national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

# GUIDE FOR THE PREPARATION OF THE REVENUE FUND TEMPLATE

## For the year ended 31 March 2019

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## Background

### Introduction to and authority of the Modified Cash Standard

The Public Finance Management Act (PFMA), No 1 of 1999, requires national government and provinces to "prepare financial statements for each financial year in accordance with generally recognised accounting practice". The Treasury Regulations require the accounting officer of the revenue funds to ensure that the annual financial statements are prepared in accordance with the applicable Financial Reporting Framework, as determined by the National Treasury.

The Office of the Accountant General (OAG) in the National Treasury has developed and issued the Modified Cash Standard (hereafter 'the Standard') which is generally recognised accounting practice (GRAP) and sets out the principles for the recognition, recording, measurement, presentation and disclosure of information required in terms of the prescribed formats.

The South African revenue fund financial statements are prepared on a modified cash basis of accounting. Under a "pure" cash basis, the effects of transactions and other events are recognised in the financial statements when the resulting cash or its equivalent are received or paid. In other words, a transaction is only recognised when it is initiated by the receipt or payment of cash. However, other chapters of this Standard may also incorporate other recognition practices that are not based solely on the aforementioned cash accounting principles, giving rise to the Modified Cash Basis.

For more information and for clarification of GRAP issues for the revenue fund kindly review the Standard.

A complete set of financial statements for the revenue fund comprises:

a) a statement of financial performance;

b) a statement of financial position;

c) a statement of changes in net assets;

d) a cash flow statement;

e) notes to the financial statements; and

f) working papers to support the notes.

**Statement of financial performance**

**Background**

The Statement of Financial Performance measures an entity's performance over a specified period. For that reason the heading clearly states that it is for a "year ended".

This statement provides a summary of all receipts and payments of the Revenue Fund during the defined period. The surplus for the Revenue Fund is the difference between the total receipts and total expenditure (assuming the value of receipts is higher than the value of the expenditure).

## A. REVENUE

### Definition

| | |
|---|---|
|  | *In the modified cash environment, receipts are accounted for in the period in which the monies were received and not in the period in which the underlying transaction or event occurred that gave rise to the revenue.*<br><br>*In an accrual environment revenue is defined as: "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 contributions from owners." This means that revenue is recognised when money, goods and or services are provided to parties.* |

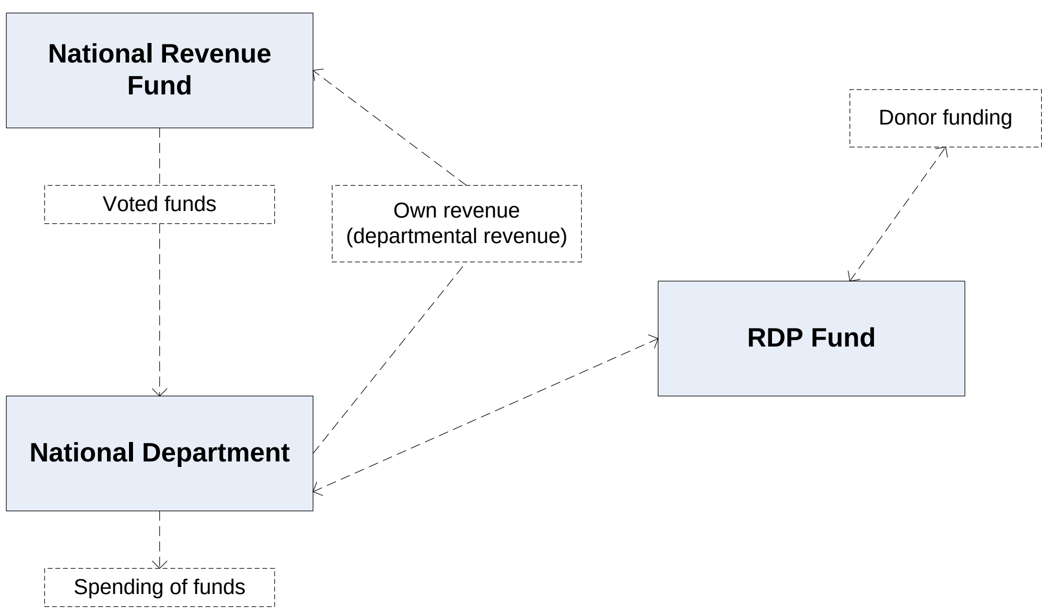
The main categories of provincial revenue are as follows:

- Annual Appropriation
  - Equitable Share
  - Conditional Grants
- Revenue collected

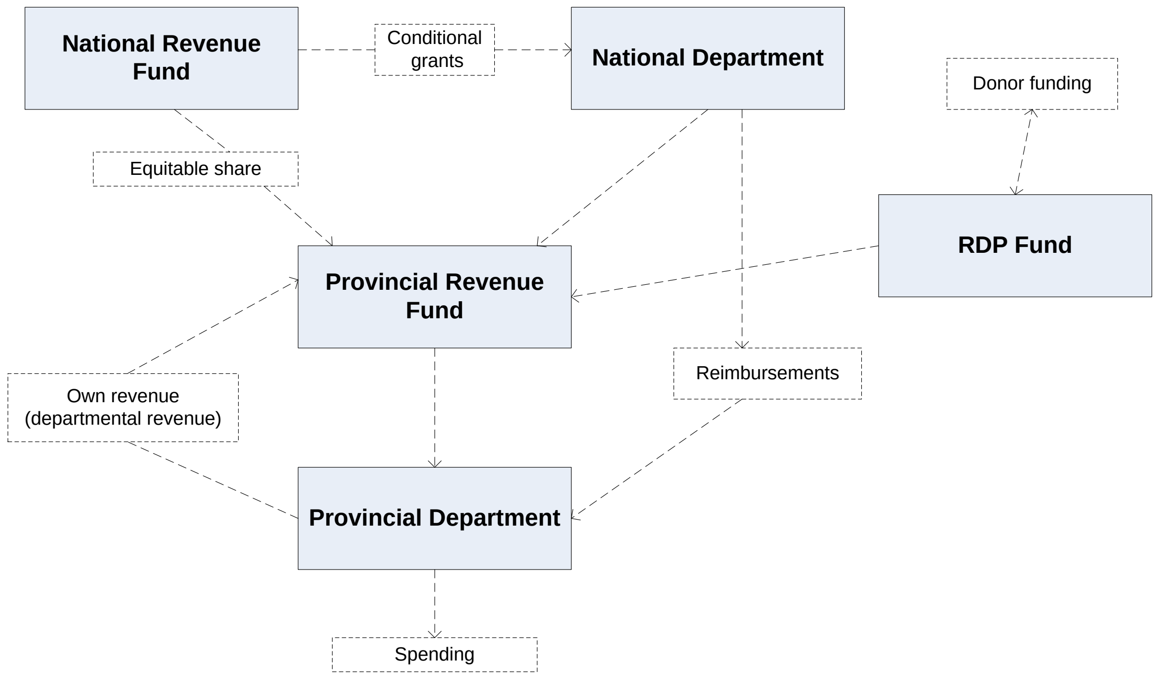
    - Provincial Taxes
    - Revenue in terms of Section 12(3) of the PFMA
    - Departmental Revenue including revenue fund receipts
    - CARA Receipts
- Other Revenue
    - Surrenders
    - Unauthorised expenditure not funded by the Revenue Fund and approved without funding
    - Other revenue.

**B.** The flow of funds at a national and provincial level is illustrated in the diagrams below:

**Flow of funds at a national level**



## Flow of funds at a provincial level




## 1 Annual Appropriation

### 1.1 Equitable Share

- The allocation of revenue to the National, Provincial and Local spheres of Government as required by the Constitution.
- These funds are transferred from the National Revenue Fund to the respective Provincial Revenue Funds as per agreed transfer schedule.

### 1.2 Conditional Grants

- Allocation of money from one sphere of Government to another, conditional on certain services being delivered or on compliance with specified requirements.
- These funds are transferred from the National departments to the respective Provincial Revenue Funds.

### 1.3 Guidance

#### 1.3.1 Own Revenue

Kindly note that own revenue **is not** received from National Government. This is therefore only included under expenditure. Any roll over funds, Provincial Revenue collected etc is voted by the Provincial Legislature as such per department.

#### 1.3.2 Other information

The amount to be shown in the Statement of Financial Performance is the "Final appropriation" amount as disclosed in the appropriation statement.
Where an amount has been appropriated to the provincial revenue fund, but has not been requested or received, the full amount (or final appropriation) is still recognised as revenue in the Statement of Financial Performance. However for conditional grants where the amount has been withheld, after agreement with the National department, the annual appropriation must be reduced with this amount.

## 2. Revenue collected

### 2.1 By SARS (Mainly received by National Revenue Fund)

- This includes all funds collected by SARS including collections in terms of Section 12(3) of the PFMA.

- To balance the total amount collected by SARS to the actual collection as received in the Revenue Fund, the payment in terms of Section 12(3) of the PFMA, RAF and the Payment to UIF should be deducted from the total amount collected by SARS. The actual receipts by the Revenue Fund already exclude these amounts. The difference between the amount of SARS after the deduction and the amount actually received by the Revenue Fund will be the in transit figure or the over remitted figure.

- If the actual amount received by the Revenue Fund is less than the amount received by SARS after the deduction of the amount in terms of Section 12(3) of the PFMA, RAF and the Payment to UIF, funds should still be received by the Revenue Fund (in transit figure). The Statement of Financial Performance will be credited and receivables will be debited with the difference.

- If the actual amount received by the Revenue Fund is more than the amount received by SARS after the deduction of the amount in terms of Section 12(3) of the PFMA and the Payment to UIF, funds were received in excess by the Revenue Fund (over remitted figure). The Statement of Financial Performance will be debited and payables will be credited with the difference.

- The amount payable by SARS to RAF is calculated as the difference between the amount collected by SARS and the amount requested by the RAF. (Calculated in Annexure 2A of the template).

- The amount payable by SARS to UIF is calculated as the difference between the amount collected by SARS and the amount requested by the UIF. (Calculated in Annexure 2A of the template).

### 2.2 Provincial taxes

- These taxes consist mainly of Casino taxes, Horse racing taxes, Liquor licences and Motor vehicle licences.

- The total amount collected as per the Departments' Financial Statements is reflected in the Statement of Financial Performance.

- In the past this was reflected separately from departmental revenue. However these were now brought into the budget framework in line with global standards, in particular the International Monetary Fund's Government Finance Statistics Manual 2001 and are now referred to as National Revenue Fund receipts and payments.

### 2.3 Departmental revenue

#### Definition

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|---|---|
|  | *Departmental Revenue is defined as the inflow of cash arising in the course of the ordinary activities of the government entity, normally from the sale of goods, the rendering of services, and the earning of interest, taxes and dividends. It includes financial transactions in assets and liabilities and also transfers received. Departmental revenue is collected by national/provincial departments, who act as collecting agencies, and transfer this revenue to the National/Provincial Revenue Fund.*<br><br>*Departments require specific authority to be able to utilise these funds, either through a voted appropriation, in a statutory appropriation or specific legislation.* |

#### Accounting Policy

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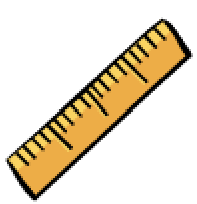
|  | All departmental revenue is recognised in the Statement of Financial Performance when received by the Revenue Fund, unless stated otherwise. Amounts owing to the National/Provincial Revenue Fund at the end of the financial year are recognised as a receivable in the Statement of Financial Position. |

Departments classify departmental revenue collected. The revenue fund allocates these receipts accordingly. The main categories of departmental revenue are as follows:

- Sales of goods and services other than capital assets;
- Fines, penalties and forfeits;
- Interest, dividends and rent on land;
- Sales of capital assets;
- Financial transactions in assets and liabilities
- Transfers received

### 2.4 CARA Receipts (Mainly for National Revenue Fund)

- All revenue received from the execution of confiscation and forfeiture orders contemplated, in accordance with section 64 of the Prevention of Organized Crime Act, 1998 (Act 121 of 1998).
- The total amount received by the revenue fund is reflected in the Statement of Financial Performance.

### 2.5 Revenue in terms of section 12(3) of the PFMA

- Section 12(3) of the PFMA states that "the National Treasury must promptly transfer all taxes, levies, duties, fees and other money collected by the South African Revenue Services for a province and deposited into the National Revenue Fund, to that province's Provincial Revenue Fund".
- These funds consist of taxes, levies, duties, fees and other monies collected by SARS for a province.

- National Treasury transfers these funds collected by SARS and deposited into the National Revenue Fund to the Provincial Revenue Funds.
- The **Provincial Statement of Financial Performance** should reflect the total amount transferred by the National Revenue Fund to the respective Provincial Revenue Funds.
- The Provincial Revenue Fund can transfer these funds to the bank (PMG) account of the provincial treasury who in return will deposit this as departmental revenue into the PRF.

## 3 Other Revenue

### 3.1 Surrenders

Surrenders are recognised when cash is received from the departments.

- These type of surrenders can be Legislature surrendering unused funds; and
- unauthorised expenditure not funded by Revenue Fund and approved without funding is also reflected as Surrenders on the Statement of Financial Performance.

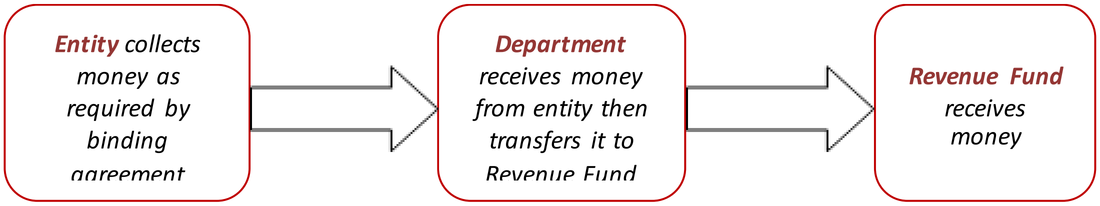
| | |
|---|---|
|  | Unauthorised expenditure not funded by Revenue Fund (Exceeding of the Vote) approved without funding:<br><br>When the transaction is reflected in the AFS of the department, the payable is then raised by the Revenue Fund by:<br><br>Dt: Payable<br><br>Ct: Surrenders |

**Unauthorised expenditure not funded by Revenue Fund and approved without funding**

- In the financial year that the Vote has been exceeded, no surrenders will be reflected, only the higher expenditure.
- Therefore when overspending is approved without funding it becomes a charge against the funds allocated for the respective departments for the next and the future financial years in terms of Section 34(2) of the PFMA.
- This has no additional cash flow implication for the departments or the Revenue Fund as the departments will have to reduce its bank overdraft with the savings.
- Therefore the surrenders are increased by the savings that will be generated by the departments.

### 3.2 Other

- This can include any other type of surrender.
    - This can include a binding arrangement, which includes legislation which requires that money collected by the department's entity be transferred to the department that will in turn transfer the money to the Revenue Fund. The department plays a minimal role with regards to the money received from the entity as 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 will show the details of the amount received from the entity by adding a narrative to the Departmental Revenue Note to the financial statements. The amount will not be included in the total amount of departmental revenue.




The amount not yet paid over to the revenue fund at year-end, will be included in the note Payables.

## C. EXPENDITURE

### 4. Actual Expenditure

### 4.1 Annual Appropriation

**Definition**

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|---|---|
|  | *Funds are appropriated to National/Provincial departments in order to be utilised for the necessities of business operations; however unspent portion of the appropriated funds are deducted from the actual appropriation and are surrendered to the relevant revenue fund.*<br><br>*Unexpended – Unspent portion of a budgeted amount, available for the authorised future expenses.* |

## Accounting Policy

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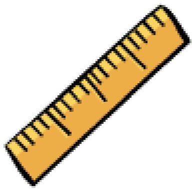
|---|---|
|  | Appropriated funds are recognised in the financial records on the date the appropriation becomes effective. Adjustments to the appropriated funds made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective.<br><br>The difference between the final appropriation and the unexpended appropriated funds less unauthorised expenditure funded by the revenue fund are reflected in the Statement of Financial Performance.<br><br>Unexpended appropriated funds are surrendered to the Revenue Fund.<br><br>Amounts due to/by the Revenue Fund at the end of the financial year are recognised in the statement of financial position. |

## Equitable Share

- The approval by Parliament of spending from the National Revenue Fund, or by a provincial legislature from the Provincial Revenue Fund.
- In the **Statement of Financial Performance** the amount appropriated for Equitable Share less unexpended funds should be reflected under Expenditure.

## 4.2 Statutory Appropriation

### Definition

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|---|---|
|  | *Statutory appropriations are amounts charged to national/provincial departments in terms of specific legislation applicable to the department. The department is still accountable for the administration of the charge vested in them. Note that 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 National Revenue Fund. Direct Exchequer Payments are also included as part of Statutory.* |

### Accounting Policy

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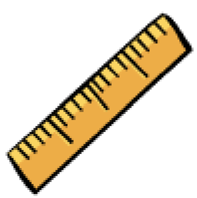
|---|---|
|  | Statutory appropriations are recognised in the financial records on the date the appropriation becomes effective. Adjustments to the statutory appropriations made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective. Statutory appropriation is not limited to the amount included in the estimate of expenditure but should reflect the actual expenditure.<br><br>Total statutory appropriations less unexpended funds plus actual expenditure in excess of the statutory appropriation are presented in the statement of financial performance.<br><br>Unexpended statutory appropriations are surrendered to the National/Provincial Revenue Fund.<br><br>Amounts due to/by the National/Provincial Revenue Fund at the end of the financial year are recognised in the statement of financial position. |

### 4.3 Conditional Grants

| | |
|---|---|
|  | As soon as the relevant provincial department has completed the preliminary year end closure it must surrender any unspent schedule 5 allocations, not approved for roll over, through the provincial treasury to the relevant national department. National departments must, upon receipt of these funds transfer the money to the National Revenue Fund.<br><br>However for conditional grants where the amount has been withheld, after agreement with the National department, the annual appropriation must be reduced with this amount. |

- Allocation of money from one sphere of Government to another, conditional on certain services being delivered or on compliance with specified requirements.
- In the **Statement of Financial Performance** the annual appropriation for Conditional Grants less unexpended funds should be reflected under Expenditure.

### 4.4 Own Funds Appropriated

- This is money collected by the various Provincial Departments and voted by the respective Provincial Legislature.

### 4.5 CARA Payments

- Funds are transferred to departments, when approved by Cabinet, in accordance with section 65 of the Prevention of Organized Crime Act, 1998 (Act 121 of 1998).
- Amounts transferred by the revenue fund are recognized in the **Statement of Financial Performance** when approved by Cabinet.

## 5. Expenditure in terms of a separate Act of Parliament

- This will include a payment in terms of a Finance Act.
- In the **Statement of Financial Performance** the amount paid to the Department should be included.

## 6. Other Expenditure

- This will include any other expenditure approved by the National Treasury and this mainly applies to the National Revenue Fund.
- In the **Statement of Financial Performance** the amount approved to be paid in the financial year should be reflected.

## 7. Foreign Exchange Revaluation

- This mainly applies to the National Revenue Fund.
- The total value of liability derived from State Debt AFS is compared with actual figures received by the Revenue Fund and the difference is recorded by means of a journal.

## 8. Net surplus/ (deficit) for the year

- This is the difference between total revenue and total expenditure on the Statement of Financial Performance.
- To determine the Changes in Net Assets for the year, the surplus/ (deficit) for the year as per Statement of Financial Performance is reflected plus Adjustments e.g. adjustment in Foreign Exchange Revaluation.

# STATEMENT OF FINANCIAL POSITION

## 9. Background

A statement of financial position illustrates, at the end of the last day of a reporting period, an entity's assets and liabilities. Accordingly the title of the statement of financial position contains the phrase “at 31 March”. This statement was previously referred to as a “Balance Sheet”.

The difference between total assets and total liabilities (assuming the value of assets is higher than the value of its liabilities) is termed net assets.

The Chapter in the Standard on Treasury Financial Instruments prescribes the recognition and measurement principles to be applied to Treasury Financial Instruments. These accounting policies were applied by the National Revenue Fund. The Appendix to this document, which forms an integral part of the Chapter, sets out the initial and subsequent measurement of financial assets and liabilities.

## 10. ASSETS

### Definition

*An asset is a resource controlled by an entity as a result of past events, and from which future economic benefits or service potential is expected to flow to the entity.*

## 11. Current Assets

- An asset should be classified as a current asset when it:
  - Is expected to be realised in, or is held for sale or consumption in the normal course of the entities operating cycle; or
  - Is held primarily for trading purposes or for the short-term and expected to be realised within 12 months of the reporting date; or
  - Is Cash and cash equivalent asset.

### 11.1 Cash and cash equivalents

**Definition**

| | |
|---|---|
|  | ***Cash*** *comprises cash on hand and demand deposits.*<br><br>***Cash equivalents*** *are short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.* |

**Accounting Policy**

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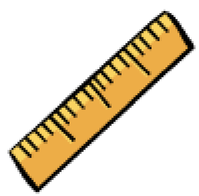
|---|---|
|  | Cash and cash equivalents are carried in the Statement of Financial Position at cost.<br><br>For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held and other short-term highly liquid investments.<br><br>Foreign cash and cash equivalents are carried in the statement of financial position at the closing rate of 31 March. Gains and losses on revaluation are recognised in the statement of financial performance. |

- Cash means cash on hand and demand deposits; and
- Cash equivalents means short-term highly liquid investments that is readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- The **Cash Flow Statement** should balance to the amount reflected for Cash and cash equivalents in the **Statement of Financial Position**.
- This will be reduced by the outstanding transfer amount which only applies to the NRF.

### 11.2 Investments

For more information on current and non-current investments see the Chapter in the Standard on Treasury Financial Instruments which were applied by the Revenue Fund.

### 11.3 Receivables

**Accounting Policy**

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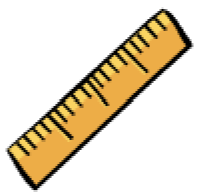
|---|---|
|  | Receivables included in the Statement of Financial Position comprise of payments due at financial year end by departments and local and foreign aid which have not yet been received. Any unspent CARA fund assistance to departments does not need to be surrendered to the National Revenue Fund.<br><br>Cash in transit due by SARS is reflected under "Other receivables". Receivables outstanding at year-end are carried at cost. |

- Receivables comprise amounts due to the Revenue Fund by Departments being outstanding surrenders for voted funds, Departmental revenue or other revenue.
- Outstanding receivables of the previous year will be carried forward to the next year in the opening balance.

#### 11.3.1 Voted Funds to be surrendered to the Revenue Fund

**Definition**

| | |
|---|---|
|  | *The portion of voted funds not spent by a department at the end of the financial year.* |

### Accounting policy

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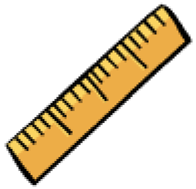
|---|---|
|  | Unexpended appropriated funds are surrendered to the Revenue Fund. Amounts owing to the Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position. |

### 11.3.2 Conditional Grants to be surrendered to the Revenue Fund

### Definition

| | |
|---|---|
|  | *The portion of conditional grants not spent by a department at the end of the financial year.* |

- The difference between the amount transferred and the actual expenditure for the department should be included.
- If the amount transferred to the Department is more than the actual expenditure, the difference should be reflected under this heading as a receivable.

### 11.3.3 Unauthorised Expenditure

### Definition

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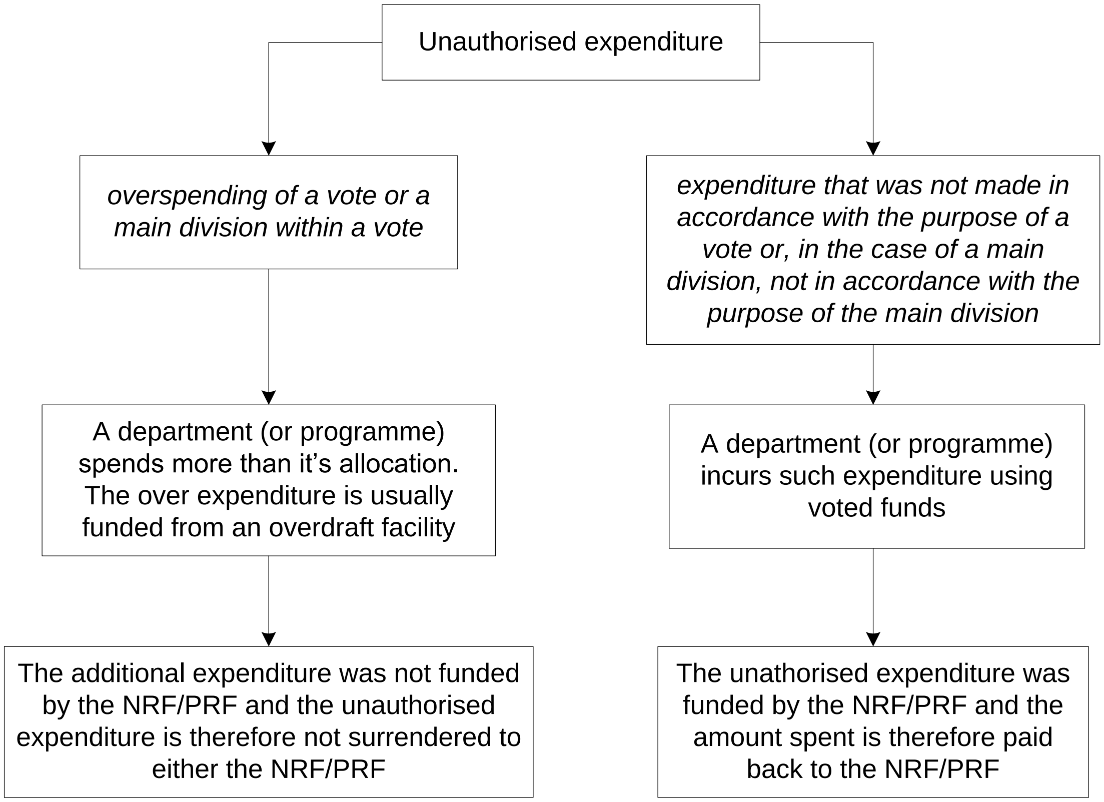
|---|---|
|  | *Unauthorised Expenditure is the overspending of a vote or a main division within a vote; or expenditure that was not made in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.* |

**Guidance**

As indicated below there are two types of unauthorised expenditure:




| | |
|---|---|
|  | The above procedures are applicable to National Departments. Provincial Departments should follow the same procedures in obtaining approval for unauthorised expenditure except that they should substitute, where appropriate, the relevant equivalent provincial authorities. This means that on a national level Parliament retains the sole authority to approve unauthorised expenditure while on a provincial level this responsibility shifts to the relevant Provincial Legislature. |

- In the **Statement of Financial Position** the amount reported by the departments which are funded by NRF/PRF will be included as a receivable under "Unauthorised Expenditure". A payable should only be created once it is approved with funding by the Finance Act.

### 11.3.4 Other

Any other receivable should be included under this heading in the **Statement of Financial Position**. This will include eg:

- Equitable Share and Conditional Grants (when conditions were met) not received from National Government;
- Departmental Revenue to be surrendered to the revenue fund.

## 12. Non-current assets

- All other assets that are not current assets.

## LIABILITIES

### Definition

| | |
|---|---|
|  | *Liabilities are future sacrifices of economic benefits that an entity is presently obliged to make to other entities as a result of past transactions or other past events.* |

## 13. Current Liabilities

- A liability should be classified as a current liability, when it:
  - Is expected to be settled in the normal course of the entity's operating cycle; or
  - Is due to be settled within twelve months of the reporting date.

### 13.1 Payables

**Accounting Policy**

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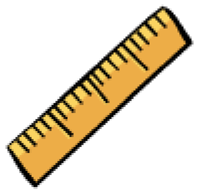
|---|---|
|  | Payables are included in the Statement of Financial Position and arise from appropriated funds requested but not yet paid to departments and local and foreign aid payable by the Provincial Revenue Fund.<br>Payable is raised for Conditional grants not spent by the departments.<br>Cash overremitted by the South African Revenue Services and departmental revenue overremitted but not yet paid to departments are reflected under "Other payables".<br><br>According to the Revenue Laws Second Amendment Act 31 of 2005 section 126 (b), SARS collects the Road Accident Fund levies and transfer it to the National Revenue Fund. The National Revenue Fund recognise this as a payable when the funds were received by SARS. |

- Payables comprise amounts that are still due by the Revenue Fund for voted funds and other collections still to be transferred, etc.

#### 13.1.1 Voted Funds to be transferred

- For Equitable Share, Own Funds Appropriated and Other Appropriation: If the amount transferred to Departments is less than the actual expenditure and appropriated funds are still available the difference should be reflected under this heading as a payable in the **Statement of Financial Position**.

#### 13.1.2 Conditional Grants to be transferred

- If the amount of Conditional Grants transferred to Departments is less than the actual expenditure and the difference should be reflected under this heading as a payable in the **Statement of Financial Position**.

- If the amount appropriated is less than the amount received by the Provincial Revenue Fund and conditions of the grants were met the difference will be reflected as a payable under “Funds not transferred to National Government”.

**13.1.3 Other (Including departmental revenue)**

- Any other payable should be included under this heading.
- For Provincial Taxes, Departmental Revenue, Revenue in terms of Section 12(3) of the PFMA: If the total received, as included from the Departments’ financial statements, is less than the amount received by the Revenue Fund, the difference should be reflected.

**13.1.4 Unauthorised Expenditure**

**13.1.4.1 Unauthorised expenditure not funded by Revenue Fund**

- The amounts for unauthorised expenditure due to overspending remains a payable. Once approved by Finance Act with funding the payment is done against the payable.
- If approved without funding see point 3.2 above.

**13.1.4.2 Unauthorised expenditure funded by Revenue Fund**

- This refer to amounts, approved by a finance act, but not yet paid to the respective departments.
- This will be included as payable, only if the applicable department surrendered these funds to the Revenue Fund.

### 13.1.5 Unused Conditional Grants not transferred to National Government

- This applies to conditional grants not approved for roll over.
- If the conditional grants amount received by the Revenue Fund is more than the actual expenditure the difference should be surrendered to the national departments.

## 14. Bank overdraft

**Definition**

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|---|---|
|  | *The amount by which withdrawals exceed deposits in the bank account of a department.* |

- Bank overdraft refers to amounts owed on the various bank accounts. (Bank account-when in credit)

## 15. Borrowings

For more information on current and non-current borrowings see the Chapter in the Standard on Treasury Financial Instruments which were applied by the Revenue Fund.

## 16. Non-current liabilities

- All liabilities that are not classified as current liabilities.

## CASH FLOW STATEMENT

### 17. Background

The cash flow statement identifies the sources of cash inflows, the items on which cash was expended during the reporting period, and the cash balances as at the reporting date, classified into operating, investing and financing activities. Information about the cash flows of an entity is useful in providing users of financial statements with information for both accountability and decision making purposes.

In the Modified Cash Basis of Accounting, the statement of financial performance is already based mainly on cash flow information. However, reclassifying these inflows and outflows of cash as required by this Chapter provides users with additional useful information on how the department's operations have utilised cash, and also provides information that could be useful in assessing a department's future cash resource requirements. In making and evaluating decisions about the allocation of resources, such as the sustainability of the department's activities, users require an understanding of the timing and certainty of cash flows.

### 18. The actual cash flow reflects:

**Receipts**

- Appropriated Funds received. This includes Equitable Share and Conditional Grants;
- Revenue Collected by:
    - By SARS;
    - Provincial Taxes;
    - Departmental Revenue collected
    - Revenue in terms of Section 12(3) of the PFMA.
- Surrenders received;
- CARA receipts;
- Other revenue.

**Payments**

- Appropriated payments which includes annual appropriation, statutory appropriation, conditional grants and own funds;
- Appropriation for Unauthorized Expenditure;
- CARA payments;
- Expenditure in terms of a separate Act of Parliament – which is mainly for National;
- Other.

## 19. Cash Flows from investing activities

The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which cash outflows have been made for resources which are intended to contribute to the department's future service delivery. Only payments made, or proceeds received in respect of capital assets or investments are eligible for classification as investing activities.

## 20. Cash Flow from financing activities

The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the department.

## 21. Reconciliation to Net surplus/(deficit) as reflected in the Budget Review

- The aim of this reconciliation is to determine the difference in projected surplus/(deficit) as a % of the Gross Domestic Product (GDP) against the actual surplus/(deficit) as a % of the GDP.
- The projected surplus/(deficit) as a % of the GDP is reflected in the Budget Review tabled in Parliament/Provincial Legislature whilst the actual surplus/(deficit) as a % of the GDP is reflected in the Statement of Financial Performance.

- To calculate the deficit as a percentage of the GDP the Deficit is divided by the GDP.

## 22. Disclosure and reporting on events after the reporting date

- These are those events both favourable and unfavourable that occur between the reporting date and the date the financial statements are authorized for issue.
- These are events only applicable to the Revenue Fund, e.g a devaluation of the Rand after 31 March will result in additional costs when making payments on foreign loans.

## 23. Contingent assets and liabilities

### Definition

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|---|---|
|  | *Contingent asset/liability: It is a possible asset/obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or*<br><br>*A contingent liability is a present obligation that arises from past events but is not recognised because:*<br><br>*It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or*<br><br>*The amount of the obligation cannot be measured with sufficient reliability.* |

**Accounting Policy**

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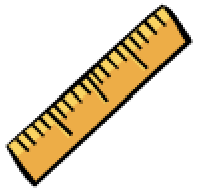
|---|---|
|  | Contingent assets are included in the disclosure notes to the financial statements when it is probable that an inflow of economic benefits will flow to the entity.<br><br>Contingent liabilities are included in the disclosure notes to the financial statements when it is possible that economic benefits will flow from the department, or when an outflow of economic benefits or service potential is probable but cannot be measured reliably. |

- With a contingent asset/liability there is a greater measure of uncertainty about the fulfillment of the amount.
- In the case of the National Revenue this includes GEFECRA