



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Accounting Manual for Departments

Revenue

Chapter Content

1	Overview	4
2	Key Learning Objectives	4
3	Scope	5
4	Revenue.....	5
	4.1 General	5
	4.2 “Conduit” arrangements.....	6
	4.3 Exchange vs. non-exchange transactions.....	8
5	Revenue Types.....	10
6	Recognition and Measurement of Revenue	11
	6.1 General	11
	6.2 Annual and statutory appropriations.....	12
	6.2.1 Voted funds	12
	6.2.2 Conditional grants	18
	6.2.3 Statutory appropriations	18
	6.3 Departmental revenue	19
	6.3.1 Tax revenue	21
	6.3.2 Sale of goods and services (excluding capital assets)	22
	6.3.3 Transfers received (including gifts, donations and sponsorships)	24
	6.3.4 Fines, penalties and forfeits	25
	6.3.5 Interest, dividends and rent on land	25
	6.3.6 Sale of capital assets	26
	6.3.7 Transactions in financial assets and liabilities	26
	6.4 Aid assistance.....	28
	6.4.1 Accounting for money received from the RDP Fund	28
	6.4.2 Accounting for CARA Funds received	33
	6.5 Accounting for money received from SETA	34

7	Disclosures	34
8	Summary of Key Principles.....	36
	8.1 Exchange vs. non-exchange transactions.....	36
	8.2 Recognition and measurement in general.....	36
	8.3 Annual appropriation	36
	8.4 Statutory appropriation	37
	8.5 Departmental revenue	37
	8.6 Aid assistance.....	37





1 Overview

The purpose of this Chapter is to provide guidance on how to identify and account for different types of revenue.

The Office of the Accountant-General compiles a Modified Cash Standard (MCS), this manual serves as an application guide to the MCS which should be used by departments in the compilation of their financial statements.

Any reference to a "Chapter" in this document refers to the relevant chapter in the MCS and / or the corresponding chapter of the Accounting Manual.

Explanation of images used in manual:

	Definition
	Take note
	Management process and decision making
	Example

2 Key Learning Objectives


- Understanding the different types of revenue
- Understand the accounting entries for revenue transactions

3 Scope

The Chapter on Revenue in the MCS, and consequently this guide applies to the accounting for revenue for the purposes of primary financial information.

4 Revenue


4.1 General

	<p>Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to capital contributions to net assets.</p>
---	---

In the modified cash environment, revenue is accounted for in the period in which the monies are received and not in the period in which the underlying transaction or event occurred that gave rise to the revenue.

Revenue in the statement of financial performance comprises only of amounts received by the department on its own account or from funds allocated by Parliament/Provincial Legislature. Amounts collected as an agent of the government or other third parties will not give rise to an increase in net assets or revenue of the agent. This is because the agent entity cannot control the use of, or otherwise benefit from, the collected assets in the pursuit of its objectives. Further guidance on agency-principal relationships is included in the *Chapter on Accounting by Principals and Agents*.

When a department incurs some cost in relation to revenue arising from a transaction, the revenue is the **gross** inflow of future economic benefits or service potential, and any outflow of resources is recognised separately as a cost of the transaction.

	<p>Example: Recording the gross revenue</p> <p>Department ABC has budgeted R400 000 for the purchase of a new vehicle for the Minister. They have decided to buy a new Audi for R400 000 and to trade-in the Minister's fully depreciated old vehicle for R100 000.</p> <p>Based on the principles above, the transactions should be recognised separately and on a gross basis in Department ABC's books.</p> <ul style="list-style-type: none"> • The trade in amount received for the old vehicle is a sale of capital assets and therefore is classified as Departmental revenue. • The purchase of the new asset (Audi) is a payment for a capital asset and classified under Expenditure for capital assets. <p>These transactions, although made with the same supplier, should not be recognised on a net basis. They must be shown as follows:</p> <table> <tr> <td colspan="2">Revenue</td></tr> <tr> <td>Departmental revenue</td><td>R100 000</td></tr> <tr> <td colspan="2">Expenditure for capital assets</td></tr> <tr> <td>Tangible assets</td><td>R400 000</td></tr> </table>	Revenue		Departmental revenue	R100 000	Expenditure for capital assets		Tangible assets	R400 000
Revenue									
Departmental revenue	R100 000								
Expenditure for capital assets									
Tangible assets	R400 000								

It is important to note that although revenue should be recognised on a gross basis, this can only be done if the gross amount has actually been received.

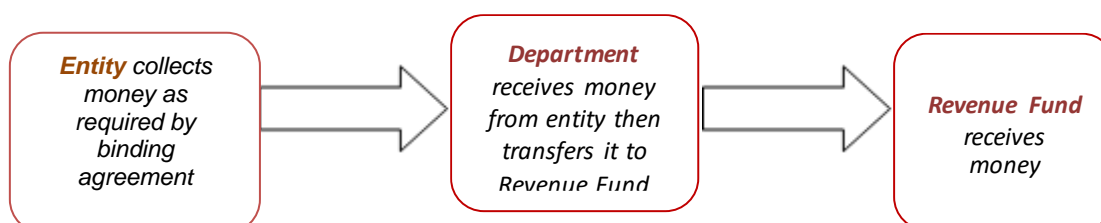
The departments are not allowed to account for revenue on a net basis. The **Chapter on Financial Statements Presentation** states that offsetting is not allowed unless allowed by another chapter in the MCS or legislation. It is important that revenue is presented fairly so that the users are given useful information on which to base their appraisal of revenue. Offsetting can detract the ability of users to understand the transactions, other events and conditions that have occurred.

According to the **Chapter on Cash Flow Statement** a department shall report separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities, except to the extent that cash flows described in paragraphs .21 and .24 of the Chapter are reported on a net basis. Therefore the default position is for departments to use the gross amount.

Departments must however consider the accounting policies for the recognition of revenue and expenditure in the statement of financial performance (i.e a department cannot recognise revenue that it has not received or expenditure that it has not paid for). The department may record revenue on a net basis only in rare circumstances where it was appropriate to include such terms in a binding arrangement with the counterparty and the departments receive the net.

4.2 “Conduit” arrangements

A binding arrangement, which includes legislation, may require that money collected by the department's entity (or another department) be transferred to the department that will in turn transfer the money to the Revenue Fund. Once the money is received by the department it is transferred to the Revenue Fund. Therefore at the end of the financial year, the amount might not be shown in the AFS of the department. To enhance accountability and transparency a department that has this arrangement should show the details of the amount received from the entity by completing a sub-note to the Departmental Revenue Note to the financial statements. The amount should not be included in the total amount of departmental revenue unless the department can demonstrate that it meets the definition of departmental revenue. The Revenue Fund also requires these details when preparing financial statements to enhance accountability and transparency.



The note on “Cash received not recognised (not included in main-note)” should be completed. The amounts included do not roll-up to the main note on Departmental Revenue. The name of the entity, amounts received from the entity and the amounts paid over to the Revenue Fund by year end should be furnished. Comparative information relating to the arrangement should be provided along with any other pertinent details.

Where a department has such an arrangement/s with more than one entity, the department should specify the name of each entity and the total amount received from each entity then paid over to the Revenue Fund.

The amount not yet paid over to the revenue fund at year-end, should be included in the note Payables – current, sub-note “Other payables”. A narrative providing details of the amount will also need to be included in this payables note.

A principal-agent disclosure need not be completed for this type of arrangement unless the department can demonstrate that there is a principal-agent arrangement.

Notwithstanding the above, departments should assess the binding arrangement/s' terms and conditions. Where an entity collects money on behalf of the department as required by binding arrangement/s, such money could be departmental revenue and principal-agent disclosure would be required.

This does not apply to Transfers received. Transfers received are dealt with under 6.3.3 below.

Example: Cash received not recognised


Public Entity X surrendered R560 000 which is money collected in line with its mandate to the Revenue Fund. In line with legislation, the surrender to the revenue fund has to be done via Department Y which is in the same portfolio of Public Entity X's Minister. Once Department Y received the money, it transferred it to the Revenue Fund. Public Entity X only started its operations in 20YY/ZZ financial year.

Disclosure in the Departmental Revenue sub-note

Cash received not recognised (*not included in the main note*)

Name of entity	Amount received	20YY/ZZ Amount paid to the revenue fund	Balance
	R'000	R'000	R'000
Public Entity X	560	560	-
Total	560	560	-

There may be instances where the Treasury has to refund an entity. If the refund relates to money collected initially collected by an entity and not transfers then the same process as stated above should be applied. This means that the department will complete the "cash received not recognised" note with the amounts in brackets without netting off the amount initially received and surrendered to the Revenue Fund. It will be useful to add a narrative to explain the amount surrendered to the Revenue Fund then refunded.



Example: Cash received not recognised with refund


Public Entity X surrendered R560 000 which is money collected in line with its mandate to the Revenue Fund. In line with legislation, the surrender to the revenue fund has to be done via Department Y which is in the same portfolio of Public Entity X's Minister. Once Department Y received the money, it transferred it to the Revenue Fund. Public Entity X only started its operations in 20YY/ZZ financial year. In the same financial year Treasury refunded Public Entity X R90 000 via Department Y


Disclosure in the Departmental Revenue sub-note
Cash received not recognised (*not included in the main note*)

Name of entity	Amount received	20YY/ZZ Amount paid to	Balance
-----------------------	------------------------	-----------------------------------	----------------

	the revenue fund		
	R'000	R'000	R'000
Public Entity X	560	560	-
Public Entity X	(90)	(90)	-
Total	<u>560</u>	<u>560</u>	<u>-</u>
<p>Department Y received R560 000 from Public Entity X for..... Department Y surrendered R560 000 to the Revenue Fund. On dd/mm/20ZZ Department Y received R90 000 refund by the Treasury to Public Entity X from the Revenue Fund. Department Y immediately transferred R90 000 to Public Entity X.</p>			


4.3 Exchange vs. non-exchange transactions

	<p>Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.</p>
--	---


	<p>Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.</p>
---	---


In an exchange transaction, **equal value** is exchanged in return for the receipt or supply of goods or services.

In a non-exchange transaction, the value in exchange for the receipt or supply of goods or services are **not equal**, e.g. one is less or more than the other, or **nothing** is given in exchange.

	<p>Example: Exchange vs. non-exchange transactions</p> <p>Department ABC is allocated R3.15 billion for the 20x2 financial year. These are voted funds that form part of its annual appropriation. Such a transaction is a non-exchange transaction since Department ABC will not give anything in return of equal value, but will use the funds to carry out its mandate.</p> <p>The sale of goods is normally classified as an exchange transaction. If, however the transaction is conducted at a subsidised price, that is, a price that is not approximately equal to the fair value of the goods sold, that transaction falls within the definition of a non-exchange transaction. In determining whether <i>the substance of a transaction</i> is</p>
---	---

	that of a non-exchange transaction or an exchange transaction, professional judgement is often required.
--	--

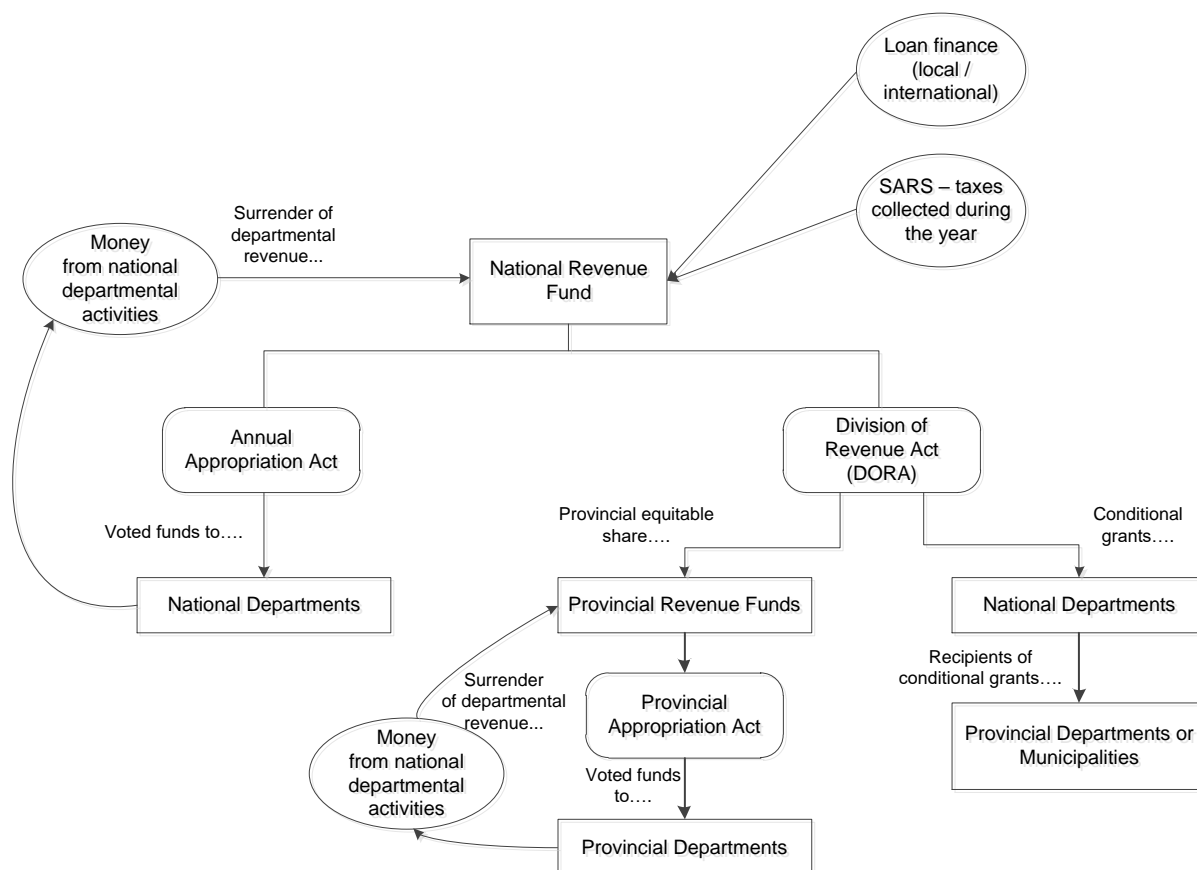
	<p>Example: Substance of a transaction</p> <p>Department LMN sells tables at R1000 per table and if 10 or more are bought, the customer will pay only R850 per table.</p> <p>Sale of goods at R1000 per table is normally classified as an exchange transaction, however if the transaction is conducted at a subsidised price of R850, thus a price that is not approximately equal to the fair value of the goods, then the transaction usually falls within the definition of a non-exchange transaction.</p> <p>However in situations like these where trade / bulk discounts are given as part of the normal sales policy of the department, the substance of the transaction should be looked at and professional judgement exercised to decide whether this is an exchange or non-exchange transaction as these usually fall into an exchange transaction category.</p> <p>In this example, the substance of this transaction is that of a sale transaction where bulk discount is given for purchasing a certain minimum quantity of tables. The policy of the Department LMN is to grant the quantity (bulk) discounts, thus the transaction is an exchange transaction where the value of each table become R850.</p>
---	--

	<p>Trade discounts, quantity discounts or other reductions in quoted prices on assets do not mean that the transaction is a non-exchange transaction.</p>
---	---

5 Revenue Types

Revenue is generated from a number of sources. The largest source of revenue for departmental operations is from nationally raised funds, i.e. taxes and borrowings, which are appropriated to departments annually.

The diagram below illustrates how these funds are allocated to national and provincial departments:



The equitable share is the largest source of revenue allocated to provincial treasuries for appropriation among provincial departments. The equitable share is paid into the Provincial Revenue Fund in accordance with a payment schedule and the provincial treasury then redistributes the money, which is known as voted funds, to provincial departments according to provincial budget allocations and associated payment schedules.

Departments also generate revenue from their own sources such as from taxes, the issuing of licenses and the sales of goods / services. Examples of these include fees charged for the issuing of motor vehicle licenses, hospital fees collected from patients, proceeds from the sale of furniture produced by inmates at the Department of Correctional Services and commission earned on the administration of employee's insurance premiums.

Other relatively smaller sources of revenue include donor funding and services rendered by provincial departments on behalf of national departments.

In summary a department has the following types of revenue:

1. Annual appropriation
 - a. Voted funds
 - b. Conditional grants

-
2. Statutory appropriations
 3. Departmental revenue, which has the following sub-categories:
 - a. Taxation revenue
 - b. Sale of goods and services (excluding capital assets)
 - c. Transfers received (including gifts, donations and sponsorships)
 - d. Fines, penalties and forfeits
 - e. Interest, dividends and rent on land
 - f. Sale of capital assets
 - g. Transactions in financial assets and liabilities
 4. Aid assistance

The accounting and disclosure for each of these are dealt with in the sections below.

6 Recognition and Measurement of Revenue

6.1 General

A department recognises revenue (other than appropriated funds) in the statement of financial performance on the date that the **cash is received** and at the **amount received**.

A department generates revenue from exchange transactions through the sale of goods, the rendering of services or the earning of interest and dividends. The recording of the revenue from an exchange transaction coincides with the receipt of the funds from the recipient of the good and or services.


Taxes are defined as economic benefits compulsorily paid or payable to entities, in accordance with laws or regulation, established to provide revenue to government, excluding fines or other penalties imposed for breaches of laws or regulations. Similar to exchange revenue, amounts received from such non-exchanged transactions are recognised in the statement of financial performance when received.

Cash receipts arising from transactions in a foreign currency should be recognised in South African Rand by applying to the foreign currency amount the spot exchange rate between South African Rand and the foreign currency at the date of the receipt.

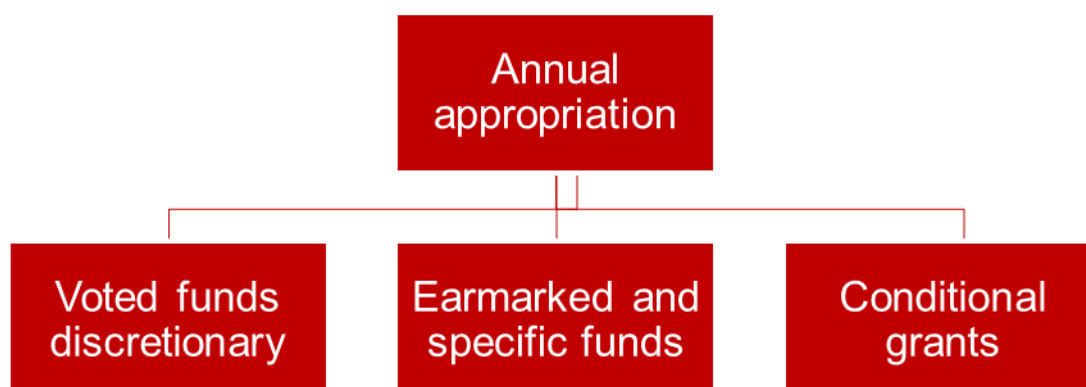
Appropriated funds are recognised in the financial statements on the date the **appropriation becomes effective**. Adjustments made in terms of the adjustments budget process are recognised in the financial statements on the date the adjustments become effective.

Transfers received can be in the form of appropriations and / or donations (also referred to as donor funding or aid assistance). Appropriations (and to some extent donor funding) comprise of grants to acquire or construct capital assets, funds for the furtherance of national and provincial government policy objectives and general allocations to fund the costs incurred by departments in supplying / rendering goods and or services. Transfers (other than appropriations) are usually from local or international donors and are received under terms and conditions as agreed between the department and the donor.

6.2 Annual and statutory appropriations

	<p>Appropriated funds comprise of departmental allocations as well as direct charges against the revenue fund (i.e. statutory appropriations).</p>
---	---

The main source of funding is from **annual appropriations** which consist of the following:



Voted funds discretionary are allocated through the annual appropriation by Parliament/Legislature per the Appropriation Act and the Adjusted Appropriation Act and are used to finance the annual operating activities of departments. Voted funds can be **discretionary** or “**earmarked and specific funds**”.

Earmarked and specific funds are items identified in the departmental allocation letters as earmarked funds, as well as amounts appropriated as “specifically and exclusively appropriated” in the Appropriation Act and the Adjusted Appropriation Act.

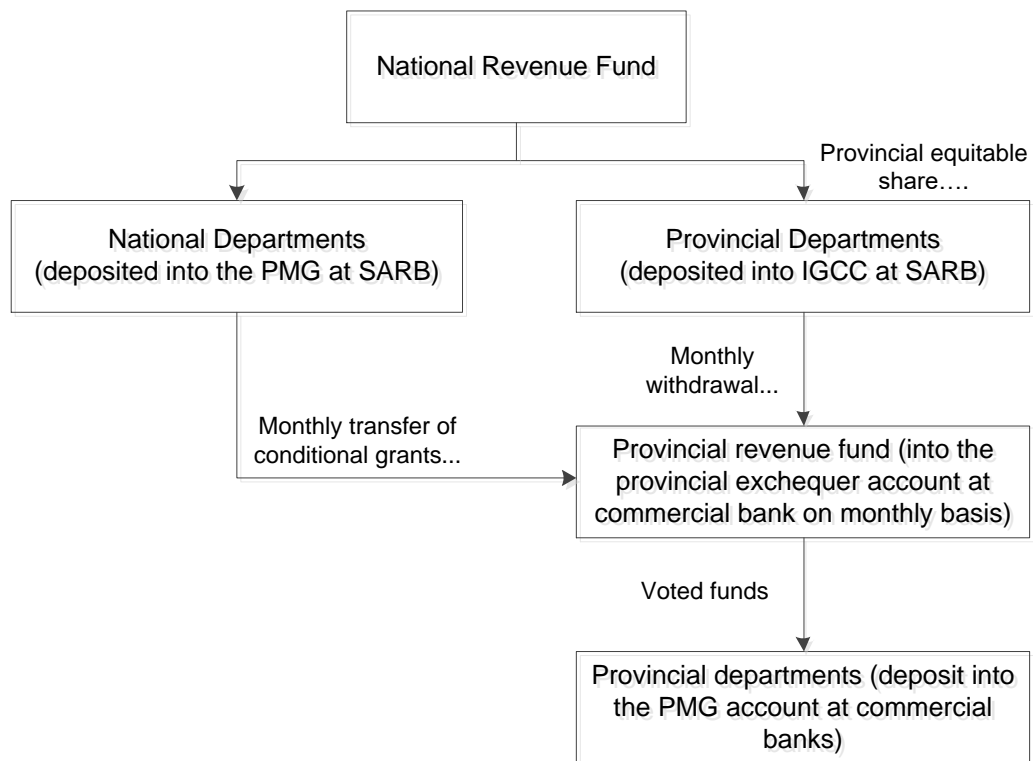
Conditional grants are allocations to provinces and municipalities from national government's share of nationally raised revenue, which are conditional on certain services being delivered or on compliance with specified requirements.

Any other expenditure not relating to “earmarked and specific funds” or “conditional grants” is recorded against “voted funds discretionary”.

6.2.1 Voted funds

Voted funds are the primary source of funds for a department and are appropriated by an act of Parliament / Provincial Legislature.

The actual flow of funds from the national to the provincial revenue fund is illustrated below:



The equitable share is paid into the Provincial Revenue Fund in accordance with a payment schedule and the provincial treasury then redistributes the money to provincial departments.



PMG account: Paymaster General Account
SARB: South African Reserve Bank
IGCC account: Intergovernmental Cash Coordination Account


The BAS accounting entries for the receipt and use of the department's **annually appropriated funds** are as follows:

Accounting entry at the beginning of the year

1. When the department knows what its allocation of funds* will be for the year, the following entry is processed:

Debit	Exchequer Grant Account
Credit	General Account of the Vote

*This transaction may also be processed at the time of the Adjustment Budget

	<p>The exchequer grant account informs the department of the funds available in the relevant revenue fund for withdrawal.</p> <p>The general account of the vote informs the department of the total funds available for a particular financial year.</p>
---	---

Accounting entries during the year

2. When the department requests the allocated funds in accordance with the monthly payment schedule, the following entry is captured:

Debit	Fund Requisition Account
Credit	Exchequer Grant Account

3. When the department receives the funds from the relevant Treasury, the following entry is captured:

Debit	Bank Account (department PMG account)
Credit	Bank Exception Account

4. The bank exception account, fund requisition account and bank adjustment account are cleared as follows:

Debit	Bank Exception Account
Credit	Bank Adjustment Account

and

Debit	Bank Adjustment Account
Credit	Fund Requisition Account



Note that **monthly reconciliations** should be performed to reconcile payments from the relevant Revenue Fund into the Departmental PMG Account. These reconciliations should be part of the department's routine internal control procedures.



Example: Voted funds

Department ABC is allocated R3.15 billion for the 2012/13 financial year. The amount will be transferred in equal instalments over the 12 month period (i.e. R262.5 million per month).

1 April 2012	Debit	Credit
	R	R
Exchequer Grant Account	3 150 000 000	
General Account of the Vote		3 150 000 000
Record Department ABC's total allocation on the 1 st of April		

Monthly	Debit	Credit
	R	R
Fund Requisition Account	262 500 000	
Exchequer Grant Account		262 500 000
Requesting funds according to the monthly payment schedule		

Monthly	Debit	Credit
	R	R
Bank Account (department PMG Account)	262 500 000	
Fund Requisition Account*		262 500 000
Requesting funds according to the monthly payment schedule		
<i>*For the purpose of this example the clearing of the bank exception and adjustment account are not shown</i>		

	At the end of April 2012, the balance on the exchequer grant is as follows:
	R'000
	Opening entry of the general account of the vote 3 150 000
	Fund requisition (262 500)
	Closing balance 2 887 500
	The balance of R2 887 500 000 represents the total appropriated funds still available to the department for withdrawal and spending.

Accounting entries at the end of the year


5. At the end of the financial year the exchequer grant account is credited with the balance of the general account of the vote:

Debit	General Account of the Vote
Credit	Exchequer Grant Account

6. Individual expenditure accounts are automatically* closed off to the exchequer grant account at year end:

Debit	Exchequer Grant Account
Credit	Relevant individual expenditure account

* These transactions are affected by a special authorised batch run for the March month-closure

	<p>Example: Voted funds (continued from previous example)</p> <p>Department ABC is allocated R3.15 billion for the 2012/13 financial year. The amount will be transferred in equal instalments over the 12 month period (i.e. R262.5 million per month). At the end of the financial year the department has spent the funds as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td><td style="text-align: right;">R'000</td></tr> <tr> <td>Annual appropriation</td><td style="text-align: right;">3 150 000</td></tr> <tr> <td>Current payments</td><td style="text-align: right;">(211 000)</td></tr> <tr> <td>Transfers and subsidies</td><td style="text-align: right;">(2 908 359)</td></tr> <tr> <td>Payments for capital assets</td><td style="text-align: right;">(7 921)</td></tr> <tr> <td>Voted funds to be surrendered</td><td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">22 720</td></tr> </table>		R'000	Annual appropriation	3 150 000	Current payments	(211 000)	Transfers and subsidies	(2 908 359)	Payments for capital assets	(7 921)	Voted funds to be surrendered	22 720
	R'000												
Annual appropriation	3 150 000												
Current payments	(211 000)												
Transfers and subsidies	(2 908 359)												
Payments for capital assets	(7 921)												
Voted funds to be surrendered	22 720												


31 March 2013	Debit	Credit
	R	R
General Account of the Vote	3 150 000 000	
Exchequer Grant Account		3 150 000 000
Record Department ABC's total final allocation as at 31 March		


31 March 2013	Debit	Credit
	R	R
Exchequer Grant Account	3 127 280 000	
Relevant individual expenditure accounts		3 127 280 000
Actual expenditure incurred - the accounts are closed-off against the exchequer grant account		

At the year end, the balance on the exchequer grant is as follows:


	R'000
Opening entry of the general account of the vote	3 150 000
Fund requisition	(3 150 000)
Closing entry of the general account of the vote	(3 150 000)
Total expenditure incurred	3 127 280
Closing balance	22 720

The balance of R22 720 000 represents the total **unspent funds** to be surrendered to the relevant revenue fund. These amounts were requested from the revenue fund through the fund requisition process, but were not spent by the department before the end of the financial year.

	Exchequer grant account
	A DEBIT balance in this account provides an indication that the department's spending was more than the Appropriation Act (<i>the department incurred unauthorised expenditure</i>).
	A CREDIT balance in this account provides an indication that the department's spending was less than the Appropriation Act (<i>the unspent voted funds will now be surrendered to the revenue fund</i>).
	The department should further analyse its spending at a programme and conditional grant level to quantify any unauthorised expenditure and or amounts to be surrendered.

	<p>The amount to be shown in the statement of financial performance is the Final appropriation amount as disclosed in the appropriation statement.</p> <p>Where an amount has been appropriated to a department, but has not been requested or received, the full amount (or final appropriation) is still recognised as revenue in the statement of financial performance. The funds not received or not requested reduce the “Voted funds to be surrendered to the Revenue Fund” in the statement of financial position.</p>
---	--

6.2.2 Conditional grants

	<p>Conditional grants are conditional allocations to provinces and municipalities from national government’s share of nationally raised revenue, which are conditional based on certain services being delivered or on compliance with specific requirements i.e. with predetermined conditions including stringent reporting requirements attached to the appropriation of the conditional grant.</p>
---	---

The conditional grants are paid into the provincial revenue fund in accordance with the payment schedule and the provincial treasury then redistributes the money to the relevant provincial departments as required.


Examples of conditional grant allocations:

- from the national Department of Transport (DoT) for infrastructure development;
- from the national Department of Education (DoE) for school nutrition programmes; or
- from the Department of Cooperative Governance and Traditional Affairs (COGTA) for disaster relief.

Accounting transactions in BAS for conditional grants

Departments will record entries in respect of conditional grant allocations in the same way as with the voted funds illustrated above.

6.2.3 Statutory appropriations


	<p>Statutory appropriations are amounts charged to national / provincial departments in terms of specific legislation applicable to the department or the PFMA.</p>
---	--

The department is still accountable for the administration of the charge vested in them; statutory appropriation is not limited to the amount included in the estimate of expenditure, but should reflect the actual expenditure. Terminology used for statutory appropriations for budget purposes is direct charges against the relevant Revenue Fund.

Accounting transactions in BAS for statutory appropriated funds


Departments will record entries in respect of statutory allocations in the same way as with the voted funds illustrated above.


6.3 Departmental revenue

	<p>Departmental revenue is the inflow of cash arising in the course of the ordinary activities of the department, normally from the sale of goods, the rendering of services, and the earning of interest, taxes and dividends. It includes transactions in financial assets and liabilities and also transfers received.</p> <p>Departmental revenue is collected by national / provincial departments, and is subsequently paid over to the National / Provincial Revenue Fund.</p>
---	--

Departmental revenue collected by national or provincial departments is transferred to the National or Provincial Revenue Fund (the frequency of paying money over to the Provincial Treasury may differ among departments and between provinces). This is because the department already receives its estimated departmental revenue as “voted funds”.

Each department estimates the total departmental revenue it will collect for that particular financial year. The department submits these amounts to the relevant treasury along with its expenditure estimates. At a provincial level, the treasury adds the estimated departmental revenue to the provincial equitable share to determine whether sufficient funds are available to cover the total projected expenditure for the year. In the case of a shortfall, the expenditure levels are either cut or the province investigates means for raising additional funds. The total available funds (including any borrowings) are then allocated to departments through the Appropriation Act. A similar process is followed by the National Treasury for national departments.

	<p>Departmental revenue may therefore not be retained or spent by a department as it is used to finance the departmental appropriations i.e. voted funds.</p>
---	---

	<p>Example: Provincial departmental revenue</p> <p>Provincial department ABC receives R351 457 000 as appropriated funds in the 20x1 financial year. This amount is funded from the following available sources:</p> <table border="1" data-bbox="470 1556 1268 1825"> <thead> <tr> <th>Revenue</th><th>R</th></tr> </thead> <tbody> <tr> <td>Provincial Equitable share</td><td>284 030 000</td></tr> <tr> <td>Conditional grants</td><td>58 457 000</td></tr> <tr> <td>Departmental “own” revenue</td><td>8 970 000</td></tr> <tr> <td></td><td>351 457 000</td></tr> </tbody> </table> <p>From the above it is evident that the departmental revenue collected during the year is used to fund the activities for that year. It is therefore crucial for departments to</p>	Revenue	R	Provincial Equitable share	284 030 000	Conditional grants	58 457 000	Departmental “own” revenue	8 970 000		351 457 000
Revenue	R										
Provincial Equitable share	284 030 000										
Conditional grants	58 457 000										
Departmental “own” revenue	8 970 000										
	351 457 000										

ensure that adequate systems and processes are in place to timeously collect all revenue due to the department as this may impact the cash flow requirements of the province.

The above also explains why departments cannot retain departmental revenue as it has already been allocated for spending through the appropriation process.

The total departmental revenue collected during the year was R8 970 000. Presenting this separately as departmental revenue on the face of the statement of financial performance would inflate the total revenue of the department. Departmental revenue would not be included in both Annual appropriation as well as Departmental revenue (see below):

Extract from <i>statement of financial performance</i>	Note	20x1	20x0
		R'000	R'000
Revenue			
Annual appropriation		351,457	xx
Statutory appropriation		-	xx
Departmental revenue		-	xx
Aid assistance		-	xx
Total revenue		351 457	xxx

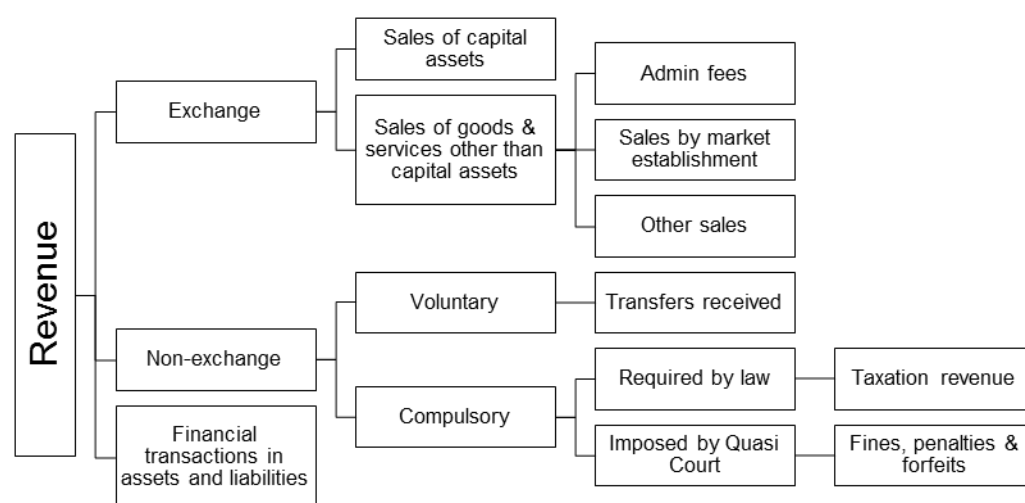
It is for this reason that provincial departments deduct the total budgeted departmental revenue (included in Annual appropriation) in the notes to the financial statements and only present any difference between the budgeted and actual revenue on the face of the statement of financial performance.

To explain the above where a provincial department collected more departmental revenue than budgeted for: assume the department actually collected R12,305 million and these funds were not reallocated to the department, the information presented on the face of the statement of financial performance will be:

Extract from <i>statement of financial performance</i>	Note	20x1	20x0
		R'000	R'000
Revenue			
Annual appropriation		351,457	xx
Statutory appropriation		-	xx
Departmental revenue (R12,305 - R8,970)		3,335	xx
Aid assistance		-	xx
Total revenue		354,792	xxx

Departments require specific authority to be able to utilise departmental revenue through an appropriation. This would be the case where the department collected more than anticipated and would like to increase its appropriation by this amount. It should be noted that the source of receipts does not entitle a department to deviate from this process, for example, if a department receives a large donation from a deceased estate or foreign government, the department would still be required to surrender the receipts and apply for additional funding equivalent to the value of the donations. This is explained later in the **Section on Transfers received (including gifts, donations and sponsorships)**. The revenue receipting processes were further discussed in the **Chapter on The Standard Chart of Accounts and Systems**.

The decision tree below illustrates the logic and criteria to consider when classifying departmental revenue transactions:



The decision tree shows that the starting point in the classification of departmental revenue is to determine whether the receipt is exchange or non-exchange revenue.

If it is exchange revenue it is classified under one of the following categories:

- sale (ascertain whether it is a sale of a good or capital asset);
- transaction in financial assets and liabilities; or
- return realised on an investment in asset and liabilities (determine if it is interest, dividend or rent on land).

If it is non-exchange revenue it must be determined if the transaction is voluntary (it is classified as transfers received) or compulsory (it is either a tax or fine/penalty/forfeit).

6.3.1 Tax revenue

The payment of taxes is legislated and is compulsory and is thus a category on its own. Examples include gambling taxes (horse racing, casinos); liquor licenses and motor vehicle licenses.

- Liquor licenses - The Liquor Board issues liquor licenses and pays the license fees collected over to the Department of Economic Affairs.

Revenue transactions in respect of liquor licenses

Department ABC has collected liquor licenses to the value of R5 000.

The accounting entry will be as follows:

31 March 20x3	Debit	Credit
	R	R
Bank Account*	5 000	
Liquor licenses		5 000

- Motor vehicle licenses - Collected by municipalities and paid over monthly to the Department of Transport (DoT) (this may not be applicable to all provinces). Municipalities and collection agencies earn commission for the monies collected on behalf of the DoT.

Motor vehicle license fees are captured on the National Traffic Information System (NATIS).


The DoT can monitor the motor licenses fees collected by drawing reports from the NATIS.

6.3.2 Sale of goods and services (excluding capital assets)

This item is for goods and services sold by the department.

Sale of goods and services is further categorised:

- Sales by market establishment - When a department sells goods or services at market-related prices, the receipt is recorded here, provided that the government unit does not maintain complete separate accounts from its parent.
- Administrative fees - These receipts are in respect of regulatory or administrative services provided by government, i.e. government must exercise some sort of regulatory or administrative function.

	<p>Note that if the amount collected is not equal to, or greater than, the cost of producing the service, the item should not be recorded here, but under tax revenue defined above.</p>
---	--

Examples include:

- ✓ Licenses or permits for fishing or mining.
- ✓ Road and transport licenses, such as driver's license or learner driver's license.
- ✓ Registration of certain agricultural activities, travel documents or marriage certificates.
- ✓ Inspection fees for agricultural areas.
- Other sales - These receipts are from the sale of all other goods and services produced or partially produced by the department where the fee charged must be less than prices charged in the private sector; for example, when the department rents hostel accommodation at rates less than market related rental. Other sales are further categorised as follows:
 - Services rendered – house rentals and commission on insurance are most common and are explained by way of the examples below.

**Example: Services rendered - house rentals**

Department ABC receives R5 000 per month from staff occupying its owned houses. The rental due from staff is deducted from their salaries via PERSAL.

PERSAL creates the following entry for staff occupying the department's owned houses:

Monthly	Debit	Credit
	R	R
Salary Interface Control Account	5 000	
Rental dwellings		5 000

For rental received from *non-employees* who occupy the department's owned houses, the following entry will be made:

31 March 2013	Debit	Credit
	R	R
Bank Account*	5 000	
Rental dwellings		5 000



Services rendered - commission on insurance

Department ABC collects insurance premiums from employees and pays these over to the insurer on their behalf. The department earns a commission for administering this service. The insurance premium is deducted from the employee's salary via the PERSAL system. Department ABC collected a total of R12 500 in insurance premiums from several employees. The department then pays over R12 000 to the insurance company and retains R500 as commission earned.

When making payments to the insurance company the following entry will be made:

Monthly	Debit	Credit
	R	R
Social contributions	12 500	
Services rendered: Commission Insurance and Garnishee Orders		500
Salary Deduction Control Account - Insurance Deductions)		12 000

When recording the payment is made to the insurance company the following entry will be made:

31 March 20x3	Debit	Credit
	R	R
Salary Deduction Control Account - Insurance Deductions)	12 000	
Bank Account		12 000

- Sale of goods - Sale of goods by the department at less than market value. Assets sold with an original cost of **less than R5 000** is also included here and not under "sale of capital assets".
- Sale of scrap, waste, arms and other used current goods - These goods have been used by the department and are resold either as scrap if it is worn out, or if items are no longer needed by the department such as waste paper, linen, silver or similar bi-products. This includes sales of all used goods that are not considered capital assets and are not produced by government. These goods are either sold directly or by means of an auction (this would depend on the type of goods sold).

6.3.3 Transfers received (including gifts, donations and sponsorships)



Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Transfers are non-exchange revenue collected by government. They are distinguished from taxes because they are voluntary receipts and government does not provide anything of similar value

directly in return for the transfer. This category includes all money received from individuals or organisations that are not paid directly into the Reconstruction and Development Fund (RDP Fund).

These funds are paid over to the relevant revenue fund and can only be spent once the funds have been re-appropriated by way of an Appropriation Act.

The gifts, donations and sponsorships being referred to are transfers received by a department as the recipient of the gesture and not to individual officials.

Example: Transfers received

Department ABC receives R50 000 towards the upgrading of a school from an individual.

The accounting entry will be as follows:


31 March 20x3	Debit	Credit
	R	R
Bank Account*	50 000	
Transfers received – Households and non-profit institutions		50 000

6.3.4 Fines, penalties and forfeits

This item caters for compulsory non-exchange revenue, enforced by a court of law or similar judicial body or mutually agreed settlement outside the courts.

6.3.5 Interest, dividends and rent on land

- Interest - Receipts arising from the ownership of interest-bearing financial instruments such as bank deposits, loans extended to others and bills and bonds issued by others. Treasuries may deposit excess cash with the Corporation for Public Deposits and such investments attract interest. Departments with favourable balances in the PMG Account may earn minimal interest on such balances.

	<p>Dealing with interest received for funds held by the revenue fund from Corporation for Public Deposits or commercial banks by provincial treasuries</p> <p>Interest received should be deposited in the Paymaster General Account of the provincial treasury who will then transfer it to the revenue fund as departmental revenue. This will be classified as “interest, dividends and rent on land” in the books of the provincial treasury.</p> <p>The interest cannot be a direct receipt of the revenue fund.</p>
---	--

- Dividends- Receipts arising from ownership of shares in a company whether fully or partially government owned. Gains or losses associated with buying or selling of shares are excluded from this line item.
- Rent on land - This item is exclusively for the rent on land. When the rent on land and the rent from the structures on the land cannot be separated, then the combined rental is treated as “sale of goods and services”.

Examples include:

- ✓ Receipts due to ownership of subsoil assets

- ✓ Other commercially variable natural resources such as virgin forests, game and fisheries

6.3.6 Sale of capital assets

A capital asset is an item that costs **more than R5 000** (all inclusive). Capital assets also comprise of intangible items such as computer software with a cost exceeding R5 000.

Assets sold with a value of less than R5 000 is treated as “sale of goods”.

Also refer to the **Chapter on Capital Assets** for more detail.

6.3.7 Transactions in financial assets and liabilities

This category is mainly used for the recording of other types of receipts, such as revenue from loans, receivables, and other receipts (such as overpayments, stale cheques, and security deposits).

Also refer to **Chapter on General Departmental Assets and Liabilities** for more detail.



Example: Recovery of over payments

Scenario 1: Overpayment made, discovered and corrected in the present financial year.

Assume that a department overpaid a supplier for the purchase of stationery by R1 500 in December 20x2. The overpayment was identified when the supplier statement was received in January 20x3. The correcting journal was made and the refund was received by March 20x3.

When overpayment is detected a receivable is raised in BAS:

March 20x3	Debit	Credit
	R	R
Receivable*	1 500	
Relevant expenditure (stationery) account		1 500

**An appropriate receivable type should be selected, e.g. receivable from supplier*

When overpayment is refunded to the department the following entry will be made:

March 20x3	Debit	Credit
	R	R
Bank Account	1 500	
Receivable		1 500

Scenario 2: Overpayment made in one financial year, but only discovered and corrected in subsequent financial year.

Assume that a department overpaid a supplier for the purchase of stationery by R1 500 in December 20x2. The overpayment was identified in April 20x3. The correcting journal could only be made in April 20x3 with the refund received thereafter.

This constitutes a transaction in financial assets and liabilities. At the time that the discovery is made the books for the 20x3 financial year would have closed and the recovery will be treated as revenue in the new financial year.

When overpayment is detected a receivable is raised in BAS:		
April 20x3	Debit	Credit
	R	R
Receivable	1 500	
Recoverable Revenue*		1 500
<i>*When the overpayment is detected, expenditure cannot be reduced as this transaction does not relate to the current financial year</i>		
When overpayment is refunded to the department the following entry will be made:		
April 20x3	Debit	Credit
	R	R
Bank Account	1 500	
Receivable		1 500
Allocation of the refunded amount to departmental revenue:		
Upon receipt of refund	Debit	Credit
	R	R
Recoverable Revenue	1 500	
Transactions in Financial Assets and Liabilities - Recovery of Previous Years Expenditure*		1 500
<i>*This money is subsequently paid over to the relevant revenue fund</i>		

Example: Unclaimed deposits

Associated with accommodation, i.e. security deposits usually paid for access cards or similar. If the money remains unclaimed for a certain period of time the department should recognise the deposit as revenue. For the purpose of this example an amount of R2 500 is unclaimed and should be surrendered to the relevant revenue fund.

The accounting entry will be as follows:

31 March 20x3	Debit	Credit
	R	R
Rental Deposits (or other relevant item)	2 500	
Transactions in Financial Assets and Liabilities - Unclaimed Security Deposits		2 500

6.4 Aid assistance


Aid assistance comprises amounts received from local or international donors via the RDP Fund.

“CARA Fund Assistance” comprises of amounts specifically appropriated from the Criminal Asset Recovery Account (CARA).

Donations must be paid into the RDP Fund as they are subject to “technical assistance agreements” entered into between the SA Government and the relevant donor(s). Transfers are made to the spending agency from the RDP Fund in accordance with the relevant technical assistance agreement.

If a local or international donor donates funds and there is no technical assistance agreement, it must be dealt with as a normal donation or a gift to the state in accordance with Section 76(1) of the PFMA and Treasury Regulations.

A donor may stipulate that a department is not required to surrender any unspent RDP Funds at the end of the project back to the donor. The department is however required to surrender these funds to the RDP Fund.

	<p>A spending agency is defined as:</p> <ul style="list-style-type: none"> • any department of state or administration in the national, provincial or local sphere of government; or • any other institution: <ul style="list-style-type: none"> ○ exercising a power or performing a function in terms of the Constitution or provincial constitution; or ○ exercising a public power or performing a public function in terms of any legislation.
---	---

6.4.1 Accounting for money received from the RDP Fund

Example: RDP Funds received by the department at the commencement of the project

The following information relates to RDP Funds received by a department:

	R'000
RDP Funds available for a specific project	1 000
Current year expenditure on the project	(900)
Amount rolled over	100

The following accounting entries will apply:

When the department **receives notification of the donation** available for the relevant financial year, in the accounting records of the department:

	Debit	Credit
	R	R
Exchequer Grant Account	1 000 000	
General Account of the Fund/Vote		1 000 000

Assuming that the **department requests all the funds from the National Treasury** (this can be done throughout the year):

	Debit	Credit
	R	R
Exchequer Grant Account	1 000 000	
General Account of the Fund/Vote		1 000 000

Upon **receipt of the funds** from National Treasury:

	Debit	Credit
	R	R
Bank Account (department PMG account)	1 000 000	
Bank Exception Account		1 000 000

The **allocation of funds received**:

	Debit	Credit
	R	R
Bank Exception Account	1 000 000	
Bank Adjustment Account		1 000 000

AND

	Debit	Credit
	R	R
Bank Adjustment Account	1 000 000	
Fund Requisition Account		1 000 000

The **authorisation of the expenditure incurred** on the RDP project:

	Debit	Credit
	R	R
Relevant expenditure account*	900 000	
Outstanding Payment Account		900 000

**For the purpose of this example all expenditure is in respect of the purchase of "current" goods and services*

The **disbursement of the payment:**

	Debit	Credit
	R	R
Outstanding Payment Account	900 000	
Cheques Payable <i>or</i> BAS EBT Control <i>or</i> BAS Credit Transfer		900 000

Interface of debit on the bank statement:

	Debit	Credit
	R	R
Cheques Payable <i>or</i> BAS EBT Control <i>or</i> BAS Credit Transfer	900 000	
Bank Account (department PMG account)		900 000

At year end the expenditure incurred during the financial year is **closed off** to the Exchequer Grant Account:

	Debit	Credit
	R	R
Exchequer Grant Account	900 000	
Relevant expenditure account		900 000

Closing of the General Account of the Vote:

	Debit	Credit
	R	R
General Account of the Fund/Vote	1 000 000	
Exchequer Grant Account		1 000 000

The **balance** in the Exchequer Grant Account and the Bank Account in the General Ledger:

	Debit	Credit
	R	R
Bank Account (department PMG account)	100 000	
Exchequer Grant Account		100 000*

**The amount is reflected as a payable in the statement of financial position*



Note that there is only **ONE** Exchequer Grant Account and General Account of the Fund/Vote.



Example: RDP Funds only claimed back after expenditure was incurred

The donor requires the department to fund the RDP project expenditure and then submit claims for re-imbursement. The following information relates to the RDP Funds:

	R'000
RDP Funds available for a specific project	1 000
Current year expenditure on the project	(900)
Amount rolled over	100

The following accounting entries will apply:

When the department **receives notification of the donation** available for the relevant financial year:

	Debit	Credit
	R	R
Exchequer Grant Account	1 000 000	
General Account of the Fund/Vote		1 000 000

Although the amount is not requested up front, this "opening journal" must still be processed.

The **authorisation of the expenditure incurred** on the RDP project:

	Debit	Credit
	R	R
Relevant expenditure account*	900 000	
Outstanding Payment Account		900 000

**For the purpose of this example all expenditure is in respect of the purchase of "current" goods and services*

The **disbursement of the payment:**

	Debit	Credit
	R	R
Outstanding Payment Account	900 000	
Cheques Payable <i>or</i> BAS EBT Control <i>or</i> BAS Credit Transfer		900 000

Interface of debit on the bank statement:

	Debit	Credit
	R	R
Cheques Payable <i>or</i> BAS EBT Control <i>or</i> BAS Credit Transfer	900 000	
Bank Account (department PMG account)		900 000

Assume a **claim of R850 000** is submitted to the National Treasury for re-imbursement:

	Debit	Credit
	R	R
Claims receivable	850 000	
Exchequer Grant Account		850 000

Once the **claim is submitted for re-imbursement and the funds are received:**

	Debit	Credit
	R	R
Bank Account (department PMG account)	850 000	
Bank Exception Account		850 000

The **amount received is allocated against the claim raised:**

	Debit	Credit
	R	R
Bank Account (department PMG account)	850 000	
Bank Adjustment Account		850 000

	AND		
		Debit	Credit
		R	R
	Bank Adjustment Account	850 000	
	Claims receivable		850 000
	At year end the expenditure incurred during the financial year is closed off to the Exchequer Grant Account:		
		Debit	Credit
		R	R
	Exchequer Grant Account	900 000	
	Relevant expenditure account		900 000
	Closing of the General Account of the Vote:		
		Debit	Credit
		R	R
	General Account of the Fund/Vote	1 000 000	
	Exchequer Grant Account		1 000 000
	The balance in the Exchequer Grant Account and the Bank Account in the General Ledger until the money is reimbursed by the donor:		
		Debit	Credit
		R	R
	Exchequer Grant Account*	100 000	
	Bank Account (department PMG account)		100 000*
	<i>*The amount is reflected as a receivable in the statement of financial position</i>		

6.4.2 Accounting for CARA Funds received

If and when Cabinet approves an allocation of funds from the CARA fund the following procedures must be applied where departments are using BAS as the accounting system:


The BAS Fund Segment must be used to distinguish between CARA revenue and CARA expenditure; where applicable this segment will also be used to distinguish between the various CARA funded projects.

All CARA funds received must be recorded on receipt as revenue. All CARA funds used for earmarked projects must be reflected as current or capital expenditure. The revenue and expenditure must be recognised and reflected in the statement of financial performance.

CARA money is not voted funds, as such are accounted for separately from the department's annual appropriation. Any unspent CARA funds will be transferred to Retained Funds as these funds do not need to be surrendered to the National Revenue Fund. Any unspent funds will be applied to


earmarked projects in the following years. The closing balance should agree to the amount of CARA assistance reflected under retained funds.

6.5 Accounting for money received from SETA


	<p>Refer to the SCOA website for the classification circular providing guidance on money received from SETA's</p>
---	---

7 Disclosures


Annual appropriation note

	<p>Where an amount has been appropriated to a department, but has not been requested or received, the full amount (or final appropriation) is still recognised as revenue in the statement of financial performance. The funds not received / not requested is included as a debit under voted funds to be surrendered in the statement of financial position. The receivable is set-off against any amounts due to the relevant revenue fund.</p> <p>The difference between the actual amount received (or final appropriation less funds not requested / received) and amounts spent during the year is repayable to the relevant revenue fund and is included in the statement of financial position as voted funds to be surrendered.</p>
---	---


Statutory appropriation note

	<p>The amount shown as statutory appropriation on the face of the statement of financial performance and in the note should only be disclosed if the amount has been budgeted as a separate line item in the published budget, e.g. salaries paid to judges and magistrates which is included as a Direct charge against the National Revenue Fund budget of the Department of Justice and Constitutional Development.</p> <p>Where there are statutory funds that were not requested/not received, this amount should not automatically be offset against any savings/unspent money on the voted funds. The total savings/unspent money on the voted funds should be surrendered to the revenue fund and the department should request the additional amount for the statutory expenditure from the revenue fund. The statutory expenditure is a direct charge against the revenue fund and may be exceeded without raising unauthorised expenditure.</p> <p>Similarly, where there are voted funds that were not requested/not received, this amount should not automatically be offset against any savings/unspent money on the statutory funds. The total savings/unspent money on statutory funds should be surrendered to the revenue fund and the department should request the additional amount for the voted fund expenditure from the revenue fund.</p>
---	--

Departmental revenue note

	<p>The line item “Own revenue included in appropriation” applies to provincial departments. This must equal the amount received in the appropriation. Where a provincial department has under collected on budgeted revenue, then the amount received should be inserted in the budgeted revenue line. This will result in a zero balance in departmental revenue in the statement of financial performance.</p>
---	--

Aid assistance note

	<p><u>Analysis of the line items presented in the note:</u></p>	
	Opening balance	Should agree to the prior year closing balance
	Plus: Revenue	Total to agree to face of statement of financial performance under ‘Revenue’. This amount should not include the opening balance from the previous period. It should only be actual revenue, recognised according to the accounting policy.
	Less: Expenditure	Total expenditure incurred as included the statement of financial performance. If there is capital expenditure, the amount should agree to the ‘Expenditure for capital assets’ note.
	Less: Prepayments	Any prepayments made and allowed in terms of the agreement
	Less: Surrenders	Amounts surrendered back to the RDP / donor, if and when required in terms of the agreement
Equals: Closing balance	Represents the total available cash to the department at the end of the financial year. This balance is further analysed to indicate whether or not these amounts were actually received during the year and whether it needs to be surrendered to the RDP / donor).	

8 Summary of Key Principles

This chapter provides guidance on how to identify and account for different types of revenue.

8.1 Exchange vs. non-exchange transactions

Revenue from exchange transactions are when two parties exchange assets, services, etc approximately equal in value. Examples include, departmental revenue such as sale of goods, rendering of services.

Revenue from non-exchange transactions are one party receives assets, services, funds, etc but does not give approximately equal in value in return. Examples include annual appropriation.

8.2 Recognition and measurement in general

A department recognises revenue (other than appropriated funds) in the statement of financial performance on the date that the **cash is received**.

Appropriated funds are recognised in the financial statements on the **date the appropriation becomes effective**. Adjustments made in terms of the adjustments budget process are recognised in the financial statements on the date the adjustments become effective.

Transfers received can be in the form of appropriations and / or donations (also referred to as donor funding or aid assistance). Appropriations (and to some extent donor funding) comprise of grants to acquire or construct capital assets, funds for the furtherance of national and provincial government policy objectives and general allocations to fund the costs incurred by departments in supplying / rendering goods and or services. Transfers (other than appropriations) are usually from local or international donors and are received under terms and conditions as agreed between the department and the donor.

8.3 Annual appropriation

Annual appropriation is the biggest source of revenue for a department.

Annual appropriation in the form of equitable share is recognised on the date the appropriation becomes effective, i.e. as soon as the department knows what its allocation of funds will be for the year. The exchequer grant account is **debited** and the general account of the vote is **credited**.

The **exchequer grant account** informs the department of the funds available in the relevant revenue fund for withdrawal.

The **general account of the vote** informs the department of the total funds available for a particular financial year.

As the department requests funds, the exchequer grant account is credited (reduced).

At the end of the financial year, the exchequer grant account is credited with the balance of the general account of the vote.

A **DEBIT** balance in the exchequer grant account means that the department's spending was more than the Appropriation Act (i.e. the department incurred **unauthorised expenditure**). This amount must be journalised to the unauthorised expenditure asset account.

A **CREDIT** balance in this account means that the department's spending was less than the Appropriation Act (the unspent voted funds will now be **surrendered to the revenue fund**). This amount must be paid to the relevant revenue fund.

Annual appropriation in the form of conditional grants is recognised on the date the appropriation becomes effective, i.e. as soon as the department knows what its allocation of funds will be for the year. The accounting entries in BAS are the same as for voted funds.

8.4 Statutory appropriation

Statutory appropriation should only be recognised if the amount has been budgeted as a separate line item in the published budget, e.g. salaries paid to judges and magistrates which is included as a Direct charge against the National Revenue Fund budget of the Department of Justice and Constitutional Development.

8.5 Departmental revenue

Departmental revenue collected by national or provincial departments is transferred to the National or Provincial Revenue Fund (the frequency of paying money over to the Provincial Treasury may differ among departments and between provinces). This is because the department **already receives its estimated departmental revenue as "voted funds"**.

Departmental revenue may therefore not be retained or spent by a department as it is used to finance the departmental appropriations i.e. voted funds.

Departmental revenue, has following sub-categories:

- Taxation revenue
- Sale of goods and services (excluding capital assets)
- Transfers received (including gifts, donations and sponsorships)
- Fines, penalties and forfeits
- Interest, dividends and rent on land
- Sale of capital assets
- Transactions in financial assets and liabilities

8.6 Aid assistance

Aid assistance comprises amounts received from local or international donors via the RDP Fund.

"CARA Fund Assistance" comprises of amounts specifically appropriated from the Criminal Asset Recovery Account (CARA).

Donations must be paid into the RDP Fund as they are subject to "technical assistance agreements" entered into between the SA Government and the relevant donor(s). Transfers are made to the spending agency from the RDP Fund in accordance with the relevant technical assistance agreement.

If a local or international donor donates funds and there is no technical assistance agreement, it must be dealt with as a normal donation or a gift to the state in accordance with Section 76(1) of the PFMA and Treasury Regulations.