



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Private Bag X115, Pretoria, 0001 • 40 Church Square, PRETORIA, 0002 • Tel: +27 12 315 5111, Fax: +27 12 406 9055 • www.treasury.gov.za

FROM: Mr. Emmanuel Pillay, Tel: (012) 315 5064, Email: emmanuel.pillay@treasury.gov.za

**TO: ACCOUNTING OFFICERS OF NATIONAL DEPARTMENTS
PROVINCIAL HEADS OF DEPARTMENT
NATIONAL AND PROVINCIAL CHIEF FINANCIAL OFFICERS**

DIVISION OF REVENUE CIRCULAR – UNSPENT CONDITIONAL GRANTS IN RESPECT OF THE 2023/24 FINANCIAL YEAR

COMPLIANCE WITH SECTION 21 OF THE 2023 DIVISION OF REVENUE ACT, 2023 (ACT NO.5 OF 2023), AS AMENDED

1. PURPOSE:

- 1.1. To give effect to the provisions of Section 21 of the 2023 Division of Revenue Act (Act No.5 of 2023), as amended.

2. LEGAL REQUIREMENTS:

- 2.1 In terms of Section 21 (1) of the 2023 Division of Revenue Act, as amended, any conditional allocation that is not spent at the end of a financial year reverts to the National Revenue Fund (NRF), 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 21 (2) stipulates that the National Treasury may at the request of a transferring national officer, receiving officer or provincial treasury approve a roll-over 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 Each Provincial Treasury must by 30 April 2024 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 2024;
- 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; and
- 3.1.1.4 Given that Section 21 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 each ongoing infrastructure project or invoices awaiting payment in respect of current expenditure.



- 3.1.2 In terms Section 16(4) of the Act, transfers of schedule 5 allocations to **Organs of State (OoS)** will be subject to Section 21 of the Act. All underspending of schedule 5 transfers at OoS must be included in the roll-over process as detailed above.
- 3.1.2.1 In instances where the financial year-end of the OoS is not March, applications for such rollovers must be made, to National Treasury, within one month of the OoS 's financial year-end.
- 3.1.2.2 Transfers to a OoS that is a national entity is exempt from this requirement as they fall under the surplus retention process that is dealt with by the Public Finance division of the National Treasury.
- 3.1.3 Conditional grant funds for which no commitments and therefore no roll-overs are being requested must be surrendered by the Provincial Treasury to the National Revenue Fund through the relevant national department by 31 May 2024, or in the case of OoS within two months after the end of the financial year, if it is not March.
- 3.1.4 National Treasury will, after consultation with the relevant 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 2024/25 financial year. Such approval will be communicated within three weeks of the meeting held to discuss roll-over applications.
- 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 roll-over process.
- 3.1.6 Upon submission of the audited financial statements, the National Treasury will provide a final approval for roll-overs of conditional grants or a request for the surrender of uncommitted and unspent conditional grants. Any conditional grant funds approved as a provincial roll-over must be included in the provincial adjusted estimates of 2024/25.
- 3.1.7 The relevant 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;
- 4.1.3. Conditional grant funds that are budgeted for *compensation of employees* (such as those within the Human Settlements Development Grant) may not be rolled-over if unspent;



4.1.4. In the case of funds either withheld by a national department as at 31 March 2024 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 in the relevant province. 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 21 of the 2023 Division of Revenue Act, amended.

5.2 This circular is not a substitute for any other requirement stipulated in the 2023 Division of Revenue Act, as amended, and does not affect any duty or obligation set out in this Act, or the relevant conditional grant framework in terms of Section 15.

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 national and provincial departments that have conditional grant allocations within their budgets, either as transferring national officers or receiving officers in provinces.

7. EFFECTIVE DATE:

7.1 The procedures contained in this circular take effect from 01 April 2024 and must be adhered to by all accounting officers.

8. CONTACT PERSON:

Emmanuel Pillay
National Treasury
Tel: (012) 315 5064
Fax: (012) 315 5045
Email: Emmanuel.pillay@treasury.gov.za

Approved:

pp


MALIJENG NGQALENI
DEPUTY DIRECTOR-GENERAL: INTERGOVERNMENTAL RELATIONS
DATE: 28 March 2024