



treasury

Department of
Treasury
FREE STATE PROVINCE

**TO: ACCOUNTING OFFICERS OF PROVINCIAL DEPARTMENTS
PROVINCIAL CHIEF FINANCIAL OFFICERS**

SUSTAINABLE RESOURCE MANAGEMENT CIRCULAR NO 1 OF 2017

**GUIDELINES ON UNSPENT CONDITIONAL GRANTS IN RESPECT OF THE 2016/17
FINANCIAL YEAR**

**COMPLIANCE WITH SECTION 22 OF THE 2016 DIVISION OF REVENUE ACT (ACT NO. 03
OF 2016), AS AMENDED.**

1. PURPOSE

1.1 The purpose of this circular is to give effect to the provisions of section 22 of the 2016 Division of Revenue Act (Act No.03 of 2016), as amended.

2. LEGAL REQUIREMENTS

2.1 In terms of section 22 (1) of the 2016 Division of Revenue Act, any conditional allocation 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 the National Treasury that the unspent allocation is committed to identifiable projects.

2.2 Furthermore, section 22 (2) stipulates that the National Treasury may at the request of a transferring National Officer or Provincial Treasury 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 The Provincial Treasury must by **28 April 2017** 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 2017;

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 22 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

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each on going infrastructure project or invoices awaiting payment in respect of current expenditure.

- 3.1.2 Each provincial department must by **18 April 2017** indicate to the Provincial Treasury in writing:
 - 3.1.2.1 The total amount of unspent funds for each relevant conditional grant as at 31 March 2017;
 - 3.1.2.2 The amount of unspent funds for the relevant grant not committed to identifiable projects;
 - 3.1.2.3 The amount of funds currently committed to identifiable projects;
 - 3.1.2.4 Given that section 22 of the 2016 Division of Revenue Act requires proof of commitments, the department must submit a list of the projects referred to in (3.1.1.4) above, clearly stipulating the tender details (pricing and numbers) related to each of on-going infrastructure project or invoices awaiting payment in respect of current expenditure.
- 3.1.3 Conditional grant funds for which **no commitments and therefore no rollovers are being requested** must be surrendered by the Provincial Treasury to the National Revenue Fund through the relevant national department by **31 May 2017**.
- 3.1.4 National Treasury will, after consultation with the Provincial 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 2017/18 financial year. Such approval will be communicated within 21 days of receipt of the project lists and the committed amounts as outlined above.
- 3.1.5 All funds already transferred to provincial departments but unspent must be surrendered and retained within the Provincial Revenue Fund, pending finalisation of the rollover process.
- 3.1.6 Upon submission of the audited financial statements, the National Treasury will provide a **final approval for rollovers 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 2017/18.
- 3.1.7 The Provincial Treasury must surrender any uncommitted funds as determined by the National Treasury to the relevant national department.
- 3.1.8 National departments must, upon receipt of these funds, promptly surrender the same to the National Revenue Fund.

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, etc) may not be rolled over if unspent.

4.2 In the case of funds either withheld by a national department as at 31 March 2017 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. 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 22 of the 2016 Division of Revenue Act.

5.2 This circular is not a substitute for any other requirement stipulated in the 2016 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 16.

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 officer in province.

7. EFFECTIVE DATE

7.1 The procedures contained in this circular take effect from **01 April 2017** and must be adhered to by all Accounting Officers in the province.

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DATE: 7 / 04 / 2017