of irregular expenditure. However, such a process to outline the process to be followed when investigating incidents of irregular expenditure was not developed. Furthermore, there was a constant reliance on the NT frameworks, but non-compliance with the PFMA (1999). Moreover, the DWS has not instituted any investigation on any of the reported incidents of irregular expenditure (as already observed in the previous findings), although the incidents of irregular expenditure are continuously and significantly increasing. Thus, it can be inferred that there was no effective investigating process in place. Mhlongo (2014:103), while evaluating transparency in SCM in the eThekweni Metropolitan Municipality, confirmed that the lack of investigations on incident of irregular expenditure contributed to increase in incidents of irregular expenditure.

Practical recommendations and a framework to manage irregular expenditure and identify corrective measures

For accounting officers or Accounting Authorities of the DWS (as well as for other departments and perhaps even other spheres of government with comparable challenges)

to prevent incidents of irregular expenditure, this section provides some practical recommendations on how to address the identified findings, and proposes and discusses a framework to assist in preventing irregular expenditure.

Practical recommendations

Informed by the key research findings outlined above, the following recommendations are aimed to improve the effectiveness of the regulatory measures to prevent irregular expenditure.

Recommendations 1: Standard operating procedures manual

Obviously, the constant reliance on frameworks from NT is not enough to regulate the incidents of irregular expenditure. Furthermore, the failure to develop a SOP manual resulted in not complying with the PFMA (National Treasury 2018), which requires the accounting officer to establish a system of internal control which includes development of a manual to regulate irregular expenditure. Hence, the development of a SOP manual would assist in identifying, inhibiting, and investigating incidents of irregular expenditure and outline a step-by-step process compiled by a department to assist workers to execute their daily operations. Therefore, the following recommendations can be derived:

1. The accounting officer should develop an internal SOP manual to provide clear instructions to officials how to execute their day-to-day tasks when managing incidents of irregular expenditure. The SOP will also assist in achieving a clean audit (AGSA 2014a:7). Furthermore, the SOP should outline:
 - its objectives and effective implementation date;
 - legislative frameworks in line with the PFMA (1999), TR (2005);
 - processes to identify, assess, and report to the relevant authorities, for example NT and AGSA;
 - confirmation, determination, records, investigation, and condonation of the non-compliance which results in irregular expenditure.

In doing so, the accounting officer should align the SOP to the NT frameworks issued to regulate irregular expenditure to all national departments. By assisting officials responsible for procurement of goods and services to be aware of what is expected of them, such SOPs help hold officials responsible for their actions, thus contribute to reducing incidents of irregular expenditure.

2. The SOP should be approved by the accounting officer for implementation. This ensures accountability and reveals management's commitment to reduce, inhibit an increase in cases of irregular expenditure and to improve audit results (AGSA 2014a:7).

Recommendations 2: Formal regulatory training

The prioritisation of adequate training on the NT legislative frameworks to all the officials will ensure that there is a

common understanding of how these legislative frameworks should be implemented (including adherence to NTIEF (2018:13). Furthermore, the accounting officers are even required to provide training to all officials when implementing the legislative frameworks including the internal SOP manual on irregular expenditure. This leads to the following recommendations:

- Since the performance management process requires a performance assessment to be conducted twice a year (*Determination and Directive on the Performance Management System other than Member of the Senior Management Service* 2018:4), the accounting officer or their delegate should provide bi-annual formal training in line with it. This training should be conducted in the form of classroom instructions, workshops on the legislative frameworks from NT to all officials responsible for procurement of goods and services to ensure that they have a similar understanding. This would further assist with the identification and prevention of irregular expenditure incidents and help to achieve clean audit outcomes.
- Regular monitoring should be done by supervisors to timeously identify training gaps and retrain officials.

Recommendations 3: Consequence for transgressions

Since officials responsible for incidents of irregular expenditure were not held accountable for their actions, the successful implementation of the regulatory measures remains constrained. Therefore, a consistent implementation of consequences for transgressions is necessary. It will also reveal management's commitment to manage non-compliance with SCM processes, PFMA, TR and PPPFA, and help improve compliance with the PFMA (1999:19) and NTIEF (2018:21) which requires the accounting officers to take disciplinary measures against any official who is found responsible for incidents of irregular expenditure. The following recommendations are proposed:

- Consequence measures for transgressions need to be implemented, for example, disciplinary action and recovery of the amount declared as irregular expenditure from responsible officials irrespective of the rank or position occupied in the Department. Besides limiting incidents of irregular expenditure, this will also help to achieve clean audit or unqualified audit opinion for the institution (AGSA 2014a:7).
- To improve oversight responsibilities, the accounting officer should provide quarterly consequence for transgressions reports to the Audit Committee, AGSA, NT and Departmental Executive Committee. The reports should include, *inter alia*, the number of transgressions reported, responsible officials, and action taken.

Recommendations 4: Review of the legislative frameworks

Obviously, the legislative frameworks to manage irregular expenditure need to conform to the SCM regulatory circulars. A regular review of such frameworks (e.g. exploring leading practices or regularly searching the NT website amendments

to such measures) would ensure that departments keep abreast with the changes in the processes. The following recommendations are proposed:

- The accounting officer should review the implemented legislative frameworks to manage irregular expenditure at least annually to conform the current processes and changes in the irregular expenditure processes. This will ensure that new irregular expenditure trends are identified and incorporated in the legislative framework to deal with irregular expenditure.
- Any changes to the irregular expenditure processes should be included in the regulatory measures and communicated to the officials. This will enhance timeous identification and inhibit new irregular expenditure trends.

Recommendations 5: Mechanisms to identify and inhibit irregular expenditure

To deal with the ineffectiveness of the implemented mechanisms to identify and inhibit irregular expenditure, mechanisms such as ongoing appraisals of the current processes to identify and inhibit incidents of irregular expenditure should be conducted at least quarterly. This will also assist the DWS to comply with the PFMA (1999:19) and TR (2005:25), requiring the accounting officer to implement such measures (PFMA 1999:38). Hence, the following recommendations are proposed:

- The accounting officer should establish mechanisms such as an SCM Performance and Monitoring Unit to validate all procurement of goods and services before contracts are awarded. This will ensure timeous identification and reduction of non-compliance with SCM processes, PFMA, TR and PPPFA.
- Internal audit should conduct proactive audits of all the contracts which are due for issuance before the final award is granted – ensuring that contracts not in compliance with the SCM processes, PFMA, TR and PPPFA are not issued so that irregular expenditure can be mitigated before occurrence.
- The accounting officer should – after an appropriate screening process – appoint suitable and experienced SCM practitioners as members of the Departmental Bid Adjudication Committees.
- SCM practitioners should conduct adequate quality reviews of all procurement documents submitted for procurement of goods and services to ensure that all the documents comply with the SCM processes and related legislation.

Recommendations 6: Root causes of irregular expenditure

The study uncovered that measures were not developed and implemented. The development and implementation of measures to avert a recurrence of similar root causes of irregular expenditure (such as a finding tracking register to monitor the recurrence of such root causes) would assist in mitigating the recurrence of incidents of irregular expenditure and ensure adherence to the NTIEF (2018:22). The latter requires accounting officers to determine these root causes and strengthen internal controls to avoid a recurrence thereof.

It will further assist departments to improve audit outcomes. This thus leads to the following recommendations:

- The accounting officer should develop an audit action plan based on the internal and external audit findings. It will assist departments to monitor the findings raised by the auditors and to determine the measures that should be implemented to avoid a recurrence of irregular expenditure. The audit action plan should include findings, root causes, agreed implementation dates, responsible officials, and proposed action plans.
- The accounting officer should submit quarterly progress reports on the implementation of the action plans for monitoring purposes to the Audit Committee and Departmental Executive Committee to enhance the oversight responsibilities and to ensure that the action plan is implemented properly.

Recommendations 7: Roles, responsibilities, and processes

The identification of the responsibility to investigate irregular expenditure establishes accountabilities for all investigations of revealed incidents. Furthermore, the development of an internal process to investigate such incidents will ensure consistent checks and balances of irregular expenditure to avoid reliance on NT regulatory measures. Following both proposals will lead to compliance with the NTIEF (2018:15, 18), that requires the accounting officer to:

- decide on the level of investigations to be undertaken to confirm whether the expenditure meets the definition of irregular expenditure (PFMA 1999:18);
- establish a system on internal control which includes the development of a standard process to investigate incidents of irregular expenditure.

The following recommendations are hence proposed:

- The accounting officer may identify Internal Audit or another section independent of the SCM process that will be responsible for investigating all incidents of irregular expenditure. The section to be identified should have the necessary skills and experience in investigation processes. This will ensure that incidents of irregular expenditure are investigated timeously within the approved timelines and necessary corrective measures can be taken.
- The accounting officer should define and approve the terms of references of such a section clearly for accountability purposes. These terms of reference should include the purpose of the section, authority, focus area, roles, and responsibilities giving the section unrestricted access to persons and documents as well as ensuring that it can execute its work without interference. The details of the responsible section should be communicated to all the officials at the DWS to ensure that its role is clear and understood.
- The identified responsible section to investigate incidents of irregular expenditure should develop an internal process or methodology to investigate such incidents. The development of the process would ensure that all incidents of irregular expenditure are investigated. The process

should outline the purpose of the methodology, the scope of the methodology, regulatory frameworks, and process to be followed when incidents of irregular expenditure are reported to the responsible office. The internal process or methodology should be approved by the accounting officer for implementation and ensure accountability. This will further demonstrate management's commitment to avoid an increase in cases of irregular expenditure.

Recommendations 8: Oversight responsibilities by the audit committee

Ongoing oversight by the Audit Committee through consequence management reports would ensure timely detection of control weaknesses in the monitoring mechanisms to inhibit irregular expenditure and recommend improvements. Furthermore, this will ensure compliance with paragraph 27 (1) (8) (a) of the TR (2005:80), which requires the Audit Committee to review the effectiveness of internal controls which must include the effectiveness of implemented preventative measures. To reach these targets:

- The Audit Committee should request quarterly transgression consequence reports from the accounting officer to ensure accountability of all the officials found liable for incidents of irregular expenditure. The reports should include, *inter alia*, the number of transgressions reported, responsible officials, actions taken. This will enhance the oversight responsibility of the committee and ensure that where actions are not implemented, the committee is able to recommend such to the Executive Authority.
- Measures such as consequence for transgressions of irregular expenditure should be a standing agenda item on the quarterly Audit Committee to ensure adequate oversight.

A framework to manage irregular expenditure and to identify corrective measures to inhibit irregular expenditure

Development of the framework

The previous sections revealed that:

- the DWS did not develop an SOP to regulate incidents of irregular expenditure;
- incidents of irregular expenditure were not investigated, and, among others;
- there was no plan of consequences for transgressions leading to irregular expenditure in place.

In response to the problem of non-compliance with the SCM processes, PFMA, TR and PPPFA, a framework has been developed. The proposed framework is aimed at addressing the challenges of the DWS, strengthening the procurement process and to inhibit further cases of irregular expenditure. Moreover, it should also ensure that those who are found liable for irregular expenditure are held accountable.

Initially, the proposed framework comprised of the following five elements: identification of the non-compliance

or weakness including the root cause, identification of role-players who will be accountable, identification and implementation of preventative or corrective actions, setting deadlines, and monitoring progress. It was then discussed with the participants to ensure its applicability for the DWS environment. This led to the inclusion of the following six elements: purpose of the framework, definition of irregular expenditure, types of irregular expenditure, regulatory frameworks, assessment and confirmation of the non-compliance or weakness, and investigation of irregular expenditure.

The final proposed framework to manage irregular expenditure and to identify corrective measures to inhibit irregular expenditure (see Figure 1) thus comprises 11 elements: purpose of the framework, definition of irregular expenditure, types of irregular expenditure, regulatory frameworks, identification of the non-compliance or weakness including the root cause, assessment and confirmation of the non-compliance or weakness, identification of role-players who will be accountable, investigation of irregular expenditure, identification and implementation of preventative or corrective actions, setting deadlines, and monitoring progress.

The elements of the proposed framework

Element 1: Purpose of the framework: *Public Finance Management Act* (1999:19) and TR (2005:25) 'require the accounting officer to put measures in place to inhibit irregular expenditure'. The main purpose of the framework is to facilitate the following:

- Assist officials to identify the types of irregular expenditure.
- Outline the steps to be followed by the accounting officers when dealing with incidents of irregular expenditure.
- To sensitise the officials about the consequences of committing irregular expenditure.

Element 2: Definition of irregular expenditure: Irregular expenditure is defined by chapter 1, section 1 of the PFMA (1999:5), paragraph 6 of the NTIEF (2018:9) and AGSA in the PFMA Audit report for 2016/17 (2017:94) as expenditure incurred without following an applicable regulation, including SCM processes, PFMA (1999), TR (2005) and PPPFA (2000).

Element 3: Types of irregular expenditure: As indicated in element 2, irregular expenditure is expenditure incurred without adhering to applicable legislation. The purpose of identifying the types of irregular expenditure is to sensitise the officials of the possible transgressions that can result in irregular expenditure. The following possible transgressions or non-compliance were identified to help officials to identify and recognise the examples thereof:

- Sourcing goods and services without inviting competitive bids. Example: procurements of goods and services above R500 000 not executed according to the legislated tender process.



Irr., Definition of irregular expenditure; Types of Irr., Types of irregular expenditure; Reg., Regulatory frameworks; Irr., Irregular expenditure; Non-Com., Non-compliance; incl., Including; Corr., Corrective.

FIGURE 1: Proposed framework to manage irregular expenditure and identification of corrective measures.

- Non-compliance with delegations of authority. Example: procurement of goods and services approved by official who do not have the authority to do so.
- Procurement of goods and services exceeding the approved threshold without prior approval from the accounting officer.
- Tenders not evaluated according to the evaluation criteria.
- Tenders not advertised for the duration of 6 weeks.
- Appointment of suppliers who are not tax compliant.
- Lack of motivation for deviating from SCM processes.
- Issuing tenders without adjudication by the Bid Adjudication Committees.
- Non-compliance with the SCM processes, PFMA, TR and PPPFA.

Element 4: Regulatory frameworks: Chapter 5, section 38 (1) (A) (iii) of the PFMA (1999:23) stipulates that the accounting officer should develop and maintain a procurement of goods and services system which is fair, transparent, competitive, and cost effective. The purpose of identifying the regulatory frameworks is to familiarise the officials with regulations for the acquisition of goods and services in the public sector. Furthermore, this will also assist departments to comply with the regulatory frameworks and SCM processes. To conform to these requirements, the following frameworks to

regulate procurement of goods and services have been identified:

- The *PFMA* (1999).
- Treasury Regulations (2005).
- *Preferential Procurement Policy Framework Act* No: 5 (2000).
- National Treasury Guideline on Irregular Expenditure (2018).

Element 5: Identification of non-compliance or weakness including the root cause: Treasury Regulations 9.1.2 (2005:25) requires officials in the public sector department who identify an irregular expenditure to report such expenditure immediately to the accounting officer of their department. The purpose of reporting such expenditure is to sensitise the accounting officer about the incident to determine whether the irregular expenditure had indeed been incurred. This process will further ensure that non-compliance is investigated timeously and that the necessary preventative measures are implemented to avoid an increase in incidents of irregular expenditure. The fifth element of the framework is to identify the weakness in the procurement of goods and services. The purpose hereof is to assess whether the expenditure meets the definition of irregular expenditure and any loss suffered by the department. The Directorate Internal Control gathers the information to understand whether the problem is linked to a financial transaction as required by paragraph 8 of the NTIEF (2018:9). The problem will be because of non-compliance with SCM processes, PFMA, TR and PPPFA.

Element 6: Assessment and confirmation of non-compliance or weakness: The sixth element of the framework will be to assess and confirm the non-compliance or weakness. Once the weakness has been identified, an assessment should be done by the Directorate Internal Control to determine the effects of the problem, for example whether the weakness led to a loss of money or whether there was a derived benefit which emanated from the weakness. After that, the Directorate Internal Control should undertake a root cause analysis to confirm whether the weakness resulted from non-compliance with SCM processes, PFMA, TR and PPPF (Root Cause), that is whether the weakness meets the meaning of irregular expenditure as required by paragraph 8 of the NTIEF (2018:9). This will further allow for timeous disclosure of irregular expenditure to the relevant authorities and for its accounting in the relevant records. If the weakness meets the definition, the accounting officer should then record the irregular expenditure in the register. If it does not meet the definition, it should not be classified as irregular expenditure.

Element 7: Identification of accountable role players: The seventh element of the framework will be to identify the role players who should be involved in the process to ensure accountability. Role players will consist of persons who are responsible for incidents of irregular expenditure and one who will be responsible to investigate the incidents. When the weakness meets the definition of irregular expenditure,

the Directorate Internal Control will name the official who is responsible for the non-compliance. This identification of the responsible official ensures that non-compliance with SCM processes, PFMA, TR and PPPFA is reported to the relevant authority as required by paragraph 27(d) and 72 of the NTIEF (2018:15, 26). This will ensure that the necessary investigation is done and that actions are taken against those found liable for irregular expenditure. The purpose of reporting non-compliance will be to ensure that irregular expenditure is identified and accounted for in the departmental accounting records. This will further improve the completeness of the irregular expenditure register to avoid AGSA audit qualifications. The reporting should be undertaken in writing (method of reporting) to ensure that the records of irregular expenditures are kept for auditing purposes. The accounting officer will then decide on the level of investigations to be undertaken (Responsibilities for investigating) as required by paragraph 25 of the NTIEF (2018:15).

Element 8: Investigation of irregular expenditure: The eighth element of the framework will be to investigate the irregular expenditure. The accounting officer will appoint the investigator within 30 days after irregular expenditure has been confirmed by the Chief Directorate Internal Control or Risk Management who will then investigate the identified expenditure (Responsibilities for investigating) as required by paragraph 25 of the NTIEF (2018:15). The purpose of the investigation will be to:

- identify the root cause of the irregular expenditure;
- determine whether the department has suffered any loss or derived any benefits;
- help the department to improve the audit results.

The investigator should be granted unrestricted access to records, officials or personnel who are legally contracted by the department. Failure or lack of cooperation with the investigator should be reported to the accounting officer. Once the investigation is completed, the investigator should compile a report of its outcomes. This report should indicate the root cause leading to non-compliance, the impact of the transgression, information of any corrupt or fraudulent activities if any, the official responsible for the non-compliance, and any loss suffered by the department or its entities.

Element 9: Identification and implementation of preventative or corrective actions: PFMA (1999:19) and TR (2005:25) 'require the accounting officer to implement measures to inhibit irregular expenditure'. Hence, the ninth element of the framework proposes steps or preventative action according to the applicable rules and regulations to address the root causes, that is measures to avoid recurrence of incidents of irregular expenditure (like, inter alia, training, disciplinary action in a form of consequences for transgressions, recovering money from responsible officials, precautionary suspensions should be implemented). Depending on the outcomes of the investigations, the following actions should be implemented:

- Where the outcomes of the investigations indicate that no loss has been suffered, training should be provided to the official responsible, and the departments accounting officer should apply for condonation of the irregular expenditure. The training will ensure that the officials are familiarised with the procurement process and sensible of what is required of them with respect to their roles and responsibilities, by clarifying how they can inhibit such cases.
- Where the investigations indicate negligence or failure to adhere to the SCM processes by the responsible official, the accounting officer should institute disciplinary action against the responsible official. Disciplinary action will illustrate commitment by management to deal with non-compliance with the SCM processes and deter future cases of irregular expenditure. If the outcomes of the disciplinary reveals that the official is guilty, the chairperson of the disciplinary committee will impose sanctions such as punitive suspension or recovery of the money (Consequence for transgressions) from the responsible official.
- Where investigations reveal any fraudulent activities or corruption, the matter must be reported to the law enforcement agencies such as the South African Police Services within 7 days for criminal charges against the responsible official. This will illustrate management's seriousness to manage irregular expenditure.

Element 10: Setting the deadlines: The 10th element of the framework will be to set deadlines (e.g., monthly, quarterly, and annually) to implement corrective action for instances where officials were found guilty or responsible for incidents of irregular expenditure. The purpose of setting deadlines will allow for better monitoring as well as for ensuring that the outcomes of the investigation are implemented and those liable for the incidents are held responsible. Depending on the outcomes of the investigations, the following timelines should be considered:

- Instituting disciplinary actions – As required by the Public Service Co-ordinating Bargaining Council (PSCBC), the accounting officer should establish a disciplinary committee to be chaired by an independent chairperson to institute disciplinary action against the relevant official within 60 days of the investigation (2003:8). The disciplinary measures must ensure that those who are liable for incidents of irregular expenditure are held accountable and the necessary preventative measures are implemented.
- Training of official – Within 30 days of the investigations, the accounting officer should identify training interventions to train the official on the prevention of irregular expenditure. Training officials will ensure that the preventative measures are implemented.
- Referral of the matter to the law enforcement agencies such as the South African Police Services – within 7 days after the investigation to institute criminal charges.
- Recover the money from the responsible official – within 30 days of the sanction: the accounting officer

should create a debt account for the responsible official and the money should be recovered according to the agreed instalments until the debt has been settled in full.

Element 11: Monitoring corrective actions progress: The 11th element of the framework will determine how often progress in implementing corrective actions should be reported, for example quarterly monitoring reports to the Audit Committee, NT, and Departmental Executive Committee. This will improve oversight and ensure that the preventative or corrective actions are implemented.

Conclusion

The aim of this article was to evaluate the legislative frameworks with which to inhibit irregular expenditure and to develop a framework to manage irregular expenditure in the Department of Water and Sanitation. In the 3-year period 2013/14–2015/16, that was observed initially, mainly non-compliance with SCM processes, PFMA, TR and PPPFA led to a huge increase in irregular expenditure, and similar patterns were observed in the period 2018/19–2021/22; the level of irregular expenditure remained on a high level. Having gathered data through interviews and an in-depth review of the DWS's annual performance reports, the findings revealed that the existing mechanisms were not effective to prevent an increase in cases of irregular expenditure. Furthermore, there was a lack of consequence measures for transgressions to hold officials responsible for the continued increase in incidents of irregular expenditure. Recommendations were provided on the development and implementation of a SOP manual, on training officials. Strengthening the procurement processes and implementing consequences for transgressions to mitigate incidents of irregular expenditure. This led to the development of a framework aimed to assist mainly the DWS, but in the same way also other departments and spheres of government with similar issues, to manage and curb incidents of irregular expenditure as well as to improve compliance with SCM processes, PFMA, TR and PPPFA.

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Data availability

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