

# MPUMALANGA PROVINCIAL GOVERNMENT

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## Department of Finance

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Kgoro ya Matlotlo

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### TREASURY CIRCULAR NO. 15 OF 2010

THE ACCOUNTING OFFICER: VOTE 1: OFFICE OF THE PREMIER (MR JM RABODILA)  
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL LEGISLATURE (MR RM MOROPA)  
THE ACCOUNTING OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR D 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 (MR RS TSHUKUDU)  
THE ACCOUNTING OFFICER: VOTE 7: EDUCATION (MS MOC MHLABANE)  
THE ACCOUNTING OFFICER: VOTE 8: PUBLIC WORKS, ROADS & TRANSPORT (MR KM MOHLASEDI)  
THE ACCOUNTING OFFICER: VOTE 9: SAFETY, SECURITY & LIAISON (MR IN KHOZA)  
THE ACCOUNTING OFFICER: VOTE 10: HEALTH (DR JJ MAHLANGU)  
THE ACCOUNTING OFFICER: VOTE 11: CULTURE SPORTS AND RECREATION (MS SP MJIWARA)  
THE ACCOUNTING OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MS NL MLANGENI) ACTING  
THE ACCOUNTING OFFICER: VOTE 13: HUMAN SETTLEMENT (MR D DUBE)

THE CHIEF FINANCIAL OFFICER: VOTE 1: OFFICE OF THE PREMIER (MS P NGWENYA) ACTING  
THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL LEGISLATURE (MR S SANYANE)  
THE CHIEF FINANCIAL OFFICER: VOTE 3: FINANCE (MR JS MASHABANE) ACTING  
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 (MS B LAWRENCE)  
THE CHIEF FINANCIAL OFFICER: VOTE 6: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM (MS Z MASHEGO) ACTING  
THE CHIEF FINANCIAL OFFICER: VOTE 7: EDUCATION (MR C MNISI)  
THE CHIEF FINANCIAL OFFICER: VOTE 8: PUBLIC WORKS, ROADS & TRANSPORT (MS PN MOJAPPELO)  
THE CHIEF FINANCIAL OFFICER: VOTE 9: SAFETY, SECURITY & LIAISON (MR BH NGOMA)  
THE CHIEF FINANCIAL OFFICER: VOTE 10: HEALTH (MS G MILAZI) ACTING  
THE CHIEF FINANCIAL OFFICER: VOTE 11: CULTURE SPORTS AND RECREATION (MR M KHOZA)  
THE CHIEF FINANCIAL OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MS PMORGAN) ACTING  
THE CHIEF FINANCIAL OFFICER: VOTE 13: HUMAN SETTLEMENT (MR CT DLAMINI)

### ROLLOVER OF UNSPENT FUNDS VOTED FUNDS: 2009/2010 TO 2010/11: PRINCIPLES AND PROGRAMME

#### PURPOSE

1. The purpose of this circular, issued in terms of sections 18(2)(i) and 31(2)(a) and (g) of the Public Finance Management Act, 1999 (No 1 of 1999) (PFMA), is to -
  - a) Inform Accounting Officers as well as Chief Financial Officers of the guiding statutory limitations, principles and process, programme and



- b) Provide Accounting Officers with the programme and formats for submission of requests regarding the rollover of unspent funds from the 2009/10 financial year to the 2010/11 financial year, as well as the surrender of unspent voted funds.

#### GUIDING STATUTORY LIMITATIONS

2. Section 31(2)(g) of the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA) stipulates that an adjustment budget of the province may provide for the appropriation of funds that have become available to the Province (such as over-collected own revenue).
3. In terms of section 31(2)(g) of the PFMA, an adjustments budget of a province may also provide for the rollover of unspent funds from the previous financial year.
4. 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) *Payment for capital assets:* Unspent funds on payments for capital assets may only be rolled over to finalise projects or assets acquisitions still in progress.
  - b) *Transfers and subsidies:* Savings on transfers and subsidies may not be rolled over for purposes 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.
5. 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 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.
6. Funds for a specific purpose may not be rolled for more than one financial year, unless approved in advance by the relevant treasury in terms Treasury Regulation 6.4.3.
7. Section 20 of the Division of Revenue Act, 2010, stipules that, despite the provisions of the Public Finance Management Act relating to rollovers, any conditional allocation pertaining to schedule 5 grants only, 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. The National Treasury may, at the request of a transferring National Officer, Provincial Treasury or Municipality approve -

- a) Rollovers from a conditional allocation to the next financial year; and
  - b) Spending of a portion of a conditional allocation on activities related to the purpose of that allocation where the province projects significant unforeseeable and unavoidable over spending on its budget.
8. The approval of rollover of unspent schedule 5 grants must therefore be sought from National Treasury. Unspent balances on schedule 4 grants, however, remain in the Provincial Revenue Fund and the Provincial Treasury approves the rollover of such outstanding balances.

## PRINCIPLES

9. All requests for the rollover of funds from 2009/10 will be considered in terms of the following principles:
- a) That all committed unspent funds with regard to Schedule 5 national conditional grants be recommended to National Treasury for rollover, the net balance of unspent funds be considered for rollovers, subject to departments providing documentary evidence of such commitments to identifiable projects.
  - b) That, after deducting the amounts referred to in paragraph 9 (a) above and taking into account the statutory and policy requirements, the net balance of unspent funds be considered for rollovers, provided that there will be not an unfinanced/increased deficit for the financial year.
  - c) That the guidelines and limitations in Treasury Regulation 6.4 be strictly applied.
  - d) That savings/underspending intentionally created through shifts and virements on capital or current expenditure to increase the magnitude of permissible rollover, not be taken into account for rollover purposes.

## PROCESS

10. Departments must submit their requests for the rollover of Schedule 4 and 5 national conditional grants by **Friday, 30 April 2010, with the necessary proof that the unspent allocation is committed to identifiable projects.** For verification purposes, the requests **must** be substantiated by the necessary supporting documentation enabling the Provincial Treasury to verify and assess these requests and provide the National Treasury with proof of the commitments.
11. The Provincial Treasury must submit the requests to National Treasury by the legislated deadline of 30 April 2010.

12. After the preliminary closure of the books on 30 April 2010, the 2009/10 financial results/position will be determined, and requests must be suitably adjusted and firmed up by **31 May 2010**.
13. The Provincial Treasury will consider the requests in terms of the statutory requirements and the principles as set out above.
14. The Provincial Treasury will finalise the approvals and provide Accounting Officers with the allocations by 30 June 2010 or such later date that may be determined at a later stage.
15. Post approval, departments must reflect their allocations from both sources, i.e. rollover and receipts retention in the In-Year Monitoring (IYM) system and also, eventually, take it up in the adjustments estimates for 2010/11.

#### **FORMATS**

16. Requests, in the attached formats, must be submitted to the Provincial Treasury on the date as per the programme below. The formats have already been provided to the Chief Financial Officers electronically on 14 April 2010.
17. Any problems experienced with the completion of the Annexures must be taken up with the relevant Provincial Government Financial budget analyst.

#### **PROGRAMME**

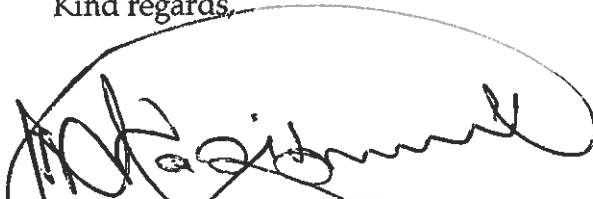
18. The programme for the rollover process is as follows:

<b>Action</b>	<b>Date</b>
Accounting Officers to submit their requests for all rollovers	30 April 2010
Accounting Officers to submit suitably adjusted and firmed up requests after preliminary closure of books	31 May 2010
Provincial Treasury to clear requests with the Member of Executive Council responsible for Finance	15 June 2010 (Preliminary date)
Provincial Treasury to provide Accounting Officers with allocation letters.	30 June 2010

19. In order to allow the Treasury to make informed decision, which includes, inter alia, completed explanations for the underspending and remedial steps instituted, must be fully completed and motivated. Furthermore any supporting/additional documentation, which supports the rollover request, can be submitted with the Annexures.

20. The timely submission of departmental requests as per the programme (paragraph 17), under cover of a letter signed both Accounting Officer and Chief Financial Officer, will be much appreciated.

Kind regards,



MR M. MAZIBUKO  
HEAD OF OFFICE  
DATE: 22/07/2010