



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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All Accounting Officers

OFFICE OF THE ACCOUNTANT-GENERAL PRACTICE NOTE 5 OF 2007/08

COMPLIANCE WITH SECTION 22 OF THE DIVISION OF REVENUE ACT, 2006 (ACT NO. 2 OF 2006) - DORA

Purpose

1. The purpose of this practice note is to give effect to Sections 22(1) and 22(2)(a) of the Division of Revenue Act, 2006 (Act No. 1 of 2006).

Policy

2. In terms of section 22(1) of DORA a schedule 5 allocation (including the Further Education and Training College Sector Recapitalisation Grant) that is not spent at the end of the financial year including interest earned thereon must be surrendered to the National Revenue Fund (NRF).

Procedures

3. To give effect to the above the following procedures must be applied:
 - 3.1 Each Provincial Treasury must, by **20 April 2007**, indicate to the National Treasury and the transferring national officer in writing the projected amount of unspent funds not committed as at 31 March 2007 to identifiable projects per schedule 5 grant.
 - 3.2 As soon as the relevant provincial department has completed the preliminary year end closure it must surrender any unspent schedule 5 allocations not committed to identifiable projects through the provincial treasury to the relevant national department. The final date for this initial surrender of unspent funds (including interest earned thereon where this can be determined) is **28 May 2007**.
 - 3.3 National departments must, upon receipt of these funds transfer the money together with the interest earned (where this can be determined) to the National Revenue Fund. The final date for all transfers to the National Revenue Fund is **31 May 2007**.
 - 3.4 If a department has determined, after the finalisation of the audit and the final system audit close, that the initial surrender was too much or too little it must notify the relevant national department as well as the National Treasury.
 - 3.5 Any money due to the National Revenue Fund (including interest) must be surrendered to the national department within **1 week** after the submission of the

annual financial statement. Where money is due to the provincial department, any transfers must be done in consultation with the National Treasury within **1 week** after the submission of annual financial statements for auditing. The calculation of any interest due must be done with the concurrence of the National Treasury

Calculation of Interest

4. Interest refers to revenue associated with ownership of interest-bearing financial instruments, e.g. bank deposits.
5. Interest can accrue on the daily balances as manually calculated using actual transfers and the detailed BAS expenditure report for the particular schedule 5 grant. The interest rate to be levied on these balances will be equal to the rate that each provincial treasury earns on credit balances in their IGCC CPD accounts and/or current accounts held with commercial banks.
6. Provincial treasuries will be required to provide the National Treasury with the details of how interest was calculated, specifically showing the calculation of the balances and the rate that was levied.

Request for roll-overs

7. The normal rules relating to requests for rollovers in terms of the Treasury Regulations 6.4 and 6.6 will apply to conditional grants.
8. Given the fact that Conditional Grants is administered by selective national departments, it is proposed that those departments submit a coordinated request for rollovers to the National Treasury for consideration accompanied by an appropriate motivation arguing the case on behalf of the sector and the provinces.

Conclusion

9. This Practice Note is intended to provide a general understanding regarding the responsibilities of the various role-players. It is not a substitute for the requirements of the Division of Revenue Act, 2006 nor does it in any way detract from the responsibilities placed upon the various role-players as articulated in the DORA and the published grant frameworks (Government Gazette No. 28740 on 13 April 2006).
10. In the event of any practical challenges with implementing this practice note, please contact Dr. Sandra Sooklal for further assistance.

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A handwritten signature in black ink, appearing to be 'Freeman Nomvalo', written in a cursive style.

FREEMAN NOMVALO

ACCOUNTANT-GENERAL

Date: 13 April 2007