

Reference: RCS/C.6

Private Bag X9165
CAPE TOWN
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TREASURY CIRCULAR NO. 13/2020

THE PREMIER
THE MINISTER OF AGRICULTURE
THE MINISTER OF COMMUNITY SAFETY
THE MINISTER OF CULTURAL AFFAIRS AND SPORT
THE MINISTER OF EDUCATION
THE MINISTER OF FINANCE AND ECONOMIC OPPORTUNITIES
THE MINISTER OF HEALTH
THE MINISTER OF HUMAN SETTLEMENTS
THE MINISTER OF LOCAL GOVERNMENT, ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING
THE MINISTER OF SOCIAL DEVELOPMENT
THE MINISTER OF TRANSPORT AND PUBLIC WORKS
THE SPEAKER: PROVINCIAL PARLIAMENT
THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT
THE ACCOUNTING OFFICER: VOTE 1: PREMIER (MR H MALILA)
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR R ADAMS)
THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (MR D SAVAGE)
THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (MR G MORRIS)
THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MR BK SCHREUDER)
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (DR B ENGELBRECHT)
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (DR R MACDONALD)
THE ACCOUNTING OFFICER: VOTE 8: HUMAN SETTLEMENTS (MS J SAMSON)
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR P VAN ZYL)
THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MS J GOOCH)
THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)
THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR S FOURIE)
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS)
THE ACCOUNTING OFFICER: VOTE 14: LOCAL GOVERNMENT (MR G PAULSE)
THE CHIEF FINANCIAL OFFICER: VOTE 1: PREMIER (MR D BASSON)
THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS N PETERSEN)
THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MS A SMIT)
THE CHIEF FINANCIAL OFFICER: VOTE 4: COMMUNITY SAFETY (MR M FRIZLAR)
THE CHIEF FINANCIAL OFFICER: VOTE 5: EDUCATION (MR L ELY)
THE CHIEF FINANCIAL OFFICER: VOTE 6: HEALTH (MR S KAYE)
THE CHIEF FINANCIAL OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MR JO SMITH)
THE CHIEF FINANCIAL OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR F DE WET)
THE CHIEF FINANCIAL OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MS O SAMUELS)
THE CHIEF FINANCIAL OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (ADV. C SMITH)
THE CHIEF FINANCIAL OFFICER: VOTE 11: AGRICULTURE (MR F HUYSAMER)
THE CHIEF FINANCIAL OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MS M ABRAHAMS)
THE CHIEF FINANCIAL OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MS BG RUTGERS)
THE CHIEF FINANCIAL OFFICER: VOTE 14: LOCAL GOVERNMENT (MS B SEWLALL-SINGH)
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THE CHIEF FINANCIAL OFFICER (MS A SMIT)

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THE DIRECTOR: FINANCIAL GOVERNANCE (MS M VAN NIEKERK)
THE DIRECTOR: FISCAL POLICY (DR N NLEYA)
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THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (MR C MAPEYI)
THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR M SIGABI)
THE DIRECTOR: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MR R MOOLMAN)
THE DIRECTOR: PROVINCIAL GOVERNMENT ACCOUNTING (VACANT)
THE DIRECTOR: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS R SLINGER)
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THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT

THE DEPUTY DIRECTOR-GENERAL: CORPORATE ASSURANCE, DEPARTMENT OF THE PREMIER (MS H ROBSON)

ROLLOVER OF UNSPENT FUNDS AND RETENTION OF OVER-COLLECTED OWN REVENUE FROM 2019/20 TO 2020/21: PRINCIPLES AND PROGRAMME

PURPOSE

1. With regards to the rollover of unspent 2019/20 funds to 2020/21 and the retention of over collected own revenue received in 2019/20 for use in 2020/21, to –
 - (a) Inform votes of the guiding statutory limitations, principles and process.
 - (b) Provide votes with National Treasury's annual Division of Revenue Circular regarding the rollover of unspent national conditional grant funds and information required on unspent transfers made to entities and implementing agencies from schedule 5 grants.
 - (c) Provide votes with the programme and formats to be used for submission of rollover and revenue retention requests.
 - (d) Accounting Officers to note that, although the prescribed submission date as per Treasury Regulation 6.4.2 is on or before the last working day of April, due to the President initiating a national Lockdown, National Treasury granted an extension of one week, with the new due date being 07 May 2020.
2. This Circular applies to the Provincial Parliament to the extent that the Provincial Parliament must inform the Provincial Treasury of the outcome of their rollover and revenue retention processes.

GUIDING STATUTORY LIMITATIONS

Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA)

3. Section 31 (2)(a) of the PFMA stipulates that an adjusted budget of a province may provide for the appropriation of funds that have become available to the Province (such as over-collected own revenue).
4. In terms of section 31 (2)(g) of the PFMA, an adjusted budget of a province may also provide for the rollover of unspent funds from the previous financial year.

Treasury Regulations

5. 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 on payments for capital assets may only be rolled over to finalise projects or asset 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.
6. 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 reasons 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.
7. 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.

2019 Division of Revenue Act (Act 16 of 2019)

8. In terms of Section 22(1) of the 2019 DoRA, any conditional allocation 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.
9. Furthermore, Section 22(2) of the 2019 DoRA stipulates that the National Treasury may, at the request of a transferring national officer, receiving officer or provincial treasury, approve a roll-over of a conditional allocation to the next financial year.

National Treasury's Annual Division of Revenue Circular

10. The National Treasury's annual Division of Revenue Circular (see attached, dated 2 March 2020), prescribes that the approval of rollover of unspent national conditional grants must be sought from National Treasury. Uncommitted balances on such grants must be surrendered to the National Revenue Fund.

Western Cape Direct Charges Act, 2000 (Act 6 of 2000)

11. In terms of the Western Cape Direct Charges Act, 2000 (Act 6 of 2000) an Accounting Officer may, after approval of the rollover funds by the Provincial Treasury, but before appropriation thereof in an Adjustments Appropriation Act, spend such rollover funds for the approved purpose or purposes, as a direct charge against the Provincial Revenue Fund.
12. Furthermore, this Act also enables an accounting officer to, after approval of funds that have become available to the Province, such as increased own revenue or revenue retention, by the Provincial Treasury, but before appropriation thereof in an Adjustments Appropriation Act, withdraw these funds, for the approved purpose or purposes, as a direct charge against the Provincial Revenue Fund.

PRINCIPLES FOR ROLLOVER

13. Requests for the rollover of funds from 2019/20 to 2020/21 will be considered in terms of the following guiding principles:
 - 13.1 All unspent funds committed to identifiable projects with regards to Schedule 4 and 5 national conditional grants be recommended to National Treasury for rollover, subject to departments providing documentary evidence of such commitments.
 - 13.2 The net balance of unspent funds will be considered for rollover, after deducting the amounts referred to in paragraph 13.1 above and taking into account the statutory limitations and policy requirements, provided that there will not be an unfinanced/ increased deficit for the financial year.
 - 13.3 That the guidelines and limitations in Treasury Regulation 6.4 be strictly applied, especially Treasury Regulation 6.4.1 (c), stipulating that savings on compensation of employees may not be rolled over.
 - 13.4 That savings or under spending 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. The Provincial Treasury will conduct an analysis of all shifts and virements affected by Votes.
 - 13.5 That the following will form a first liability against the contemplated maximum of five per cent (TR 6.4.1 (c)) of a vote's payments for goods and services permissible for rollover:
 - (a) Under collection in own revenue.
 - (b) Unauthorised expenditure.
 - (c) Intergovernmental debt if not budgeted for in the next financial year.
 - (d) Trading entity net debt if not budgeted for in the next financial year.
 - (e) With regard to (c) and (d) above, accounting officers are requested to quantify and indicate these amounts in the covering letter of their rollover submission.
 - 13.6 That, in a case where the unspent cash available (inclusive of increased own revenue collected) in a vote at the end of 2019/20 is less than the unspent budget available, approvals may take into account the available cash and not only the available budget.

- 13.7 In terms of Treasury Regulation 6.4.3, funds for a specific purpose may not be rolled over for more than one financial year, unless approved in advance by the relevant treasury, i.e. provincial allocations by the Provincial Treasury, national conditional grants by National Treasury.

PRINCIPLES FOR REVENUE RETENTION

14. Requests for the retention of own revenue will be considered in terms of the following principles:
- 14.1 That the request to retain revenue relates to the collection of revenue not anticipated at the time of the 2019/20 Adjusted Budget, or alternatively relates to the implementation of efficiency measures with regard to revenue collection, special initiatives to increase own revenue, donations, etc.
- 14.2 The relevant request should provide a detailed description of revenue sources that led to the over-collection as well as a detailed description of how the sources will be used.
- 14.3 That approval of requests for revenue retention is subject to current and future revenue budgets being credible.
- 14.4 That retained revenue be utilised to primarily fund once-off expenditure.
- 14.5 That revenue over collection firstly be used to offset overspending.
- 14.6 That, in cases where the unspent cash available (inclusive of increased own revenue collected) in a vote at the end of 2019/20 is less than the unspent budget available, approvals may take into account the available cash.

NATIONAL CONDITIONAL GRANTS

15. Requests for the rollover of national conditional grants must be submitted to Viljoen.Bester@westerncape.gov.za by using the attached **Annexure for Conditional grant rollovers** and must at least contain the following information:
- The total amount of unspent funds for each relevant conditional grant as at 31 March 2020.
 - The amount of unspent funds for the relevant grant not committed to identifiable projects.
 - The amount of funds currently committed to identifiable projects.
 - Given that section 22 of the 2019 DoRA requires proof of commitments, the Vote must provide the Provincial Treasury with a list of the 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.
16. Treasury Regulation 6.4 will apply with respect to requests for national conditional grant rollovers and Treasury Regulation 6.6 is applicable with respect to accounting for such in an adjustments budget. Therefore:
- Only funds for projects already in progress may be rolled over.
 - Conditional grant funds earmarked / budgeted for transfers and subsidies may not be rolled over unless it will be used for the same purpose already voted for.
 - 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.

- In the case of national conditional grant funds either withheld by a national department as at 31 March 2020 or where a province has surrendered funds, the relevant national department may submit to National Treasury a request for rollovers. 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.
- 17. As the National Treasury, in terms of section 22(2) of the 2018 DoRA, has the authority to approve the rollover of unspent balances on national conditional grants, the submission date of **7 May 2020** to National Treasury will be adhered to, which requires that the requests be submitted to the Provincial Treasury by Tuesday, **5 May 2020**.
- 18. 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 within the relevant Provincial Revenue Fund for the purposes of rolling over to the 2020/21 financial year. Such approval will be communicated within 21 days of receipt of the project lists and the committed amounts as outlined above.
- 19. All funds already transferred to provincial departments but unspent must be surrendered and retained within the Provincial Revenue Fund, pending finalization of the rollover process.
- 20. 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 funds approved must be included in the Adjusted Estimates of 2020/21.
- 21. The Provincial Treasury must surrender any uncommitted funds as determined by the National Treasury to the relevant national department.
- 22. National departments must, upon receipt of these funds, promptly surrender the same to the National Revenue Fund.

EXPEDITE SPECIFIC APPLICATIONS

- 23. In order to facilitate seamless spending, the Provincial Treasury will expedite the conclusion of the applications relating to (i) conditional grants expenditure relating to disasters, including drought, fires and COVID-19, and (ii) infrastructure related expenditure.
- 24. All other applications will be finalised as part of the 2020/21 Adjusted Estimates process, unless a department indicates otherwise with regard to a specific application.
- 25. Post approval, votes must reflect the expedited allocations from both sources, i.e. rollover and revenue retention, in the in-year monitoring (IYM) reports and also, eventually, take it up in the Adjusted Estimates of Provincial Expenditure for 2020/21.

TOTAL REQUESTS: FORMATS

- 26. Votes must submit their total requests, inclusive of provincial rollovers and those requests pertaining to Schedule 4 and 5 national conditional grants, as well as any requests for the retention of own revenue (over collected own receipts), by Thursday, **7 May 2020**.
- 27. Although the prescribed submission date as per Treasury Regulation 6.4.2 is on or before the last working day of April, due to the President initiating a national Lockdown, National Treasury granted an extension of one week, with the new due date being **7 May 2020**.

28. Submission must be done by completing the formats attached hereto, i.e. Annexures A, A1, B, B1, C and D. Completed requests must be submitted to the Provincial Treasury on the dates as per the programme below. The formats will be electronically provided to the Management Accounting Unit within the CFO office.
29. Any challenges experienced with the completion of the Annexures must be taken up with the relevant Provincial Treasury Public Finance expenditure analyst, or in the case of revenue retention, with the relevant official in the Fiscal Policy unit.
30. In order to enable the Provincial Treasury to make informed decisions regarding departmental requests, Annexure A1 and B1, which includes, inter alia, explanations on the under spending, additional revenue and remedial steps instituted, must be fully completed and motivated. Any further supporting/additional documentation regarding the rollover requests may also be submitted with Annexure A1.

PROGRAMME

1. The programme for the roll-over, re-allocations and revenue retention process is as follows:

ACTION	DATE
Accounting officers to submit their requests for national conditional grant rollovers to Provincial Treasury per e-mail. This must include information on unspent transfers made to entities and implementing agencies from schedule 5 grants.	5 May 2020
Provincial Treasury to submit requests for national conditional grant rollovers to National Treasury .	7 May 2020
Accounting officers to submit their requests for all rollovers (national conditional grant rollovers included) and revenue retention .	7 May 2020
Accounting officers to submit suitably adjusted and firmed up requests after preliminary closure of books.	8 June 2020
Provincial Treasury to clear approvals with the Provincial Minister of Finance.	As part of 2020 Adjusted Budget allocations
Provincial Treasury to communicate the outcome of requests.	To part of 2020 Adjusted Budget allocations

2. Please note that the timely submission of votes' requests as per the programme is a legal requirement in terms of Treasury Regulation 6.4.2. Requests must be submitted under cover of a letter signed by the Accounting Officer or equivalent there-of.
3. After the preliminary closure of the books on 30 April 2020, the 2019/20 financial results/position will be determined and requests must, if required, be suitably adjusted and firmed up by **8 June 2020**.

ACTIONS REQUIRED

4. Departments to note -
 - (a) The guiding statutory limitations, principles and process for rollover and revenue retention;
 - (b) National Treasury's annual Division of Revenue Circular regarding the rollover of unspent national conditional grant funds and information required on unspent transfers made to entities and implementing agencies, as attached.
 - (c) The programme and formats to be used for submission of rollover and revenue retention requests.
 - (d) Accounting Officers to note that, although the prescribed submission date as per Treasury Regulation 6.4.2 is on or before the last working day of April, due to the President initiating a national Lockdown, National Treasury granted an extension of one week, with the new due date being **7 May 2020**.



MS A PICK

ACTING CHIEF DIRECTOR: PROVINCIAL GOVERNMENT PUBLIC FINANCE

DATE: 25 March 2020



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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

**DIVISION OF REVENUE CIRCULAR – UNSPENT CONDITIONAL GRANTS IN
RESPECT OF THE 2019/20 FINANCIAL YEAR**

**COMPLIANCE WITH SECTION 22 OF THE 2019 DIVISION OF REVENUE ACT (ACT
NO.16 OF 2019), AS AMENDED**

1. PURPOSE

- 1.1 To give effect to the provisions of Section 22 of the 2019 Division of Revenue Act (Act No.16 of 2019), as amended.

2. LEGAL REQUIREMENTS

- 2.1 In terms of Section 22 (1) of the 2019 Division of Revenue Act, any conditional grant allocation 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.
- 2.2 Furthermore, Section 22 (2) stipulates that the National Treasury may at the request of a transferring national officer, receiving officer or Provincial Treasury approve a rollover 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 2020** 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 2020;
- 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 including funds transferred to public entities and municipalities; and
- 3.1.1.4 Given that Section 22 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 Conditional grant funds for which no commitments and therefore no rollovers are being requested must be surrendered by the Provincial Treasury to the National Revenue Fund through the relevant national department by **29 May 2020**.
- 3.1.3 National Treasury will, after consultation with the relevant 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 2020/21 financial year. Such approval will be communicated within 21 days of receipt of the project lists and the committed amounts as outlined above.
- 3.1.4 All funds already transferred to provincial departments but unspent must be surrendered and retained within the provincial revenue fund, pending finalisation of the rollover process.
- 3.1.5 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 funds approved as a provincial rollover must be included in the *provincial adjusted estimates* of 2020/21.
- 3.1.6 The relevant Provincial Treasury must surrender any uncommitted funds as determined by the National Treasury to the relevant national department.
- 3.1.7 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 2020 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 22 of the 2019 Division of Revenue Act.
- 5.2 This circular is not a substitute for any other requirement stipulated in the 2019 Division of Revenue Act and does not affect any duty or obligation set out in that Act, or the relevant conditional grant framework in terms of Section 16.

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 2020 and must be adhered to by all accounting officers.

8. CONTACT PERSON

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Approved:



MALIJENG NGQALENI
DEPUTY DIRECTOR-GENERAL: INTERGOVERNMENTAL RELATIONS

Date:

02/03/2020