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PROVINCIAL TREASURY CIRCULAR NO 9 OF 2014

ACCOUNTING OFFICERS:-

The Accounting Officer: vote 1: Office of the Premier (Dr. Nonhlanhla Mkhize)
The Acting Accounting Officer: Vote 2: Provincial Legislature (Mr. JB Silinda)

The Accounting Officer: Vote 3: Finance (Ms. NZ Nkamba)
The Accounting Officer: Vote 4: Cooperative Governance and Traditional Affairs (Mr. MD 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 (Dr. DV Dlamini)

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: Community Safety, Security & Liaison (Mr. W Mthombothi)

The Accounting Officer: Vote 10: Health (Dr. WRM Maphanga)
The Accounting Officer: Vote 11: Culture Sport and Recreation (Ms. SL Xulu)

The Accounting Officer: Vote 12: Social Development (Ms NL Mlangeni)
The Accounting Officer: Vote 13: Human Settlements (Mr. SM Mtsweni)

The Acting Chief Financial Officer: Vote 1: Office of the Premier (Mr. K Dlamini)
The Chief Financial Officer: Vote 2: Provincial Legislature (Mr. SS Sanyane)

The Acting Chief Financial Officer: Vote 3: Finance (Ms. LC Mlambo)
The Chief Financial Officer: Vote 4: Cooperative Governance and Traditional Affairs (Mr. MD Shipalana)

The Chief Financial Officer: Vote 5: Agriculture, Rural Development and Land Administration (Mr. CT Dlamini)

The Chief Financial Officer: Vote 6: Economic Development, Environment and Tourism (Ms. JP Hlatshwayo)

The Chief Financial Officer: Vote 7: Education (Mr. CB Mnisi)
The Acting Chief Financial Officer: Vote 8: Public Works, Roads & Transport (Ms. H Mdaka)
The Chief Financial Officer: Vote 9: Community Safety, Security & Liaison (Ms. S Sefala)
The Chief Financial Officer: Vote 10: Health (Mr. Vs Makhubedu)

The Chief Financial Officer: Vote 11: Culture Sport and Recreation (Mr. T Nkojoana)
The Chief Financial Officer: Vote 12: Social Development (Ms. P Morgan)
The Chief Financial Officer: Vote 13: Human Settlements (Mr. SEB Matsebula)

GM: Provincial Treasury: Sustainable Resource Management: Ms. G Milazi
GM: Provincial Treasury: Assets and Liabilities: Mr. J B Mbatha
GM: Provincial Treasury: Financial Governance: Mrs. MJF Bezuidenhout

SUBJECT: DIVISION OF REVENUE CIRCULAR-UNSPENT CONDITIONAL GRANTS IN RESPECT OF THE 2013/14 FINANCIAL YEAR

COMPLIANCE WITH SECTION 21 OF THE 2013 DIVISION OF REVENUE ACT (ACT NO. 2 OF 2013), AS AMENDED

1. PURPOSE

1.1 To give effect to the provision of section 21 of the 2013 Division of Revenue Act (Act no.2 of 2013), as amended

2. LEGAL REQUIREMENTS

2.1 In terms of section 21 (1) of the 2013 Division of Revenue Act, any conditional allocation that is not spent at the end of financial year reverts to National Revenue Fund, unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects.

2.2 Furthermore, section 21 (2) stipulates that the National Treasury may at the request of transferring national officer, Provincial Treasury or municipality approve a roll-over 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 **30 April 2014** 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 grant not committed to identifiable projects as at 31 March 2014;

3.1.1.2 The amount of unspent funds for the relevant grant not committed to identifiable project;

3.1.1.3 The amount of funds currently committed to identifiable projects;

3.1.1.4 Given that section 21 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 details (pricing and numbers) related

to each ongoing infrastructure project or invoices awaiting payment in respect of current expenditure.

- 3.1.2 Conditional grant funds for which no commitments and therefore no roll-overs are being requested must be surrendered by Provincial Treasury to the National Revenue Fund through the relevant national department by 30 May 2014.
- 3.1.3 National Treasury will, after consultation with the relevant treasury and the transferring national officer, give provisional approval for funds committed to identifiable projects to be retained within the relevant Provincial Revenue Fund for the purposes of rolling over to the 2014/15 financial year. Such approval will be communicated within 21 days of receipt of the project lists and the committed amounts as outlined above.
- 3.1.4 All funds already transferred to provincial departments but unspent must be surrendered and retained within the Provincial Revenue Fund, pending finalisation of the roll-over process.
- 3.1.5 Upon submission of the audited financial statements, the National Treasury will provide a final approval for roll-overs of conditional grants or a request for the surrender of uncommitted and unspent conditional grants. Any conditional grant funds approved as a provincial rollover must be included in the *provincial adjusted estimates* of 2014/15
- 3.1.6 The relevant Provincial Treasury must surrender any uncommitted funds as determined by the National Treasury to the relevant national department.
- 3.1.7 National departments will, upon receipt of these funds, promptly surrender the same to the National Revenue Fund.

4. REQUEST FOR ROLL-OVERS

- 4.1 Treasury Regulations 6.4 will apply with respect to requests for roll-overs (including the implementation of provincial roll-overs), and Treasury Regulations 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 grants 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 2014 or where a province has surrendered funds, the relevant national department may submit to National Treasury a request for roll over. 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 21 of the 2013 Division of Revenue Act.
- 5.2 This circular is not a substitute for any other requirement stipulated in the 2013 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 Accounting-General.

6. APPLICABILITY

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

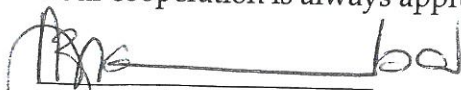
7. EFFECTIVE DATE

- 7.1 The procedures contained in this circular take effect from 01 April 2014 and must be adhered to by all accounting officers.

8. **SUBMISSION DATE**

Provincial Departments are expected to submit their roll-over application to the Provincial Treasury by **17 April 2014**

Your cooperation is always appreciated.



**MS NZ NKAMBA
HEAD OF DEPARTMENT**

DATE 1/4/2014