



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

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Enq : Masekoameng RC
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PROVINCIAL TREASURY

TREASURY INSTRUCTION NOTE NO. 02 OF 2013/14

THE PREMIER

SPEAKER OF LIMPOPO LEGISLATURE
THE MEC FOR EDUCATION
THE MEC FOR AGRICULTURE
THE MEC FOR RPROVINCIAL TREASURY
THE MEC FOR ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM
THE MEC FOR HEALTH AND SOCIAL DEVELOPMENT
THE MEC FOR ROADS AND TRANSPORT
THE MEC FOR PUBLIC WORKS
THE MEC FOR SAFETY, SECURITY AND LIAISON
THE MEC FOR LOCAL GOVERNMENT AND HOUSING
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 (HOD)
THE ACCOUNTING OFFICER: VOTE 04: AGRICULTURE (HOD)
THE ACCOUNTING OFFICER: VOTE 05: PROVINCIAL TREASURY – (HOD)
THE ACCOUNTING OFFICER: VOTE 06: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM (HOD)
THE ACCOUNTING OFFICER: VOTE 07: HEALTH (HOD)
THE ACCOUNTING OFFICER: VOTE 08: ROADS AND TRANSPORT – (HOD)
THE ACCOUNTING OFFICER: VOTE 09: PUBLIC WORKS (HOD)
THE ACCOUNTING OFFICER: VOTE 10: SAFETY, SECURITY AND LIAISON (HOD)
THE ACCOUNTING OFFICER: VOTE 11: COOPERATIVE GOVERNANCE, HUMAN SETTLEMENTS AND TRADITIONAL AFFAIRS (HOD)
THE ACCOUNTING OFFICER: VOTE 12: SOCIAL DEVELOPMENT (HOD)
THE ACCOUNTING OFFICER: VOTE 13: FOR SPORT, ARTS AND CULTURE (HOD)

For information

THE CHIEF EXECUTIVE OFFICER: LIMPOPO GAMBLING BOARD
THE CHIEF EXECUTIVE OFFICER: LIMPOPO TOURISM AGENCY
THE CHIEF EXECUTIVE OFFICER: GATEWAY AIRPORT AUTHORITY LIMITED
THE CHIEF EXECUTIVE OFFICER: ROAD AGENCY LIMPOPO

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: ROADS AND TRANSPORT
THE CHIEF FINANCIAL OFFICER: VOTE 09: PUBLIC WORKS
THE CHIEF FINANCIAL OFFICER: VOTE 10: SAFETY, SECURITY AND LIAISON
THE CHIEF FINANCIAL OFFICER: VOTE 11: COOPERATIVE GOVERNANCE, HUMAN SETTLEMENTS AND TRADITIONAL AFFAIRS
THE CHIEF FINANCIAL OFFICER: VOTE 12: SOCIAL DEVELOPMENT
THE CHIEF FINANCIAL OFFICER: VOTE 13: SPORT, ARTS AND CULTURE

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THE CHIEF FINANCIAL OFFICER: GATEWAY AIRPORT AUTHORITY LIMITED
THE CHIEF FINANCIAL OFFICER: ROAD AGENCY LIMPOPO

THE PROVINCIAL AUDITOR

APPROPRIATION OF OWN REVENUE GENERATED BY SCHEDULE 3C PUBLIC ENTITIES AND THE SURRENDER OF UNSPENT FUNDS

1. PURPOSE

The aim of this Instruction Note is to inform Heads of Department, Chief Executive Officers of Public entities and CFO's on the transfer of own revenue into Provincial Revenue Fund and surrender of unspent funds by schedule 3C public entities.

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 fund only in terms of an appropriation by a provincial Act. Section 26 of the Public Finance Management Act (PFMA), further provides that the parliament and each provincial Legislature must appropriate money for each financial year for the requirement of the state and Province respectively. In terms of Section 27 of the PFMA, the MEC for finance in a province must table the provincial annual budget for a financial year in the provincial legislature.
- 2.2. Section 53(3) of the PFMA states that, a public entity listed under schedule 3C, may not budget for a deficit and may not accumulate surpluses unless the prior written approval of the National Treasury has been obtained. The Minister of Finance has delegated this responsibility to Provincial Treasuries in terms of Section 10 (1) (b) of the PFMA.
- 2.3. 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.

3. DEFINITIONS

For the purpose of this instruction note the following words shall bear the following meaning:

- 3.1. Unspent funds – means the positive balance in “cash and cash equivalents” as per cash flow statement as at the end of the financial year, less any accruals relating to that financial year and / or surpluses approved for accumulation in terms of section 53(3) of the PFMA;

3.2. Accruals – means a liability whose timing or amount is uncertain by virtue of the fact that an invoice has not yet been received. This is expenditure relating to services that have been rendered or goods that have been delivered but not paid for by end of the financial year.

4. BACKGROUND

4.1. Provincial Treasury is responsible for the effective monitoring and oversight of the provincial Public entities by ensuring that support is provided to all public entities to achieve their predetermined objectives through effective financial and non-financial performance management.

4.2. The Executive Authorities of various departments have oversight responsibilities in terms of the PFMA in respect of public entities falling under their respective portfolios. These responsibilities are delegated to Accounting Officers of these departments.

4.3. Accounting Officers and Accounting Authorities for all provincial public entities are responsible for ensuring that expenditure of their respective public entities is in accordance with the approved budget as well as the effective revenue management.

5. APPROPRIATION OF OWN REVENUE BY SCHEDULE 3C PUBLIC ENTITIES

5.1. Provincial Treasury have noticed that own revenue collected by Schedule 3C public entities are spent without being appropriated in terms of the requirement of Section 24, 26 and 27 of the PFMA. Furthermore, public entities are spending own revenue generated without prior approval by the member of Executive Council of Provincial Treasury, which is a contravention of section 22 (3) of the PFMA which stipulate that, draft legislation that excludes money from payment into a Provincial Revenue Fund may be introduced in Parliament only after the Minister has been consulted on the reasonableness of the exclusion and has consented to the exclusion.

5.2. Provincial budget is mainly funded from three sources which include 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 Public Finance Management Act, which requires that an Appropriation Act must be passed by the Provincial Legislature authorizing the withdrawal of these funds.

5.3. The Appropriation Act is passed per vote and each vote specifies the total amount which is appropriated for a department under that vote. Within each vote, there are different

programmes. In some of these programmes, their objectives are carried out through Public entities. Consequently, these programmes should prepare their budget submissions being informed mainly by business plans of the respective entities.

5.4. For the purpose of funding the activities of public entities, voted funds are requisitioned by departments from the Provincial Revenue Fund in terms of cash flow projections and transferred to Public entities in trenches.

5.5. In terms of section 38(1) (b) of the PFMA, the Accounting Officer is responsible for the effective, efficient, economical and transparent use of resources of the department. During the course of the financial year, Accounting Officers of departments must monitor proper usage of funds allocated to programmes with public entities to ensure that the intended objectives are realised.

5.6. All revenues collected by schedule 3C public entities must be transferred to the Provincial Revenue Fund on monthly basis through the line department and furnish returns as well as relevant information to Provincial Treasury. This is done to ensure that the accounts of the relevant revenue fund reconcile and that revenue in the financial statements is an accurate reflection of amounts received, as per the National Treasury Financial Reporting Framework Guide.

5.7. The 2013/14 budget has already been appropriated and as a result, Provincial Treasury is granting transition period of seven (7) months ending on 30th October 2013, for Schedule 3C public entities to transfer own revenue generated into the Provincial revenue Fund for appropriation.

6. PROCEDURE / ACCOUNTING TREATMENT

6.1. Schedule 3C public entities must prepare and submit annual budget in accordance with a format that may be prescribed and must at least contain;

- ✓ Estimates of all revenue expected to be raised during the financial year to which the budget relates;
- ✓ Estimates of expenditure for that financial year per programme.

6.2. Such budget must be prepared in line with the Annual Budget Process Guide issued by Provincial Treasury in consultation with the relevant line department. The line department shall therefore incorporate such estimates in their departmental Medium Term Budget Estimates Framework.

- 6.3. On monthly basis, in year monitoring reports must be submitted by public entities to Provincial Treasury through line departments which include both financial and non financial information.
- 6.4. Public Entities may utilize money accrued, after approval has been obtained from the MEC with the concurrence of the Executive Council responsible for financial matters in the province. It must be noted that the only way which the MEC of Finance could grant approval for revenue retention is through the Appropriation Act.

7. SURRENDER OF UNSPENT FUNDS BY SCHEDULE 3C PUBLIC ENTITIES

- 7.1. In line with the requirements of section 53(3) of the PFMA, Act of 1999 as amended, departments and public entities must surrender unspent voted funds, for re-depositing into the relevant exchequer bank account. Treasury Instruction Note number 08 of 2012 was issued in this regard. However, the implementation process encountered technical challenges relating to misinterpretation of the concept “unspent funds” which has been clarified as per the definition above.
- 7.2. At the end of each financial year, the Accounting Officer must surrender to the relevant treasury any unspent voted funds, for re-depositing into the Exchequer bank account of the relevant revenue fund. Unspent voted funds includes funds transferred by departments to a public entity but for which no expenditure has been incurred by the public entity as at the end of the financial year.
- 7.3. Funds appropriated but not spent in a particular financial year may be rolled over to a subsequent year subject to approval of the Provincial Treasury in terms of guidelines on roll over requirements.
- 7.4. Where a public entity has not obtained an approval for a rollover of unspent funds or accumulation of surplus in terms of section 53 (3), all unspent funds must be surrendered by the public entities to the Paymaster General Account of the line department within one month after the Annual Financial Statements have been submitted to the office of Auditor General and the relevant Treasury.

8. ACCOUNTING TREATMENT FOR UNSPENT FUNDS

- 8.1. Provincial departments are required to disclose unspent funds received from public entities by recognising revenue under SCOA line item “*Recovery of previous year expenditure*”.

9. APPLICABILITY

This Instruction Note applies to all provincial departments and schedule 3C public entities.

10. CONSEQUENCES FOR NON-COMPLIANCE

Failure to comply with this instruction note will result in Provincial Treasury considering various measures, including but not limited to withholding of transfers to Public entities, stopping and or offsetting non surrenders on future allocations.

11. AUDITING OF THIS INSTRUCTION NOTE

A copy of this Instruction Note will be forwarded to the Auditor-General to ensure that its contents are included in their audit scope.

12. DESSEMINATION OF INFORMATION CONTAINED IN THIS PRACTICE NOTE

Kindly ensure that all officials in the relevant sections of your department receive copies of this circular.

13. EFFECTIVE DATE

This Instruction Note is effective from 01 April 2013 and must be adhered to by all Accounting Officer of departments and Accounting Authorities of Provincial public entities.



Monde Tom

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Limpopo Government Section 100(1)(b) Constitution
Intervention
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