

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

Circular No 3 of 2016

Our Ref: CF/40/30/63/A V5

06 June 2016

From: Financial Secretary

To: Supervising Officers-in-Charge of Ministries/Departments and Accounting Officers

FINANCIAL MANAGEMENT KIT (FM KIT)

Financial Instructions No 1 of 2016 – Carry-Over of Capital Expenditure

In March 2015, the Finance and Audit Act was amended to provide for the possibility for Ministries to carry-over unspent capital expenditure to a period not exceeding 3 months in the following fiscal year without the need for further appropriation by the National Assembly, but subject to such limitations and conditions as may be specified in financial instructions. The purpose of this circular is to inform you of those limitations, conditions and procedures applicable.

2. These are spelt out in the enclosed Financial Instructions No 1 of 2016 – Carry-Over of Capital Expenditure.

3. The main provisions are as follows:

(a) *Scope of carry-over provisions*

Carry-over will apply to capital expenditure appropriated by the National Assembly in respect of capital projects being undertaken by Central Government, Local Authorities, Rodrigues Regional Assembly, or a statutory body or public enterprise, which is partly or wholly funded by Government.

(b) *Criteria for eligibility of Carry-over*

Capital expenditure will be eligible for carry-over provided that the sum is used for the same purpose as the initial appropriation, and that there is reasonable certainty that the sum will not be disbursed by the end of the fiscal year of appropriation but within 3 months after the end of the year.

(c) *Application for Carry-over*

Ministries/Departments will have to submit their requests for carry-over to MOFED not later than two months before the end of the fiscal year or by such other date as MOFED may from time to time determine.

(d) *Approval for Carry-over*

All requests for carry-over will have to be assessed and approved by MOFED.

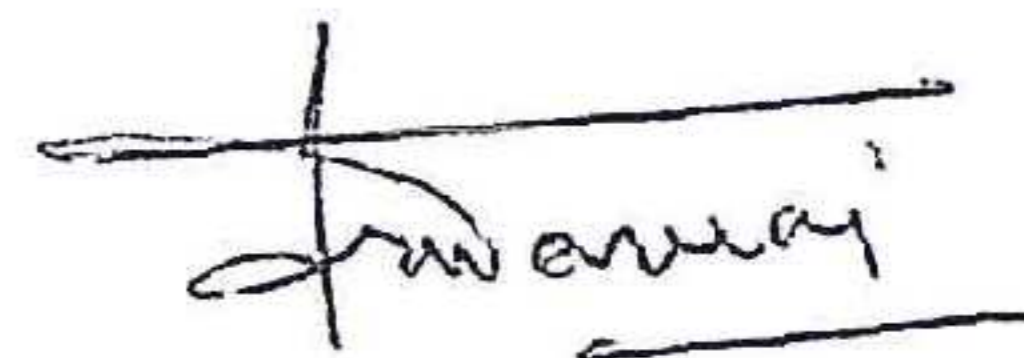
(e) *Recording and Accounting for Carry-over*

Expenditure incurred under carry-over will be accounted for in the year in which the funds were appropriated and not in the year in which the funds were spent.

(f) *Reporting of Carry-over*

A consolidated list of carry-overs will have to be tabled by MOFED in the National Assembly, as soon as possible after the closing of accounts by the Accountant-General.

4. For this fiscal year, the deadline for submission of requests for carry-over is **exceptionally 15th of June 2016**.
5. The Financial Instructions No. 1 of 2016 – Carry-Over of Capital Expenditure will be included in the Financial Management Kit Volume II – General Financial Procedures.
6. You are requested to ensure compliance with the enclosed Financial Instructions No 1 of 2016 – Carry-Over of Capital Expenditure.



**D.D. Manraj, GOSK
Financial Secretary**

Copy to:

- (i) Secretary to Cabinet and Head of the Civil Service
- (ii) Director of Audit
- (iii) Accountant-General
- (iv) Directors, Economic and Finance, MOFED
- (v) Director, Financial Operations
- (vi) Director, Procurement & Supply
- (vii) Director, Internal Control
- (viii) Officers-in-Charge of Financial Operations Unit, Procurement & Supply Unit and Internal Control Unit in Ministries/Departments
- (ix) Lead Analyst & SMSTs, MOFED

Financial Instructions No 1 of 2016

Carry-Over of Capital Expenditure

Provision of the Finance and Audit Act

1. Section 3A of the Finance and Audit Act provides that where an amount has been appropriated by the National Assembly for the purpose included in an item of capital expenditure for a fiscal year and the amount earmarked for a project has not already been fully incurred or reallocated to any other item of capital expenditure at the end of that fiscal year, the balance of the provision earmarked for that project may be carried over to a period not exceeding 3 months in the following fiscal year without the necessity for further appropriation by the National Assembly but shall be subject to such limitations and conditions as may be specified in financial instructions issued under section 22 of the Finance and Audit Act.

General Principles Governing Carry-Over

2. The main objective of carry-over is to improve public expenditure efficiency by facilitating the transition between two fiscal years, whilst ensuring adherence to sound budgeting, management and accounting practices. Carry-over aims at enabling the use of certain unspent capital expenditure appropriation beyond the fiscal year for which it was originally granted without the need for re-appropriation in the following year, particularly in cases where procurement processes straddle over two fiscal years.
3. A carry-over is not a means for compensating bad planning or inefficient budget execution. In particular, the possibility of carrying over capital expenditure should not be perceived as an authority to initiate the process for the acquisition of an asset beyond a fiscal year of appropriation.
4. Carry-over funds may only be used for the same purpose as the initial appropriation and no virement is allowed between capital expenditures carried-over.

Scope of Carry-Over Provision

5. For the purposes of the carry-over provisions, capital expenditure means any amount appropriated by the National Assembly in respect of capital projects undertaken by:-
 - (a) Central Government;
 - (b) Local Authorities;
 - (c) Rodrigues Regional Assembly; or
 - (d) a statutory body or public enterprise, which is partly or wholly funded by Government.

6. Accordingly, carry-over of capital expenditure can apply only to expenditure under the following expenditure categories:-
 - (a) Acquisition of non-financial assets (Expenditure Category 31);
 - (b) Acquisition of financial assets (Expenditure Category 32);
 - (c) Capital grants (Expenditure Category 26); and
 - (d) Capital transfers (Expenditure Category 28).

Criteria for carry-over

7. Any unspent budgetary provision earmarked in respect of a project may, subject to the approval of MOFED, be carried-over provided the following criteria are met:-
 - (a) the amount to be carried over will be used for the same purpose as the initial appropriation; and
 - (b) the amount relates to expenditure committed by the executing agency under a contract or agreement and there is reasonable certainty that:-
 - (i) it will not be disbursed by the end of the fiscal year of appropriation; and
 - (ii) it will be disbursed within 3 months after the end of the fiscal year of appropriation.

Application for Carry-Over

8. Requests for carry-overs should be forwarded to MOFED not later than two months before the end of the fiscal year or by such other date as MOFED may from time to time determine. Indications about capital expenditure that could be subject to a carry-over should be provided to MOFED along with the budget proposals of the Ministry/Department for the following fiscal year.
9. Requests for carry-overs should be signed by the Accounting Officer.
10. Accounting Officers should submit their requests for carry-over of capital expenditure to MOFED (Finance Form 16 at Annex I) and should, inter alia:-
 - (a) state the purpose (project) for which the funds were appropriated;
 - (b) provide the reasons why the funds would not be spent in the year of appropriation;
 - (c) indicate when:-
 - (i) the works are expected to be executed and certified for payment, or the asset (financial or non-financial) is expected to be acquired; and
 - (ii) the payment is expected to be made, with a disbursement schedule, if applicable.

Approval of Carry-Over

11. When assessing whether or not a capital expenditure may be carried over, MOFED will take the following into consideration:-
 - (a) whether it is considered necessary in the best interest of public finance management;
 - (b) the magnitude of the amount involved ;
 - (c) whether the amount can be accommodated in the following year's budget; and
 - (d) the effect of the carry-over on the closing of the accounts by the Accountant-General.

12. Approval of MOFED will be conveyed to the Accountant-General through Carry-Over Warrants (Finance Form 17 at Annex II), with copy to the Department concerned, the Director of Audit and the Clerk of the National Assembly.

Recording and Accounting for carry-over

13. Carry-overs would normally apply in the following two situations:-

- (a) where an asset is acquired (for instance, delivery of works, goods or services) in the year of appropriation, but payment is expected to be made after the year end; or
- (b) where an asset is expected to be acquired and payment effected after year end.

14. Expenditure in the case of 13(a) above would be accounted for under the accrual basis, that is, in the year of appropriation. Expenditure in the case of 13(b) above, though not strictly an accrual, would also be accounted for in the year of appropriation. Accounting for a capital expenditure in the year of appropriation means charging that expenditure to the relevant item in the year of appropriation itself and not in the year of disbursement.

15. After the year end, all capital expenditures carried-over will be accounted for by the Accountant-General through Adjustment Vouchers on the basis of Carry-Over Warrants obtained from MOFED.

16. Payments (in the year of disbursement) in respect of capital expenditure carried over should continue to be effected by Departments through Accounts Form 232 (Other Charges Form). The account to be debited should however be "Accounts Payable – Carry-Over", instead of the capital expenditure item.

Reporting of Carry-Over

17. A consolidated list of carry-overs should be tabled in the National Assembly by MOFED for information, as soon as possible after the closing of accounts by the Accountant-General.

GOVERNMENT OF MAURITIUS

**Application for Carry-Over of Provisions
Financial Year Ending 30 June 20.....
(Carry-Over No.... of 20.....)**

From: Accounting Officer

(File reference)

Department:

To: Financial Secretary, Ministry of Finance and Economic Development

I hereby apply for carry-over sanction as detailed below:

Vote	
Item of Capital Expenditure	
Description of Item	
Original Estimates (Rs)	
Total Provisions after virement (Rs)	
Balance unspent as at date (Rs)	
Amount applied for carry-over (Rs)	

Reasons for Carry-Over*

- Contract already awarded but goods are not expected to be delivered before year end.
- Contract already awarded but works/services are not expected to be completed and certified before year end.
- Works/services will be completed before year end but are expected to be certified after year end.
- Goods will be delivered before year end but commissioning are expected to be effected after year end.
- Others. Please specify.....

A memorandum explaining the reason(s) stated above should be attached.

I hereby certify that there is reasonable certainty for the amount applied for carry-over to be disbursed not later than 30 September 20.....

Expected date(s) of payment: (Attach disbursement schedule where applicable)

Name Title

Signed Date

Accounting Officer

MOFED Approval

(to be filled in by Department for records)

MOFED Carry-Over Warrant No of (date)

* Please tick as appropriate

GOVERNMENT OF MAURITIUS

CARRY-OVER WARRANT

No. ... of 20.....

To:

THE ACCOUNTANT-GENERAL,

The sums set out in the attached schedule are hereby approved for carry-over.

2. In accordance with paragraph 12 of Financial Instructions No 1 of 2016, you should now make the appropriate accounting adjustment in the Treasury Accounting System (TAS) and notify the Account Officer(s) concerned.

Signed:

Financial Secretary

Date:

*Copy to: Director of Audit
Accounting Officer
Clerk, National Assembly*