



PROVINCIAL TREASURY

REF no: 12/4/3/1

Enquiries: Phaswana M

Date : 08 April 2015

TREASURY INSTRUCTION NOTE NO. 1 OF 2015/16

THE PREMIER

THE MEC FOR EDUCATION
THE MEC FOR AGRICULTURE
THE MEC FOR PROVINCIAL TREASURY
THE MEC FOR ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM
THE MEC FOR HEALTH

THE MEC FOR PUBLIC WORKS, ROADS AND INFRASTRUCTURE
THE MEC FOR TRANSPORT, SAFETY, SECURITY AND LIAISON
THE MEC FOR COOPERATIVE GOVERNANCE, HUMAN SETTLEMENTS AND TRADITIONAL AFFAIRS
THE MEC FOR SOCIAL DEVELOPMENT
THE MEC FOR SPORT, ARTS AND CULTURE

THE SPEAKER: PROVINCIAL PARLIAMENT
THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

ALL OTHER MEMBERS OF PARLIAMENT

THE ACCOUNTING OFFICER: VOTE 01: DIRECTOR GENERAL
THE ACCOUNTING OFFICER: VOTE 2: SECRETARY FOR PROVINCIAL LEGISLATURE
THE ACCOUNTING OFFICER: VOTE 03: EDUCATION
THE ACCOUNTING OFFICER: VOTE 04: AGRICULTURE
THE HEAD OF DEPARTMENT: VOTE 05: PROVINCIAL TREASURY
THE ACCOUNTING OFFICER: VOTE 06: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM
THE ACCOUNTING OFFICER: VOTE 07: HEALTH
THE ACCOUNTING OFFICER: VOTE 08: TRANSPORT
THE ACCOUNTING OFFICER: VOTE 09: PUBLIC WORKS 'ROADS AND INFRASTRUCTURE
THE ACCOUNTING OFFICER: VOTE 10: SAFETY, SECURITY AND LIAISON
THE ACCOUNTING OFFICER: VOTE 11: COOPERATIVE GOVERNANCE, HUMAN SETTLEMENTS AND TRADITIONAL AFFAIRS
THE ACCOUNTING OFFICER: VOTE 12: SOCIAL DEVELOPMENT
THE ACCOUNTING OFFICER: VOTE 13: SPORT, ARTS AND CULTURE
THE ACCOUNTING OFFICER/CHIEF EXECUTIVE OFFICER: ROAD AGENCY LIMPOPO
THE ACCOUNTING OFFICER/CHIEF EXECUTIVE OFFICER: LIMPOPO GAMBLING BOARD
THE ACCOUNTING OFFICER/CHIEF EXECUTIVE OFFICER: LIMPOPO TOURISM AGENCY
THE ACCOUNTING OFFICER/CHIEF EXECUTIVE OFFICER: GATEWAY AIRPORT AUTHORITY LIMITED
THE ACCOUNTING OFFICER/MANAGING DIRECTOR: LIMPOPO ECONOMIC DEVELOPMENT AGENCY
THE CHIEF FINANCIAL OFFICER: VOTE 01: OFFICE OF THE PREMIER OFFICER
THE CHIEF FINANCIAL OFFICER: VOTE 02: LIMPOPO LEGISLATURE
THE CHIEF FINANCIAL OFFICER: VOTE 03: EDUCATION
THE CHIEF FINANCIAL OFFICER: VOTE 04: AGRICULTURE
THE CHIEF FINANCIAL OFFICER: VOTE 05: PROVINCIAL TREASURY
THE CHIEF FINANCIAL OFFICER: VOTE 06: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM
THE CHIEF FINANCIAL OFFICER: VOTE 07: HEALTH
THE CHIEF FINANCIAL OFFICER: VOTE 08: TRANSPORT
THE CHIEF FINANCIAL OFFICER: VOTE 09: PUBLIC WORKS, ROADS AND INFRASTRUCTURE
THE CHIEF FINANCIAL OFFICER: VOTE 10: SAFETY, SECURITY AND LIAISON

For information

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THE CHIEF FINANCIAL OFFICER: VOTE 12: SOCIAL DEVELOPMENT

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THE CHIEF FINANCIAL OFFICER: ROAD AGENCY LIMPOPO

THE CHIEF FINANCIAL OFFICER: LIMPOPO GAMBLING BOARD

THE CHIEF FINANCIAL OFFICER: GATEWAY AIRPORT AUTHORITY LIMITED

THE CHIEF FINANCIAL OFFICER: LIMPOPO TOURISM AGENCY

THE CHIEF FINANCIAL OFFICER: LIMPOPO ECONOMIC DEVELOPMENT AGENCY

THE PROVINCIAL AUDITOR

SURRENDER AND ROLL OVER OF UNSPENT FUNDS FOR 2014/15 TO 2015/16 PRINCIPLES AND PROGRAMMES

1. PURPOSE

The purpose of this Instruction Note is to:

- 1.1. Inform the Accounting Officers of Departments and Accounting Authorities of Public Entities of guiding principles regarding the surrender and rollover of unspent funds / accumulated surpluses and transfer of own revenue by Schedule 3C Public Entities into the Provincial Revenue Fund.
- 1.2. Provide Accounting Officers and Accounting Authorities with the programme and formats for submission of requests regarding the surrender and rollover of unspent funds from the 2014/15 financial year to the 2015/16 financial year.

2. LEGAL REQUIREMENTS

- 2.1. Section 226(2) of the Constitution of the Republic of South Africa, states that money may be withdrawn from the provincial revenue funds in terms of an appropriation by a provincial Act.
- 2.2. Section 26 of the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA) states that each Provincial Legislature must appropriate money for each financial year for the requirements of the province.
- 2.3. In terms of section 53(3) of the PFMA, Schedule 3C Public Entities which are non-business enterprises, may not budget for a deficit or accumulate surpluses unless the prior written approval of National Treasury has been obtained. To give effect to this, Provincial Treasury instruction Note number 2 of 2013 was issued.
- 2.4. Treasury regulation 15.8 states that, at the end of each financial year and after the books of account of a department have been closed, the Accounting Officer must surrender to the relevant treasury any unexpended voted funds, for re-depositing into the exchequer bank account of the relevant revenue fund.

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- 2.5. Section 31(2) (a) and (g) of the PFMA stipulates that an adjustment budget of a province may provide for the appropriation of funds that have become available to the Province and for the roll-over of unspent funds from the preceding financial year.
- 2.6. In terms of Treasury Regulation 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. Such approval will be guided by the following limitations:
- (a) Payments for Capital Assets: Unspent funds for Payment for capital Assets may only be rolled over to finalize projects or asset acquisitions still in progress.
 - (b) Transfers and Subsidies: Savings on Transfer and subsidies may not be rolled over for purpose other than originally voted for.
 - (c) Current Payments: Savings on Compensation of Employees may not be rolled over. A maximum of five per cent of a Department's payments for goods and services may be rolled over.
- 2.7. In terms of Treasury Regulation 6.4.2, requests for rollovers must be submitted to the relevant Treasury on or before the last working day of April, and must include-
- (a) the purpose for which the funds were appropriated;
 - (b) the reason why the funds were not spent;
 - (c) proposed changes to the use of the funds, if any, and
 - (d) a disbursement schedule indicating the month(s) in which the expenditure is expected to be incurred.
- 2.8. Funds for a specific purpose may not be rolled over for more than one financial year, unless approved in advance by the relevant treasury in terms of Treasury Regulation 6.4.3.
- 2.9. In terms of Section 22 (1) of the 2014 Division of Revenue Act (Act No 10 of 2014) as amended; Any conditional allocation (i.e. schedule 4 and 5) that is not spent at the end of the a financial year reverts to the National Revenue

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Fund, unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects. Furthermore, section 22 (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. APPROPRIATION OF OWN REVENUE BY SCHEDULE 3C PUBLIC ENTITIES

- 3.1. Provincial budget is funded from three sources which includes Equitable Share, Conditional Grants and Own revenue. These funds are kept in the exchequer account of the Provincial Revenue Fund and can only be released in terms of section 24(1) of the PFMA, which requires that an appropriation Act must be passed by the Provincial legislature authorising the withdrawal of these funds.
- 3.2. To remain within the bounds of the PFMA departments and public entities may not allocate or utilise own revenue which is not appropriated by the Provincial Legislature in terms of the PFMA. All revenues collected by Schedule 3C Public Entities must be transferred to the Provincial Revenue Fund on monthly basis through the respective line department and furnish returns as well as relevant information to Provincial Treasury. This is done to ensure that the accounts of the Provincial Revenue Fund reconcile and that revenue in the financial statements is an accurate reflection of the amounts received.
- 3.3. The relevant Provincial departments are required to disclose unspent funds / accumulated surpluses received from Public Entities by recognizing revenue under SCOA line item "Recovery of previous year expenditure"

4. CONDITIONAL GRANTS ROLLOVERS AND SURRENDERS

- 4.1. Provincial Treasury must by **30 April 2015** indicate to National Treasury and the transferring national officer in writing, the following:

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- (a) The total amount of unspent funds for each relevant conditional grant as at **31 March 2015**;
 - (b) The amount of unspent funds for the relevant grant not committed to identifiable projects;
 - (c) The amount of funds currently committed to identifiable projects;
- 4.2. Given that Section 22 of the DORA Act requires proof of commitments, **Departments must submit a list of the projects referred to above, clearly stipulating the tender details (pricing and numbers) related to each ongoing infrastructure project or invoice awaiting payment in respect of current expenditure.**
- 4.3. Departments must submit their requests for the rollover of Schedule 4 and 5 National Conditional Grants by **17 April 2015**, with the necessary proof that the unspent allocation is committed to identifiable projects for the attention of **Mr. Phaswana at office number 206, Ismini Towers**. For verification purposes, the request must be substantiated by the necessary supporting documentation referred to in this instruction note.
- 4.4. Conditional grant funds for which no commitments and therefore no rollover are being requested must be surrendered by Provincial Treasury to the National revenue fund through the relevant national department by **29 May 2015**.
- 4.5. 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 in the Provincial Revenue Fund for the purpose of rolling over the funds to the 2015/16 financial year. Such approval will be communicated within 21 days of receipt of the project lists and committed amounts as outlined above.
- 4.6. All funds already transferred to Provincial departments and Schedule 3C Public Entities but unspent must be surrendered and retained within the

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Provincial Revenue Fund, pending finalization of rollover process, after the departments / public entities have closed their books (8 May 2015).

- 4.7. 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 rollovers approved will be included in the provincial adjusted estimates of 2015/16.
- 4.8. Provincial Treasury will surrender any uncommitted funds as determined by the National Treasury to the relevant national department.
- 4.9. National departments must then upon receipt of these funds, promptly surrender the same to the National Revenue Fund.

5. INFRASTRUCTURE RETENTION MONEYS

- 5.1. Infrastructure retention funds are withheld for purpose of having funds available in the event of any defects that may arise once the contractor has left the building site. It is the responsibility of the contractor to repair such defects. In the event the contractor does not see his/her way open to do the repairs, the money in the retention fund will be used to employ another contractor to do the repairs.
- 5.2. It is important to note that retention monies are only released when the final account is finalized. Retention money therefore forms part of the total budget for a project. Hence, when a department enters into an agreement with contractor, the retention money becomes part of the “commitment”.
- 5.3. The contract is critical in this regard. This is the determining factor for retention and also the conditions for penalty. Depending on the conditions of the penalty clause, the right to retention can be forfeited.
- 5.4. Requests for retention fund rollovers should be clearly specified as such with an indication of when such payment will be made.

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- 5.5. In order to avoid huge sums of money being set aside for retention purposes and not used during a financial year departments must budget for these funds in the period when it becomes due and payable (per the contract). The latter will ensure that budgets are allocated in terms of its projects life cycle.

6. EQUITABLE SHARE ROLLOVERS AND SURRENDERS

- 6.1. After the closure of books in **April 2015**, the 2014/15 preliminary financial year position will be determined and **Departments must submit their equitable share rollover requests by 30 April 2015 in the format attached hereto as Annexures A, B and C.**
- 6.2. The Provincial Treasury will consider the request in terms of the statutory requirements and the principles set out in this instruction note, the PFMA and Treasury Regulations..
- 6.3. Requests may be suitably adjusted and firmed up by **29 May 2015**, supported by a proof of surrender of unspent funds for 2014/15 financial year.
- 6.4. The Provincial Treasury will finalise the approvals and provide Accounting Officers with the equitable share rollover allocations by **26 June 2015.**

7. FORMATS

- 7.1. Requests, in the attached formats, Annexures A, B and C, must be submitted to the Provincial Treasury on the date as per the programme below. The formats will be provided to the CFO's offices electronically.
- 7.2. Any problems experienced with the completion of the annexures must be taken up with the relevant Programme Officers in Provincial Treasury.

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8. PROGRAMME

The programme for the roll-over process is as follows:

ACTION	DATE
Accounting officers to submit their requests for schedule 4 and 5 rollovers	17 April 2015
Provincial Treasury to submit the provincial request for rollovers on Conditional Grants to National Treasury	30 April 2015
Accounting officers to submit their requests for equitable share rollover	30 April 2015
Departments and Public Entities to surrender all unspent funds to Provincial Treasury	08 May 2015
Accounting Officers to submit suitably adjusted and firmed up requests after closure of books.	29 May 2015
Provincial Treasury to provide accounting officers with allocation letters on equitable share rollover approval.	26 June 2015

9. Annexure A, which includes inter alia explanations for the under spending and remedial steps instituted, must be fully completed and motivated. Furthermore any supporting / additional documentation, which supports the rollover requests, can be submitted with Annexure A

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10. Accounting Officers are to ensure the timely submission of departmental requests using the annexures as per the programme (paragraph 9) under a covering letter signed by both the Accounting Officers and the Chief Financial Officer.

11. A copy of this instruction note will be forwarded to the Auditor General to ensure that its contents are included in their audit scope



Pratt GC CA (SA)
Head of the Department
Provincial Treasury