



**NATIONAL TREASURY
REPUBLIC OF SOUTH AFRICA**

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All Accounting Officers

**COMPLIANCE WITH THE DIVISION OF REVENUE ACT, 2005 (ACT NO. 1 OF 2005) -
DORA**

PURPOSE:

1. The purpose of this Practice Note is to give effect to:
 - 1.1 Section 20(6) - Duties of transferring national officer in respect of Schedule 5 allocation;
 - 1.2 Section 22(4) - Duties of receiving officer in respect of Schedule 5 allocation; and
 - 1.3 Section 36(1) - Non-committed Schedule 5 allocationof the Division of Revenue Act, 2005 (Act No 1 of 2005).
2. This Practice Note is structured in two parts. The first part deals with Sections 20(6) and 22(4) of the DORA which relate to the evaluation of conditional grant programmes and the second part focuses on Section 36(1) outlining the process to be followed in surrendering interest earned on conditional grant funds to the National Revenue Fund.

PART 1:

**PERFORMANCE EVALUATION OF CONDITIONAL GRANTS - SECTIONS 20(6) AND
22(4) OF THE DORA:**

3. In terms of Section 20(6) of DORA the transferring national officer must evaluate the performance of programmes funded or partially funded by the allocation and submit

such evaluations to the National Treasury within four months after the end of the financial year.

4. In terms of Section 22(4) of DORA the receiving officer must annually, within two months after the end of the financial year, evaluate its performance in respect of programmes funded or partially funded by an allocation and submit such evaluation to the transferring national officer.
5. In order to attain a holistic and comprehensive evaluation of the respective conditional grant programmes the evaluations conducted in terms of Section 22(4) of DORA would inform the Section 20(6) evaluation process and report.

Objectives And Scope of the Evaluation:

6. The DORA requires evaluation of the whole programme. However, considering that programme evaluation is a new concept and requirement, the implementation thereof would be phased over the next few years.
7. Given that organizational capacity is one of the most critical components identified for successful programme delivery, the evaluation exercise for the 2005/06 financial year will be confined to the organisational capacity of departments to deliver on the conditional grants. The main objectives of the evaluation are to:
 - 7.1 Identify the key competencies required within national and provincial departments to implement specific conditional grant programmes;
 - 7.2 Assess human and institutional capacity within the units of national and provincial departments administering schedule 5 conditional grants; and
 - 7.3 Make recommendations to improve capacity in support of sustainable human development in national and provincial departments to implement conditional grant programmes.
8. More specifically, the evaluation will address the following questions:
 - 8.1 Is the organisational capacity within the units of national and provincial departments administering schedule 5 conditional grants sufficient and relevant?
 - 8.2 To what extent is there consensus among the national and provincial departments that the competencies identified are the appropriate ones?
 - 8.3 Given that conditional grant programmes are ultimately institutionalized into the mainstream economic activities of departments, to what extent did the administration of the conditional grant address broader capacity-building challenges?
9. In addressing each issue or question, departments should offer insights and suggestions as to what improvements might be contemplated.

10. Upon request National Treasury would issue a framework identifying the generic minimum (not exhaustive) competencies essential for successful programme and project implementation. National departments may where necessary, add to the list of competencies based on the specific sector/conditional grants.

Methodology and Deliverables:

Evaluation Team

11. Departments administering or implementing conditional grants are required to set up evaluation teams for each grant with a member from the Monitoring and Evaluation unit/directorate as the coordinator of the evaluation exercise.
12. Prior to the commencement of the evaluation exercise national transferring departments should set up evaluation teams that prepare a methodology clearly indicating how it plans to reach the objectives of the evaluation and how the overall exercise will be conducted. The evaluation team will also design a detailed work program identifying clearly the activities to be undertaken during the review, and which will include the following:
 - 12.1 A desktop review of documentation and interviews with provincial departments to identify the key competencies for each conditional grant. Such documentation will include departmental strategic and performance plans, conditional grant business plans, operations implementation documents, annual reports, previous evaluations if conducted, monthly and quarterly reports to ensure that key competencies are not omitted;
 - 12.2 Visits to provincial departments;
 - 12.3 Interviews and discussions with provincial department officials responsible for the implementation of the conditional grant programmes; and
 - 12.4 Debriefing sessions at which all nine provincial departments are present to obtain feedback on information culled and to ensure that there are no factual errors prior to conducting the evaluation, drafting and completion of the report.

Deliverables and Timetable

13. The Evaluation Team will identify the key competencies required at the national and provincial levels for each grant administered by the national department. Provincial departments are to be provided with evaluation concept documents by **15 April 2006**.
14. Provincial departments implementing conditional grant programmes are to evaluate the organisational capacity and provide separate Evaluation Reports for each

conditional grant programme separately. Each evaluation report should include specific recommendations for the future, focusing on how to improve performance to meet the grant objectives and, thereby, make progress toward achieving its long-term purpose. It is recommended that provincial evaluation reports should be completed by **19 May 2006** in order to allow time for analysis of documentation, discussions and to enable the Evaluation Team to test, revise and refine its draft findings, conclusions and recommendations so that final reports can be submitted to national departments by **31 May 2006**.

15. It is estimated that national administrating departments will require up to 2 months, beginning on **1 June 2006** for the analysis of documentation and discussions with provincial departments to revise and refine findings and to consolidate the conclusions and recommendations for submission to National Treasury by **31 July 2006**. Each consolidated evaluation report should include specific recommendations for both the national and provincial levels, focusing on how to improve performance to meet the grant objectives and, thereby, make progress toward achieving its long-term purpose.

Technical Assistance

16. The National Treasury will at the request of a national department provide technical assistant to assist both the national and provincial departments with the design and conceptualization of the evaluation process.
17. A copy of the standardized format for reports will be circulated to departments by Monday, 3 April 2006.

PART 2:

PAY-OVER OF REVENUE EARNED ON CONDITIONAL GRANTS:

Background

18. Social Assistance Conditional Grant Funds are transferred to each Provincial Department of Social Development (PDOSD) in terms of DORA and the arrangements set by the National Treasury on 9 March 2005. These arrangements are discussed in brief:
 - 18.1 An Inter-governmental Social Assistance Management (IGSAM) provincial CPD bank account was opened in terms of section 15(7) of DORA and controlled by each Provincial Treasury. The National Department of Social Development (NDOSD) transfers the Social Assistance Transfers and Administration conditional grants into these CPD accounts in compliance with the monthly payment schedules.
 - 18.2 A second Paymaster-General (PMG 2) account was opened and controlled by each PDOSD and Provincial Treasury to cater for expenditure related to the conditional grant program. These accounts do not form part of each province's portfolio of accounts that are rolled up daily and netted-off against the provincial exchequer accounts.

- 18.3 Provincial Treasuries transfers funds from the CPD accounts to the PMG 2 accounts on request from the PDOSD, based on daily cash flow forecasts and actual payment requirements. Balances available in the PMG 2 accounts at the end of each day are taken into account when requesting funds for the following day.
- 18.4 It is the responsibility of Provincial Treasuries to ensure that the CPD and PMG 2 accounts are fully funded at all times.
- 18.5 Further details on the above bank accounts can be found in Practice Note 2 of 2005/06.

Policy

19. Notwithstanding the provisions of the Public Finance Management Act (PFMA), 1 of 1999 with regard to roll-overs, in terms of section 36(1) of DORA a schedule 5 allocation that is not committed to identifiable projects at 31 March 2006 must be surrendered to the National Revenue Fund (NRF) by no later than **4 April 2006**.
20. Any interest earned on conditional grant funds (committed and / or non-committed) at 31 March 2006 must be surrendered to the NRF by no later than **4 April 2006**.
21. Any surpluses realised by programme 2 within provincial Departments of Social Development must be surrendered to the NRF by no later than **4 April 2006**. All bank charges are funded from the Administration Grant.
22. Any amounts owing to the NRF after final closure of the general ledger must be surrendered to the NRF within 7 working days.

Procedures

23. To give effect to the above policies the following procedures must be applied:
 - 23.1 Each Provincial Treasury must, by **3 April 2006**, transfer the interest earned on the CPD account into the PMG 2 account and inform the PDOSD of such a transfer.
 - 23.2 The PDOSD must surrender departmental revenue (including the interest earned on the CPD / PMG II account) to the commercial bank deposit account of the NDOSD by **4 April 2006**. The NDOSD must be informed of the transfer.
 - 23.3 Each Provincial Treasury must transfer the balance of the cash in the CPD account to the PMG 2 account by **31 March 2006** and inform the PDOSD of such a transfer.
 - 23.4 The unused funds/savings (non-committed funds) must be surrendered to the commercial bank deposit account of the NDOSD by **4 April 2006**. The NDOSD must be informed of the transfer.

23.5 A final reconciliation and transfer of funds to be surrendered (departmental revenue and unused funds) for the 2005/06 financial year must be concluded by not later than **5 May 2006**.

23.6 The Social Development commercial bank deposit account is held at ABSA Bank:

Branch: Van Der Walt Street
 Account number: 10-4455-0071
 Branch code: 632 005

Accounting entries for Social Development conditional grants

24. Recording interest earned and transferred to the NDOSD:

	BAS Account Name	Segment Number
DR	BANK ACCOUNT: DOM	813888
CR	INTEREST: CORP FOR PUBLIC DEP	389888
<i>Recording of interest in the general ledger of the PDOSD</i>		
DR	GENERAL ACCOUNT OF REVENUE	3612888
CR	BANK ACCOUNT: DOM	813888
<i>The surrender of the interest to the NDOSD in the general ledger of the PDOSD</i>		

25. Recording transfer of conditional grants from NDOSD into the CPD account and transfer to the PDOSD:

	BAS Account Name	Segment Number
DR	INVESTMENT ACCOUNT	816889
CR	CONDITIONAL GRANTS	5889
<i>Recording the money deposited in the CPD account in the general ledger of the PRF</i>		
DR	CONDITIONAL GRANTS TRANSFERS	336889
CR	INVESTMENT ACCOUNT	816889
<i>Transfer of funds from the CPD account into the PMG 2 OR transfer of the excess in the account at 31 March 2006 to the PMG2</i>		

26. Surrender of non-committed funds to the NDOSD:

	BAS Account Name	Segment Number
DR	BANK ACCOUNT: DOM	813888
CR	FUND REQUISITION ACCOUNT: DOM	822888
	OR	
	EXCHEQUER GRANT ACCOUNT CL	5360888
<i>Recording the money deposited into the PMG 2 account. If the funds were requested the fund requisition account is credited. Where the money was not requested but transferred from the CPD the exchequer grant account is credited</i>		
DR	EXCHEQUER GRANT ACCOUNT CL	5360888
CR	BANK ACCOUNT: DOM	813888
<i>Money surrendered to the NDOSD</i>		

27. Accounting for bank charges incurred on the PMG 2 accounts:

	BAS Account Name	Segment Number
DR	BANK CHARGES&CARD FEES COMMERCIAL BANK	1113888
CR	BANK ACCOUNT: DOM	813888
<i>Bank charges incurred on the PMG 2 account</i>		

REQUESTS FOR ROLLOVERS:

28. The normal rules relating to requests for rollovers in terms of the Treasury Regulations 6.4 and 6.6 will apply to conditional grants. This provision should be read in conjunction with Section 36(2) of the Division of Revenue Act, 2005.

29. In instances where the provincial treasury and national transferring officer deem it necessary to request for rollovers in terms of Section 32(2) of the Division of Revenue Act, 2005, such a request must be substantiated by the necessary supporting documentation. Requests for rollovers must be submitted to the National Treasury in line with the timeframes identified in Treasury Regulation 6.4.2.

NON-SOCIAL SERVICES CONDITIONAL GRANTS:

30. Although this Practice Note focuses more specifically on the two Social Development Conditional Grants for illustrative and compliance purposes, the principals contained in this Practice Note, also apply to all schedule 5 conditional grants contained in the

Division of Revenue Act, 2005 and supporting gazettes published during the current financial year.

CONCLUSION:

31. 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, 2005 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. 27487 on 14 April 2005).
32. It is important to note that the approach outlined for the performance evaluation above is consistent with the "Proposal and Implementation Plan for a Government-Wide Monitoring and Evaluation System" published by the Presidency during September 2005.

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