



treasury

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ACCOUNTING OFFICERS / CHIEF FINANCIAL OFFICERS
PROVINCIAL TREASURY INSTRUCTION NOTE NO. 16: AMENDMENT 1 OF 2013
DEPARTMENTAL REVENUE (REVENUE ACCRUAL ACCOUNT)

1. DEFINITIONS

In this Provincial Treasury Instruction Note, unless the context indicates otherwise, a word or expression, to which a meaning has been assigned in the Public Finance Management Act and the National Treasury Regulations, has the same meaning.

2. OBJECTIVE

The objective of this instruction note is to provide guidelines on the transfer, reconciliation and surrender of departmental revenue.

3. LEGAL FRAMEWORK

3.1 In terms of the Public Finance Management Act:-

- a) All money received by a provincial government, in terms of the annual Division of Revenue Act, must be paid into the province's Revenue Fund, as per section 22(1); and
- b) Only a Provincial Treasury may withdraw money from a Provincial Revenue Fund, and may do so only to provide funds that have been authorised in terms of an appropriation by a provincial Act as per section 24(1)(a).

3.2 In terms of the National Treasury Regulations, the Accounting Officer must:-

- a) Manage revenue efficiently and effectively by developing and implementing appropriate processes that provide for the identification, collection, recording, reconciliation and safeguarding of information about revenue, as per section 7.2.1.

4. GUIDING PRINCIPLES

- 4.1 All revenue collected for the calendar month must be paid to the Provincial Revenue Fund within 5 days after the closure of the accounting month.
- 4.2 Revenue surrendered for the month must be reconciled to the Provincial Revenue Fund on a monthly basis, in accordance with the monthly schedules forwarded by the Provincial Treasury.
- 4.3 The Revenue Accrual Account and the General Account of Revenue must be reconciled on a monthly basis. Although no transactions are posted to the Revenue Accrual Account during the financial year, the reconciliation is to ensure that no transactions have been inadvertently allocated to this account.
- 4.4 The balance for "Departmental Revenue to be Surrendered" must be confirmed annually with the Provincial Revenue Fund as part of the preparation of the annual financial statements.

5. PROCEDURES

5.1 Budget Statements and Adjustments Estimate

- 5.1.1 No journal entries are processed for the budget for revenue.

5.2 During the financial year

- 5.2.1 During the month the Department receives revenue receipts from various sources. The transactions that are processed for these receipts are:
 - Dr. Bank
 - Cr. Revenue Items
- 5.2.2 Within 5 days of the closure of the accounting month, the monthly expenditure control report for receipts (Revenue collected during the month) must be drawn

for the relevant reporting month and the revenue paid over to the Provincial Revenue Fund.

- 5.2.3 The pay over of revenue collected for March must be effected in the current financial year, i.e. prior to 31 March. Departments must draw the monthly expenditure control report for receipts (Revenue collected during March) and process a payment to ensure this amount is disbursed to the Provincial Revenue Fund on the last working day of March. The balance of the March revenue will become revenue accrual and must be treated according to paragraph 5.7.1.
- 5.2.4 The pay-over must be effected through a sundry payment by the Department to the Provincial Revenue Fund.
- 5.2.5 The account allocations and supporting documentation must be submitted to the Provincial Treasury: Banking Section once the payment has been generated.
- 5.2.6 A copy of all the documentation must be retained by the department for reference and audit purposes. In addition the Banking section of the department must be notified in order that the relevant transaction can be effected once the amount has interfaced and appears on the bank statement. The following accounts will be affected once the payover has occurred:
- Dr. General Account of Revenue
- Cr. Bank Account
- 5.2.7 Once the payment has been effected the detailed report for the General Account of Revenue must be drawn to ensure that the payment has been correctly allocated (Refer to Annexure A for an example of a detailed report).
- 5.2.8 The net debit balance at the end of each month on the General Account of Revenue is the cumulative balance paid over to the Provincial Revenue Fund.
- 5.2.9 The detailed report for the General Account of Revenue must be drawn before the closure of the accounting month, but after the end of the calendar month (Annexure A). The report must be reviewed and any discrepancies, i.e. any transactions not relevant to this account, must be corrected prior to the closure of the relevant accounting month.
- 5.2.10 The amount paid over must also be checked against the monthly schedule received from Provincial Treasury. Any discrepancies must be investigated and

corrected immediately (Refer to Annexure B for an example of a monthly schedule from the Provincial Revenue Fund).

- 5.2.11 The transactions on the detailed report must be compared to the confirmation schedule received from the Provincial Revenue Fund. Any discrepancies must be investigated and resolved prior to the closure of the accounting month.
- 5.2.12 If there are more debits on the General Account of Revenue in comparison to the confirmation received from the Provincial Revenue Fund, this is an indication that other payments may have been incorrectly allocated to the General Account of Revenue, or the Provincial Revenue Fund may have allocated the receipt to another Department.
- 5.2.13 If there are fewer debits on the General Account of Revenue Account in comparison to the confirmation received from the Provincial Revenue Fund, this may be an indication that payovers may have been incorrectly allocated to another account instead of the General Account of Revenue.
- 5.2.14 The detailed General Account of Revenue must also be reviewed for any unusual credit entries.
- 5.2.15 The detailed report for the Revenue Accrual Account must also be drawn monthly to confirm that no transactions have been processed against this account, except for the payover of the previous year's revenue.

5.3 Closure of financial year (Preliminary)

- 5.3.1 When the financial year is closed the balance on the General Account of the Revenue is automatically closed off to the Revenue Accrual Account. The following programmatic transactions occur:
- Dr. Revenue Accrual Account
- Cr. General Account of Revenue
- 5.3.2 All revenue items are closed off to the Revenue Accrual Account.
- 5.3.3 A net credit balance on the Revenue Accrual Account indicates the net balance still to be paid over to the Revenue Fund.
- 5.3.4 A net debit balance on the Revenue Accrual Account indicates that too much revenue has been paid over to the Revenue Fund.

Refer to Annexure C for the detailed report on the Revenue Accrual Account.

5.4 Audit Adjustments

- 5.4.1 During the audit of the financial statements audit adjustments may be required to the financial statements.
- 5.4.2 These audit adjustments must be processed on BAS as a 13th month transaction.

5.5 Final year end close

- 5.5.1 Once a final closure is authorised, no users can make changes to financial accounts for the closed financial year.
- 5.5.2 Once the audit adjustment entries are processed on BAS and the final close is completed, any adjusting entries affecting revenue is automatically closed off to the Revenue Accrual Account.
- 5.5.3 A detailed report for the Revenue Accrual Account must be drawn to ensure the balance agrees to the audited financial statements "Departmental Revenue to be Surrendered".

5.6 Year end reconciliation

- 5.6.1 The detailed Revenue Accrual Account (Refer to Annexure C) must be drawn and the following must be checked:
 - a) The revenue closed off must agree to the total departmental revenue on the statement of financial performance;
 - b) The debit as per the balance closed off from the General Account of Revenue for the payovers must agree to the confirmation schedule received from the Provincial Revenue Fund (Refer to Annexure D for the confirmation from the Provincial Revenue Fund); and
 - c) All other entries not accounted for, or any balances which do not agree must be investigated and corrected before the year end closure.

5.7 Surrender of previous year's revenue

- 5.7.1 Once the necessary adjusting entries have been processed on BAS, the year end reconciliation has been completed and the final audit report has been issued,

the balance on the revenue accrual account for the financial year under review must be paid over to the Provincial Revenue Fund.

- 5.7.2 The pay-over must be effected through a sundry payment by the Department and the accounting allocations and supporting documentation submitted to the Provincial Treasury: Banking Section once the payment has been generated.
- 5.7.3 A copy of all the documentation must be retained by the department for reference and audit purposes. In addition the Banking section of the department must be notified in order that the relevant transaction can be effected once the amount has interfaced and appears on the bank statement.
- 5.7.5 The following accounts are affected once the payover occurs:
- | | |
|-----|-----------------|
| Dr. | Revenue Accrual |
| Cr. | Bank |
- 5.7.6 Once the payment has been effected the detailed report for the revenue accrual account must be drawn to ensure the payment has been correctly allocated.
- 5.7.7 The amount paid over must also be checked against the monthly schedule received from the Provincial Revenue Fund. Any discrepancies must immediately be investigated and corrected.

6. REVENUE ACCRUAL ACCOUNT

- 6.1 The following section comprises various scenarios' regarding the revenue accrual account and the associated procedures.

Scenario 1: Current years revenue paid over, no opening balance**Summary of transactions on the Revenue Accrual Account**

		(Credit)/Debit R
Total receipts as per close off processes	a	(2,050,000)
Monthly revenue paid over as per the General Account of Revenue	b	1,800,000
Balance on the Revenue Accrual Account	c	(250,000)

Disclosure on the statement of financial performance

		Credit/(Debit) R
Departmental Revenue	a	2,050,000
Net surplus	a	2,050,000
Departmental Revenue to be surrendered	a	2,050,000

Disclosure on the notes to the statement of financial position

		Credit/(Debit) R
Transfer from statement of financial performance	a	2,050,000
Amounts paid during the year	b	(1,800,000)
Departmental Revenue to be Surrendered to the Provincial Revenue Fund	j	(250,000)

Scenario 2: Prior year balance paid over in the current year**Summary of transactions on the Revenue Accrual Account**

		(Credit)/Debit R
Opening Balance	a	(600,000)
Total revenue as per the year end close processes	b	(2,050,000)
Cumulative monthly revenue paid over as per the General Account of Revenue	c	1,800,000
Previous years revenue paid over	d	600,000
Balance on the revenue accrual account	e	(250,000)

Disclosure on the statement of financial performance

		Credit/(Debit) R
Departmental Revenue	a	2,050,000
Net surplus	a	2,050,000
Departmental Revenue to be surrendered	a	2,050,000

Disclosure on the notes to the statement of financial position

		Credit/(Debit) R
Opening Balance	a	600,000
Transfer from statement of financial performance	b	2,050,000
Amounts paid during the year	c+d	(2,400,000)
Departmental Revenue to be Surrendered to the Provincial Revenue Fund	e	(250,000)

Scenario 3: Revenue overpaid during the year**Summary of transactions on the Revenue Accrual Account**

		(Credit)/Debit R
Opening Balance	a	500,000
Total revenue as per the year end close processes	b	(2,050,000)
Cumulative monthly revenue paid over	c	2,200,000
Previous years refunded by the revenue fund	d	(500,000)
Balance on the revenue accrual account	e	150,000

Disclosure on the statement of financial performance

		Credit/(Debit) R
Departmental Revenue	a	2,050,000
Net surplus	a	2,050,000
Departmental Revenue to be surrendered	a	2,050,000

Disclosure on the notes to the statement of financial position

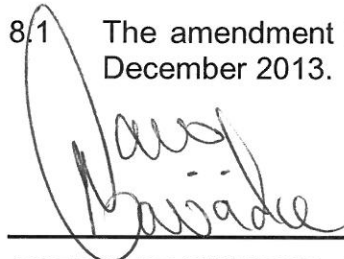
		Credit/(Debit) R
Opening Balance	a	(500,000)
Transfer from statement of financial performance	b	2,050,000
Amounts received during the year		500,000
Amounts paid during the year	c+d	(2,200,000)
Departmental Revenue to be Surrendered to the Provincial Revenue Fund	e	(150,000)

7. Kindly refer to the addendum to the instruction note for the following examples:

Annexure A:	Detailed Report for General Account of Revenue
Annexure B:	Monthly Analysis from Revenue Fund
Annexure C:	Detailed Report for Revenue Accrual Account
Annexure D:	Confirmation from Provincial Revenue Fund
Annexure E.1	Extract of Statement of Financial Performance
Annexure E.2	Extract of Statement of Financial Position
Annexure E.3	Extract of Notes

8. EFFECTIVE DATE

8.1 The amendment to this Provincial Treasury Instruction Note is effective from 1 December 2013.



ACTING PROVINCIAL ACCOUNTANT-GENERAL

DATE: 1 DECEMBER 2013