CIGFARO *m*SCOA NATIONAL WORKSHOP

ITEM 7.2

How to report on Grants in *m*SCOA

PRESENTED BY:

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national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

NDP 2030

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OBJECTIVE OF THE SESSION

- To provide guidance on the treatment of Conditional Grants in *m*SCOA
- Provide guidance on rollovers

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BACKGROUND

- Section 71 (1) of the MFMA prescribes monthly grant receipts and spent must be reported.
- Supported by Section 11(2) of the DoRA
  - Unspent grants may be recalled by the Treasury.
  - The spending of grants should be prioritised for service delivery
  - Unspent conditional allocations reverts back to the National Revenue Fund , unless the rollover of the allocation is approved
  - The roll over applications process is provided in the MFMA Budget Circulars.

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CRITERIA FOR ROLL OVER OF CONDITIONAL GRANTS

1. A formal letter to National Treasury to request rollover in terms of section 22(2) of the 2020 DoRA
2. A list of all projects linked to unspent grants and breakdown of spent per project
3. Evidence of commencement
    a) Proof of appointment of contractor before 31 March
    b) Proof of tender and tenders submissions published and closed by 31 March with appointment of contractor / service provider for delivery before 30 June in cases where additional funding was allocated during the final year of the project
    c) Incorporation in the Appropriation statement
    d) Evidence that all project linked to an allocation will be fully utilised by 30 June 2022

4. Progress report on the status of each project

5. Value of committed project funding and the condition allocation from fund source

6. Reasons why the grants were not fully spent as per DoRA

7. Rollover of rollovers will not be considered

8. An indication of the time required to spend the funds

9. Proof of Municipal Manager and CFO are permanently appointed

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ADDITIONAL CONSIDERATIONS

- Compliance with in year reporting requirements Sections 71 & 72 including MM & CFO sign off on information sent to NT
- Submission of pre-audited ASF by 31 August 2021
- Accurate disclosure of grant performance in 2020/21 pre-audited AFS
- Full compliance to DoRA to verify grant expenditure
- Rollover money must be Cash backed

- Circumstances where roll over will be NOT be approved
  - If application is > 50 % of allocation for 2020/21
  - Rollover request for the same grant for the third consecutive year
  - If rollover will be utilised as funding for a Regulation 32 of the SCM regulations
  - A portion of an allocation where proof of commitment is linked to invoices issued before 31 May 2021

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ROLL OVERS

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PROBLEM STATEMENT

- Since 2009 Municipalities have been reporting on grants in excel.
- The *m*SCOA business process indicate that Munis must modernise the grant reporting and it must be integrated to / be generated from the core financial system.
- The grant reporting must balance back to AFS reporting.
- Munis used the Expenditure and Asset votes that excluded VAT resulting in differences in amounts reported as spent.
- GRAP 23 is not applied
- Unspent GRANTS in the ITEM Liabilities can provide the balance of the Unspent grant - If the accounting is done timeously.

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ACCOUNTING FOR GRANTS

- Grant must be budgeted and transacted in accordance with the Grant Framework.
- Receipt of grant
  - When budgeting for the operational portion of a capital grant it must be **determined** during budget process.
  - How will this grant be receipted and spend
- Spending of grant
  - Use grant fund correctly
  - Transfer the full amount spent to Revenue from Liability when the condition was met.
- Reporting the Liability correctly
  - Opening balance, receipt of grant, transferred when conditions met and repayment of unspent grant if rollover was not allowed.

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GRAP 23 TREATMENT

- There is different accounting treatment for Conditional and Unconditional Grants
- Capital or Operational Grant? : Refer to Grant conditions
- When Grant Conditions is MET - TRANSFER THE FULL COST (Including VAT and Retention)

Unspent grant : MIG		Revenue : MIG	
Transfer ✘			Transfer ✘

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RECEIPTING OF TRANSFERS AND SUBSIDIES: UNCONDITIONAL

Segment	Debit	Credit
Project	Default	Default
Function	Finance: Core: Finance	Finance: Core: Finance
Item	IA: Current assets : Cash and cash equivalents: Cash at Bank: Bank Account: Specify: **Deposits**	Item: Revenue: Non-exchange Revenue: Transfers and Subsidies: Operational: Monetary Allocations: National Revenue Fund: Equitable share
Funding	Fund: Operational : General Revenue: Equitable share	Fund: Operational : General Revenue: Equitable share
Region	Head Office and Administration	Head Office and Administration
Costing	Default	Default

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RECEIPTING OF TRANSFERS AND SUBSIDIES: OPERATIONAL, CONDITIONAL

Segment	Debit	Credit
Project	Default	Default
Function	Finance: Core: Finance	Finance: Core: Finance
Item	IA: Current assets : Cash and cash equivalents: Cash at Bank: Bank Account: Specify: **Deposits**	Item Liabilities: Current Liabilities: Trade and Other Payable Non-Exchange Transactions: Transfers and Subsidies **Unspent**: Operational: Monetary Allocations: National Government: Municipal Infrastructure Grant: **Receipts**
Funding	Fund: Operational: Transfers and Subsidies: Monetary Allocations:National Government: Municipal Infrastructure Grant	Fund: Operational: Transfers and Subsidies :Monetary Allocations:National Government:Municipal Infrastructure Grant
Region	Head Office and Administration	Head Office and Administration
Costing	Default	Default

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RECEIPTING OF TRANSFERS AND SUBSIDIES: CAPITAL, CONDITIONAL

Segment	Debit	Credit
Project	Default	Default
Function	Finance: Core: Finance	Finance: Core: Finance
Item	IA: Current assets : Cash and cash equivalents: Cash at Bank: Bank Account: Specify: **Deposits**	Item Liabilities: Current Liabilities: Trade and Other Payable Non-Exchange Transactions: Transfers and Subsidies **Unspent**: Capital: Monetary Allocations: National Government: Municipal Infrastructure Grant: **Receipts**
Funding	Fund:Capital:Transfers and Subsidies: Monetary Allocations:National Government:Municipal Infrastructure Grant	Fund:Capital:Transfers and Subsidies :Monetary Allocations:National Government:Municipal Infrastructure Grant
Region	Head Office and Administration	Head Office and Administration
Costing	Default	Default

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SPENDING OF CAPITAL TRANSFERS AND SUBSIDIES on CONSTRUCTION OF ASSETS

Segment	Debit	Credit
Project	PC: Infrastructure: New: Roads Infrastructure: Roads	PC: Infrastructure: New: Roads Infrastructure: Roads
Function	Road Transport: Core Function: Roads	Road Transport: Core Function: Roads
Item	IA: Non-current assets: Construction work in progress: Acquisitions: Outsourced.	IL: Current liabilities: Trade and other payables Exchange transactions: Payables and accruals: **Contractors: Deposits**
Funding	Fund:Capital:Transfers and Subsidies: Monetary Allocations :National Government: Municipal Infrastructure Grant	Fund:Capital:Transfers and Subsidies : Monetary Allocations: National Government: Municipal Infrastructure Grant
Region	Ward 2	Ward 2
Costing	Default	Default

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SPENDING OF TRANSFERS AND SUBSIDIES - AMOUNT

- How is the amount determined
- The full amount that is accrued to the Supplier must be transferred to reduce the Unspent Grant.
- If the vendor charge VAT this input Tax portion must be included in the amount deducted from the GRANT.

- The amounts spent must be recognised monthly to ensure the GRANT reporting reflects the status of the unspent grant at any given time.

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PAYMENT OF SUPPLIERS

Segment	Debit	Credit
Project	PC: Infrastructure: New: Roads Infrastructure: Roads	PC: Infrastructure: New: Roads Infrastructure: Roads
Function	Road Transport: Core Function: Roads	Road Transport: Core Function: Roads
Item	IL: Current liabilities: Trade and other payables Exchange transactions: Payables and accruals: **Contractors:** Withdrawals	IA: Current assets : Cash and cash equivalents: Cash at Bank: Bank Account: Specify: **Withdrawals**
Funding	Fund:Capital:Transfers and Subsidies: Monetary Allocations :National Government: Municipal Infrastructure Grant	Fund:Capital:Transfers and Subsidies : Monetary Allocations: National Government: Municipal Infrastructure Grant
Region	Ward 2	Ward 2
Costing	Default	Default

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RECOGNISING OF TRANSFERS AND SUBSIDIES AS REVENUE (GRANT REALISATION)

Segment	Debit	Credit
Project	Default	Default
Function	Finance: Core: Finance	Finance: Core: Finance
Item	Item Liabilities: Current Liabilities: Trade and Other Payable Non-Exchange Transactions: Transfers and Subsidies **Unspent**: Capital: Monetary Allocations: National Government: Municipal Infrastructure Grant **Transfer to revenue/Capital expenditure**	Item: Revenue: Non-exchange Revenue: Transfers and Subsidies: Capital: Monetary Allocations: National Government: Municipal Infrastructure Grant
Funding	Fund: Capital: Transfers and Subsidies : Monetary Allocations: National Government: Municipal Infrastructure Grant	Fund: Capital: Transfers and Subsidies: Monetary Allocations: National Government: Municipal Infrastructure Grant
Region	Head Office and Administration	Head Office and Administration
Costing	Default	Default

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REPAYMENT OF TRANSFERS & SUBSIDIES

Segment	Debit	Credit
Project	Default	Default
Function	Function:Finance and Administration: Core: Finance	Function:Finance and Administration: Core: Finance
Item	Item Liabilities: Current Liabilities: Trade and Other Payable Non-Exchange Transactions: Transfers and Subsidies **Unspent**: Capital: Monetary Allocations: National Government: Municipal Infrastructure Grant: **Repayment of Unspent Grant**	IA: Current assets : Cash and cash equivalents: Cash at Bank: Bank Account: Specify: **Withdrawals**
Funding	Fund: Capital: Transfers and Subsidies: Monetary Allocations: National Government: Municipal Infrastructure Grant	Fund: Capital: Transfers and Subsidies: Monetary Allocations: National Government: Municipal Infrastructure Grant
Region	Head Office and Administration	Head Office and Administration
Costing	Default	Default

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OFFSET OF TRANSFERS & SUBSIDIES

Segment	Debit	Credit
Project	Default	Default
Function	Function:Finance and Administration: Core: Finance	Function:Finance and Administration: Core: Finance
Item	Item Liabilities: Current Liabilities: Trade and Other Payable Non-Exchange Transactions: Transfers and Subsidies **Unspent**: Capital: Monetary Allocations: National Government: Municipal Infrastructure Grant: **Repayment of Unspent Grant**	Item: **Revenue:** Non-Exchange Revenue: Transfers and Subsidies: Operational: Monetary Allocations: National Revenue Fund: **Equitable share**
Funding	Fund: Capital: Transfers and Subsidies: Monetary Allocations: National Government: Municipal Infrastructure Grant	Fund: Operational : General Revenue: Equitable share
Region	Head Office and Administration	Head Office and Administration
Costing	Default	Default

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UNAUTHORISED, IRREGULAR AND WASTEFUL EXPENDITURE

- **No spending** should be incurred against a rollover as at year end.

- If roll over not approved
  - The grant must be paid back the money or the balance of the outstanding grant will be off set against the Equitable share.
- Roll over approved
  - Once a rollover is approved by the National Treasury the budget should be amended as per the MBRR.
  - A section 8.2 Adjustment budget should be adopted by Council.

- Now spending can occur against the grant.
- Until approved Council must use alternative funding

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SUMMARY

- Plan to spend and Spend as planned.
- Municipalities must focus on the 100% spending of grants
- Transfer to Revenue the total spend
- Apply for rollovers in the provided format. Conditions are provided
- Amend Budget with Approved rollover
- If Grant were taken back ensure accounting is done to clear the liability

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THANK YOU

vulekamali@
SA Online Budget Data

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provincial budgets, please visit our new budget
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national treasury
Department:
National Treasury

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