



## PROVINCIAL TREASURY CIRCULAR NO. 27 OF 2018

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**DIRECTOR GENERAL: OFFICE OF THE PREMIER OF MPUMALANGA: VOTE 1 (MR T MDAKANE)**  
**HEAD: VOTE 3: PROVINCIAL TREASURY (MS NZ NKAMBA)**  
**HEAD: VOTE 4: CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR TP NYONI)**  
**HEAD: VOTE 5: AGRICULTURE, RURAL DEVELOPMENT, LAND AND ENVIRONMENTAL AFFAIRS (MS SP XULU)**  
**HEAD: VOTE 6: ECONOMIC DEVELOPMENT AND TOURISM (ACTING) (MS SP XULU)**  
**HEAD: VOTE 7: EDUCATION (MS MOC MHLABANE)**  
**HEAD: VOTE 8: PUBLIC WORKS, ROADS AND TRANSPORT (MR KM MOHLASEDI)**  
**HEAD: VOTE 9: COMMUNITY SAFETY, SECURITY AND LIAISON (MR W MTHOMBOHI)**  
**HEAD: VOTE 10: HEALTH (DR S MOHANGI)**  
**HEAD: VOTE 11: CULTURE, SPORT AND RECREATION (MR GS NTOMBELA)**  
**HEAD: VOTE 12: SOCIAL DEVELOPMENT (MR MV MAHLALELA)**  
**HEAD: VOTE 13: HUMAN SETTLEMENTS (MR K MASANGE)**

**THE CHIEF FINANCIAL OFFICER: VOTE 1: OFFICE OF THE PREMIER (MR SS SHONGWE)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MR MA KHOZA)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 4: CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR SEB MATSEBULA)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 5: AGRICULTURE, RURAL DEVELOPMENT, LAND AND ENVIRONMENTAL AFFAIRS (MR MA LETSWALO)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 6: ECONOMIC DEVELOPMENT AND TOURISM (ACTING) (MS H THRUSH)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 7: EDUCATION (MS G MASHITENG)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 8: PUBLIC WORKS, ROADS AND TRANSPORT (MS HN MDAKA)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 9: COMMUNITY SAFETY, SECURITY AND LIAISON (MS SA SEFALA)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 10: HEALTH (ACTING) (MR PP MAMOGALE)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 11: CULTURE, SPORT AND RECREATION (MR B NGOMA)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MR JB MBATHA)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 13: HUMAN SETTLEMENTS (MR SB NYOKA)**

**THE CHIEF DIRECTORATE: SUSTAINABLE RESOURCE MANAGEMENT**  
**THE CHIEF DIRECTORATE: ASSETS AND LIABILITIES MANAGEMENT**  
**THE CHIEF DIRECTORATE: FINANCIAL GOVERNANCE**

**BUDGET PRINCIPLES FOR THE PURPOSE OF ACCOUNTING FOR OWN REVENUE IN RESPECT OF PROVINCIAL DEPARTMENTS: 2017/18 FINANCIAL YEAR**

**1. PURPOSE**

The purpose of this Circular is to inform the Departments about the disclosure requirement of Departmental revenue in reference to Own Revenue on note 3 of the Financial Statements.

**2. BACKGROUND**

A specific accounting treatment is required by the Modified Cash Standard and Accounting Manual where own revenue has been included in the annual appropriation of the Departments. This requirement applies when departmental revenue collected by departments during a particular financial year is appropriated to the respective departments to fund their expenditure for the same financial year.

In terms of paragraph 6.3 page 19 of the Accounting Manual 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 which in this case we have own revenue allocated to such departments.

In addition according to page 35: 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 / difference in the amount in departmental revenue in the statement of financial performance.

**3. DISCUSSION**

***For the purpose of this Circular, it must be noted that for the Statement of Financial Performance, the actual amounts should be disclosed, the actual received versus the actual collected. Revenue budgeted to be collected versus the actual collected are not considered since the revenue budgeted to be collected is not an actual amount and it does not qualify to be on the Statement of Financial Performance.***

**3.1 Budgeting Principles**

1. The provincial budget consists of:
  - a) Equitable share
  - b) Conditional grants and
  - c) Own revenue
2. The own revenue is a contribution by Departments into the Provincial Revenue Fund.
3. Departments do not have the right to retain revenue collected except for the Provincial Legislature (PFMA section 22(1)).
4. Appropriation of the revenue collected is the discretion of the Executive Council.
5. The revenue collected by departments is appropriated to the departments in the same year. If there are any surpluses on the collected revenue, it will remain in the Provincial Revenue Fund and it will be used to address future provincial priorities.



6. The surplus will not be appropriated as own revenue to the department during the following year however will be appropriated as additional funding.
7. Preference is given to departments as per the discretion of the Executive Council.

### 3.2 Reporting on own revenue appropriated in the Financial Statements

Departments should disclose revenue on note 3 of the financial statements as follow:

#### **Scenario 1**

The Department collected total revenue of R787,803,000 and it was appropriated own revenue of R34,917,000 from Provincial Treasury. In this case the Department has been allocated less than what it has collected therefore it must disclose the difference of R752,886 000 between revenue collected and the revenue given to it on note 3 of the financial statements.

Example 1 of the Note:

	<b>2017/18</b>
	<b>R'000</b>
Total revenue collected	R787,803
<b>Less: own revenue included in appropriation</b>	<b>R34,917</b>
<b>Departmental revenue collected</b>	<b>R752,886</b>

#### **Scenario 2**

The Department collected total revenue of R40,276,000 and it was appropriated own revenue of R240,330,000. In this case the Department would have received own revenue more than the revenue collected, therefore on note 3, the total departmental revenue collected will be zero. This is simply because it has been appropriated more revenue than what it has collected in the same year due to the shortfall within their budget.

Example 2 of the note:

	<b>2017/18</b>
	<b>R'000</b>
Total revenue collected	R40,276
<b>Less: own revenue included in appropriation</b>	<b>R240,330</b>
<b>Departmental revenue collected</b>	<b>R Nil</b>

#### **Scenario 3**

The Department collected total revenue of R7,973,000 and was not appropriated own revenue from Provincial Treasury. In this case the total revenue collected will be disclosed as Departmental revenue collected on note 3 of the Financial Statement.

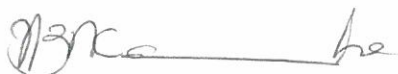
Example 3 of the note:

	2017/18
	R'000
Total revenue collected	R7,973
Less: own revenue included in appropriation	R -
<b>Departmental revenue collected</b>	<b>R7,973</b>

#### 4. CONCLUSION

Departments are therefore required to apply the disclosure as indicated in this Circular in the financial year 2017/18 and in the case where there are prior period errors the Circular must be implemented retrospectively according to scenario relevant to the Department.

Regards



**MS NZ NKAMBA**  
**HEAD: PROVINCIAL TREASURY**  
**DATE: 13/04/2018**