

**NATIONAL ASSEMBLY
QUESTION FOR ORAL REPLY
QUESTION NUMBER: 178 [NO1658E]
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★178. **Dr C Q Madlopha (ANC) to ask the Minister of Finance:**

Whether he can inform of the process followed by the National Treasury before withholding conditional grants from those municipalities that failed to spend it or that drastically underspent?

NO1658E

REPLY:

1. The Division of Revenue Act (DoRA) provides guidance in terms of the process followed with regards to a decision to withhold conditional grants due to under-spending or non-compliance to the provisions of the Act. According to section 18 of 2014 DoRA the transferring national officer (TNO) may withhold an allocation for a period not exceeding 30 days and / or consider requesting permission to withhold conditional grants for a period of more than 30 days if:
 - the municipality does not comply with the provisions of the Act;
 - roll-overs of conditional allocations approved by National Treasury have not been spent;
or
 - satisfactory explanation is not given for significant under-expenditure.
2. Based on the in-year-monitoring, the TNO responsible for administering the grant may **inform** the National Treasury to withhold for 30 days or less and secondly to **request a permission** to withhold for a period of more than 30 days in terms of section 18.
3. However before any withholding can be considered, the TNO must within seven working days before the funds are withheld in terms of section 18(4):
 - give the relevant receiving officer
 - notice of the intention of withholding the allocation;
 - an opportunity to submit written representations as to why the allocation should not be withheld;
 - Inform or (request permission from) the relevant provincial treasury and the National Treasury.
4. Subsequent to the above process, the TNO will formally provide the National Treasury with the reasons for the withholding, the duration of the withholding and a request for the amendment of the payment schedule in terms of section 24 of DoRA.

5. The National Treasury will consider the letter proposing withholding, evidence provided by the NTO regarding withholding and the current monthly performance reported in terms of section 12 of DoRA and section 71 of MFMA when responding to the TNO.
6. The process of withholding the transfers must always occur before the set date / scheduled date of the envisaged transfer. This allows the municipality and opportunity to respond to the finding of the TNO and to also provide a formal response in addressing the non-compliance in terms of DoRA.