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Department of Finance

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PROVINCIAL TREASURY CIRCULAR 11 OF 2011

TO:

THE ACCOUNTING OFFICER: VOTE 1: OFFICE OF THE PREMIER (MR JM RABODILA)
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL LEGISLATURE (MR LB TSHABALALA)
THE ACTING ACCOUNTING OFFICER: VOTE 3: FINANCE (MR JB MBATHA)
THE ACCOUNTING OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR D MAHLOBO)
THE ACCOUNTING OFFICER: VOTE 5: AGRICULTURE, RURAL DEVELOPMENT AND LAND ADMINISTRATION (MS NL SITHOLE)
THE ACCOUNTING OFFICER: VOTE 6: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM (MR RS TSHUKUDU)
THE ACCOUNTING OFFICER: VOTE 7: EDUCATION (MS MOC MHLABANE)
THE ACCOUNTING OFFICER: VOTE 8: PUBLIC WORKS, ROADS & TRANSPORT (MR KM MOHLASEDI)
THE ACTING ACCOUNTING OFFICER: VOTE 9: SAFETY, SECURITY & LIAISON (MS N NDONGA)
THE ACCOUNTING OFFICER: VOTE 10: HEALTH (DR JJ MAHLANGU)
THE ACCOUNTING OFFICER: VOTE 11: CULTURE SPORTS AND RECREATION (MS SP MJWARA)
THE ACTING ACCOUNTING OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MS NL MLANGENI)
THE ACCOUNTING OFFICER: VOTE 13: HUMAN SETTLEMENT (MR D DUBE)

THE CHIEF FINANCIAL OFFICER: VOTE 1: OFFICE OF THE PREMIER (MR T NKOJOANA)
THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL LEGISLATURE (MR S SANYANE)
THE CHIEF FINANCIAL OFFICER: VOTE 3: FINANCE (MS P SEMENYA)
THE CHIEF FINANCIAL OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR MD SHIPALANA)
THE ACTING CHIEF FINANCIAL OFFICER: VOTE 5: AGRICULTURE, RURAL DEVELOPMENT AND LAND ADMINISTRATION (MR R MNISI)
THE CHIEF FINANCIAL OFFICER: VOTE 6: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM (MS JP HLATSWAYO)
THE CHIEF FINANCIAL OFFICER: VOTE 7: EDUCATION (MR C. MNISI)
THE CHIEF FINANCIAL OFFICER: VOTE 8: PUBLIC WORKS, ROADS & TRANSPORT (MS PN MOJAPELO)
THE CHIEF FINANCIAL OFFICER: VOTE 9: SAFETY, SECURITY & LIAISON (MR BH NGOMA)
THE CHIEF FINANCIAL OFFICER: VOTE 10: HEALTH (MS G MILAZI)
THE CHIEF FINANCIAL OFFICER: VOTE 11: CULTURE SPORTS AND RECREATION (MR M KHOZA)
THE CHIEF FINANCIAL OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MS P MORGAN)
THE ACTING CHIEF FINANCIAL OFFICER: VOTE 13: HUMAN SETTLEMENT (MS BN MOJAPELO)



**COMPLIANCE WITH SECTION 20 OF THE 2010 DIVISION OF REVENUE ACT
(ACT NO. 1 OF 2010), AS AMENDED.**

1. PURPOSE

- 1.1 To give effect to the provisions of section 20 of the 2010 Division of Revenue Act (Act No.1 of 2010), as amended on unspent conditional grants;

2. LEGAL REQUIREMENTS

- 2.1 In terms of section 20 (1) of the 2010 Division of Revenue Act, any conditional allocation, excluding the Gautrain Rapid Rail Link Grant and the Expanded Public Works Programme Incentive Grant, that is not spent at the end of a financial year reverts to the National Revenue Fund, unless the relevant receiving officer can prove to the satisfaction of both the Provincial and National Treasury that the unspent allocation is committed to identifiable projects.
- 2.2 Furthermore, section 20 (2) stipulates that the National Treasury may at the request of a transferring national officer, provincial treasury or municipality approve a rollover from a conditional allocation to the next financial year.

3 PROCEDURE

- 3.1 To give effect to the above legal requirement the following procedure must be applied:
- 3.1.1 Each Provincial Treasury must by **29 April 2011** indicate to the National Treasury and the transferring national officer in writing:
- 3.1.1.1 The total amount of unspent funds for each relevant conditional grant as at **31 March 2011**;
- 3.1.1.2 The amount of unspent funds for the relevant grant not committed to identifiable projects;
- 3.1.1.3 The amount of funds currently committed to identifiable projects;
- 3.1.1.4 Given that section 20 of the Act requires proof of commitments, the Provincial Treasury must submit a list of the projects referred to in (3.1.1.3) above, clearly stipulating the tender numbers related to each project or invoices awaiting payment.
- 3.1.2. National Treasury will, after consultation with the relevant treasury and the transferring national officer, give provisional approval for funds committed to identified projects to be retained within the relevant Provincial Revenue Fund for the purposes of rolling over to the 2011/12 financial year. Such approval will be communicated within 14 days of receipt of the project lists and the committed amounts as outlined above.
- 3.1.3 In order to give effect to this requirement, departments must indicate by **28 April 2011** to the Provincial Treasury in writing the information indicated on 3.1.1.1 to 3.1.1.4

- 3.1.4 Upon completion of the preliminary year-end closure, the relevant provincial department must surrender any unspent funds that are not committed to identified projects through the provincial treasury to the relevant national department. The final date for this initial surrender of unspent funds to the respective National Departments is **20 May 2011**. The final surrender to the Provincial Treasury of funds that are not committed is **18 May 2011**.
- 3.1.5 National departments will, upon receipt of these funds, surrender the same to the National Revenue Fund. This should be reflected by each department in the Annual Financial Statements (AFS). The final date for all such surrenders by National Departments to the National Revenue Fund is **31 May 2011**. It is very important for provincial departments to comply with these deadlines.
- 3.1.6 If a provincial department has determined, after the finalisation of the audit and the final system audit close, that the initial surrender was either too much or too little it must, in consultation with the provincial treasury, notify the relevant national department. The Provincial Treasury will in turn notify the relevant national department as funds would have been surrendered by the Provincial Treasury to their respective bank accounts. This process must be concluded before the tabling of the provincial and national Adjusted Estimates for the 2011/12 financial year.
- 3.1.7 Any monies due to the National Revenue Fund after the determination described in (3.1.5) above, must be surrendered by a province to the appropriate national department within one (1) week after the submission of the annual financial statements. Where funds are due to the provincial department, transfers must be made in consultation with the National Treasury within one (1) week after the submission of the national department's annual financial statements for auditing.
- 3.1.8 Any funds surrendered by a province after the above processes have been concluded will be promptly surrendered to the National Revenue Fund by the relevant **national department**.

4. REQUESTS FOR ROLL-OVERS

- 4.1 Treasury Regulation 6.4 will apply with respect to requests for roll-overs (including the implementation of provincial roll-overs), and Treasury Regulation 6.6 applies with respect to accounting for such in an adjustments budget.

Therefore:

- 4.1.1 *Only funds for projects already in progress may be rolled over;*
- 4.1.2 Conditional grant funds earmarked/budgeted for *transfers and subsidies* may not be rolled over unless they will be used for the same purpose already voted for; and
- 4.1.3 Conditional grant funds that are budgeted for *compensation of employees* (such as those within the Human Settlements Development Grant) may not be rolled over if unspent.

4.2 In the case of funds either withheld by a national department as at **31 March 2011** or where a province has surrendered funds, the relevant national department may submit to National Treasury a request for roll-overs. Any such request must be supported by the Provincial Treasury in the relevant province. The request must be accompanied by an appropriate motivation on behalf of the sector and the province.

5. CONCLUSION

5.1 This circular seeks to provide clarity on the application of section 20 of the 2010 Division of Revenue Act.

5.2 This circular is not a substitute for any other requirement stipulated in the 2010 Division of Revenue Act and does not affect any duty or obligation set out in that Act, or the relevant conditional grant framework in terms of section 15.

5.3 Directives related to the relevant accounting procedures have been issued by the Office of the Accountant-General.

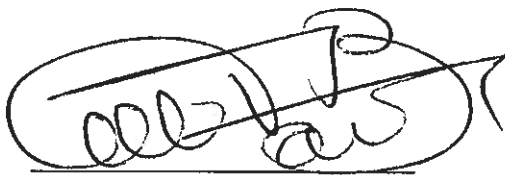
6. APPLICABILITY

6.1 This circular applies to all provincial departments that have conditional grant allocations within their budgets, as receiving officers in provinces.

7. EFFECTIVE DATE

7.1 The procedures contained in this circular take effect from **01 April 2011** and must be adhered to by all accounting officers.

Kind regards,

A handwritten signature in black ink, appearing to read 'JB Mbatha', is written over a horizontal line. The signature is enclosed within a large, hand-drawn oval.

Mr JB MBATHA
ACTING HEAD OF DEPARTMENT
DATE: 8/4/2011