

BACKGROUND

In terms of the Division of Revenue Act Section 22 the following applies for Unspent conditional allocations:

- (1) Despite a provision to the contrary in the Public Finance Management Act or the Municipal Finance Management Act, any conditional allocation, or a portion thereof, that is not spent at the end of the financial year reverts to the National Revenue Fund, unless the roll-over of the allocation is approved in terms of subsection (2).
- (2) The National Treasury may, at the request of a transferring officer, receiving officer or provincial treasury, approve a roll-over of a conditional allocation to the next financial year if the unspent funds are committed to identifiable projects.

Provinces submit information on conditional grant funds committed but unspent at the end of the financial year for National Treasury's evaluation. The National Treasury will inform the Provincial Treasury in writing of the approved roll-overs to be retained by the province. These approved funds (roll-overs) must be:

- included in the adjusted estimates for the next financial year; and
- must be appropriated for the same purpose for which they were originally intended.

In terms of Section 21 of the Public Finance Management Act (Act No 1 of 1999) (PFMA):

- (1) The provincial treasury of a province is in charge of that province's Provincial Revenue Fund and must enforce compliance with the provisions of section 226 of the Constitution, namely that—
 - (a) all money received by the provincial government must promptly be paid into the Fund, except money reasonably excluded by this Act or another Act of Parliament; and
 - (b) no money may be withdrawn from the Fund except—
 - (i) in terms of an appropriation by a provincial Act; or
 - (ii) as a direct charge against the Fund when it is provided for in the Constitution or a provincial Act.

Guide on Accounting Issues

Appropriation

The accounting policy for appropriated funds clearly states that:

“Appropriated funds include equitable share and conditional grants to entities in terms of an Act of Parliament / Province in order to be utilised for the necessities of business operations, however

unspent funds are surrendered to the relevant revenue fund. Appropriated funds are recognised in the financial records on the date the appropriation becomes effective. Adjustments to the appropriated funds made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective.

The difference between the final appropriation and the unexpended appropriated funds less unauthorised expenditure funded by the revenue fund are reflected in the Statement of Financial Performance.

Unexpended appropriated funds are surrendered to the Revenue Fund.

Amounts due to/by the Revenue Fund at the end of the financial year are recognised in the statement of financial position as receivable or payables.”

Conclusion: Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Since the approval for roll over is only received after 31 March, this event is indicative of conditions that arose after the reporting date and therefore results in non-adjusting events after the reporting date. This should therefore be reflected as such in Annual Financial Statements

In light of the above the payable for conditional grants to National departments cannot be adjusted for the current financial year.

CONDITIONAL GRANTS

- A. These examples were compiled to assist departments with the rollover of Conditional grants in terms of section 22 of the Division of Revenue Act (DORA)

Year XXXX

This is the first year that an annual financial statement for the Provincial Revenue Fund (PRF) is compiled.

Herewith the details:

Nr	Details	Amount (R)	Related Working Papers	Related Notes	Related Statements
1.	National department appropriation for conditional grants.	100	1D Column B	1.2	Performance
2.	Transferred by National department to the PRF	100	1D Column S	23	Cash Flow
3.	Transferred PRF to Provincial department	100	1D Column E	16	Cash Flow
4.	Actual Spending by Provincial department	80	1D Column F	6	Performance
5.	Funds to be surrendered by provincial departments to the PRF	20	1D Column J	16	Position
6	Funds to be surrendered by PRF to the national departments	20	1D Column N	18	Position

Year YYYY

This is the second year the PRF statements are compiled. During this year funds for conditional grants are received from two sources namely:

YEAR YY - SOURCE 1

1. Funds appropriated by the National government to be transferred to the provincial government in year YY.

Herewith the details:

Nr	Details	Amount (R)	Related Working Papers	Related Notes	Related Statements
1.	National department appropriation for conditional grants in year YY.	150	1D Column B	1.2	Cash Flow
2.	Transferred by National department to the PRF in year YY	150	1D Column Q	23	Cash Flow
3.	Transferred PRF to Provincial department in year YY	138	1D Column E	27	Cash Flow
4.	Actual Spending by Provincial department in year YY	120	1D Column F	6	Performance
5.	Funds to be surrendered by provincial departments to the PRF	18	1D Column J	16	Position
6.	Funds to be surrendered by PRF to the national departments	30	1D Column N	18	Position

YEAR YY - SOURCE 2

1. Roll overs for unused conditional grants approved in terms of section 22 of DORA.
2. It should be noted that these transactions, to be in line with the budget appropriations, will always take place over two financial years.
 - a. These funds were already appropriated by the National government in the annual appropriations of year XX and received by the PRF during year XX.
 - b. During year YY unused conditional grants are approved in terms of section 22 of DORA. These approved funds no longer belong to National government but now forms part of the available funds to be appropriated by the Provincial government.
 - c. **Therefore the Provincial government will appropriate these funds to the relevant provincial department out of own revenue in the Provincial adjustments budget of year YY.**
 - d. These funds will still be reflected on the Working Paper for Conditional Grants for year XX but under a different heading namely: Approved section 22 of DORA roll over – current financial year funds.
2. Herewith the details:
 - a. For year XX unused conditional grants amounted to R20.
 - b. This raised the following receivable:
 - i. From the Provincial departments to the PRF of R 20.
 - c. This raised the following payable:
 - i. From the PRF to the National departments of R20.
 - d. During year YY R5 is approved in terms of section 22 of DORA for year XX unused conditional grants. Therefore the unused conditional grants to be surrendered by the PRF to National departments for year XX will amount to R15.
 - e. This now raised the following payables:
 - i. From the PRF to the National departments of R15.
 - ii. This payable of R15 is also refunded by the PRF to the National department during year YY.
 - f. As the statement of position changed for year XX when reflected in year YY this required the figures to be restated.
 - g. Kindly note the receivable from the Provincial departments to the PRF still remains R20.

Nr	Details	Amount (R)	Related Working Papers	Related Notes	Related Statements
1.	National department appropriation for conditional grants in year XX.	100	1D Column B	1.2	Performance
2.	Transferred by National department to the PRF in year XX	100	1D Column S	23	Cash Flow
3.	Transferred by PRF to Provincial department in year XX	100	1D Column E	27	Cash Flow
4.	Actual Spending by Provincial department in year XX	80	1D Column F	6	Performance
5.	Funds approved for roll over in terms of section 22 of DORA	5	1D Column P	18	Position and reflected in Disclosure Note
6.	Funds not approved for roll over (surrendered to National Government)	15	9B Column B	18	Cash flow and Position
7.	Restated funds to be surrendered by PRF to the national departments	15	1D Column N	18	Position and Disclosure Note
8.	Funds to be surrendered by provincial departments to the PRF	20	1D Column J	18	Position

B. Example for set off of unspent conditional grants

According to section 22 of the DORA any unspent conditional grant funds that should have, but has not been repaid to the Revenue Fund will be off set against the equitable share allocation

Nr	Details	Amount (R)	Related Working Papers	Related Notes	Related Statements
1.	National department appropriation for conditional grants in year YY.	150	1D Column B	1.2 and 23	Performance and Cash Flow
2.	Transferred by National department to the PRF in year YY	100	1D Column Q	23	Cash Flow
3.	Transferred PRF to Provincial department in year YY	150	1D Column E	27	Cash Flow
4.	Actual Spending by Provincial department in year YY	150	1D Column F	6	Performance and Position
5.	Set off amount	50			

The following journal entry should be passed

	Debit	Credit
Payables (Statement of Financial Position)	50	
Revenue (Statement of Financial Performance)		50

