



treasury

Department of
Treasury
FREE STATE PROVINCE

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

SUSTAINABLE RESOURCE MANAGEMENT CIRCULAR NO 2 OF 2017

GUIDELINES ON UNSPENT EQUITABLE SHARE IN RESPECT OF 2016/17 FINANCIAL YEAR

COMPLIANCE WITH TREASURY REGULATION SECTION 6.4

1. PURPOSE

1.1 The purpose of this circular is to give effect to the provisions of section 6.4 of the Treasury Regulations issued in terms of the Public Finance Management Act (PFMA), 1999.

2. LEGAL REQUIREMENTS

2.1 In terms of Treasury Regulations, section 6.4.1, funds appropriated but not spent in a particular financial year may be rolled over to a subsequent year, subject to approval of the relevant treasury.

2.2 The requests for rollovers must be submitted to Provincial Treasury on or before last working day of April, in a format determined by the National Treasury.

3. PROCEDURE

3.1 In order to give effect to the above legal requirements, the following procedure must be applied:

3.1.1 Each provincial department (including entities) must by **18 April 2017** indicate to the Provincial Treasury in writing:

3.1.1.1 The total amount of unspent equitable share including infrastructure and revenue enhancement allocations as at 31 March 2017;

3.1.1.2 The purpose for which funds were appropriated;

3.1.1.3 The reasons why funds were not spent;

3.1.1.4 The total amount of funds currently committed in a form of invoices, orders; and tenders.

3.1.1.5 The list of committed projects clearly stipulating the tender details (pricing and numbers) related to each ongoing infrastructure project or invoices awaiting payment in respect of current expenditure.

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3.1.1.6 The disbursement schedule indicating the month(s) in which the expenditure is expected to be incurred.

3.1.2 Provincial Treasury will, after consultation with the Treasury Committee and the Executive Council, **give provisional approval for funds committed to identifiable projects** for the purposes of rolling over to the 2017/18 financial year. Such approval will be communicated within 30 days of receipt of the project lists and the committed amounts as outlined above.

3.1.3 All funds already transferred to provincial departments but unspent must be surrendered to the Provincial Revenue Fund by **31 May 2017** and will be retained within the Provincial Revenue Fund, pending finalisation of the rollover process.

3.1.4 Upon submission of the audited financial statements, the Provincial Treasury will provide a final approval for rollovers of equitable share or a request for the surrender of uncommitted and unspent conditional grants. Any funds approved as a provincial rollover must be included in the provincial Adjusted Estimates Revenue and Expenditure for the 2017/18.

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 Equitable Share 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 Equitable Share funds that are budgeted for compensation of employees may not be rolled over if unspent.

4.1.4 Furthermore the approval will be guided by the following limitations:

4.1.4.1 *Capital expenditure*: Unspent funds on capital expenditure may only be rolled over to finalise projects still in progress;

4.1.4.2 *Transfer payments*: Savings on transfer payments may not be rolled over for purposes other than originally voted for;

4.1.4.3 *Current expenditure*: A maximum of five (5) percent of a department's non-personnel current expenditure may be rolled over.

5. CONCLUSION

- 5.1 This circular seeks to provide clarity on the application of section 6.4 of Treasury Regulations issued in terms of PFMA of 1999.
- 5.2 This circular is not a substitute for any other requirement stipulated in the PFMA and Treasury Regulations and does not affect any duty or obligation set out in those Acts.

6. APPLICABILITY

- 6.1 This circular applies to all provincial departments and entities that have equitable share, infrastructure and revenue enhancement allocations within their budgets.

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.

8. CONTACT PERSON

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DATE: 7/04/2017