



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

CLASSIFICATION CIRCULAR 2 OF 2008/09

DEFINING AND TREATMENT OF CATERING AND ENTERTAINMENT IN THE STANDARD CHART OF ACCOUNTS (SCOA)

Purpose

To provide all government financial practitioners with the definition of entertainment and catering expenditure in the chart of accounts and how it should be dealt with in the financial system.

Background

This circular replaces circular 2/2005 dated 25 November 2005 and 1 of 2007/08 dated 11 May 2007, issued by the SCOA Technical Committee.

With the implementation of a revised chart of accounts 1 April 2008 the SCOA project team separated the item catering to provide for catering on *departmental activities* and *agency support and outsourced services: catering services*. The item agency support and outsourced services: catering services will provide for food provided to detainees, patients, armed forces, prisoners, communities, social welfare facilities, education facilities and training colleges. The reason for not grouping all catering items together is to obtain a clearer picture of catering services for employees and their departmental activities and other catering services outsourced by the department.

The hiring of a venue and the purchase of catering services are often not separated on the invoice supplied by the services provider. In such instances, the following applies:

- (a) Departments **must** request detailed quotations and invoices that separate the cost of the meals and refreshments from the hiring of the venue. Upon payment the cost for meals and refreshments must be recorded as '*catering*' and the hiring of the venue as must be allocated to '*venues and facilities*';
- (b) Where this is not possible due to the service provider only offering a total package deal, the total amount shall be allocated to '*venues and facilities*'.

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Definitions

The following definitions will apply to entertainment and catering departmental:

Entertainment: This item includes entertainment expenditure incurred by members of the Senior Management Service (SMS) as well as Ministers and his/her office bearers in performance of their duties. Such expenditure includes, but is not limited to:

- (a) Luncheon meetings held with colleagues, foreign delegations and/or other individuals in and outside the public sector; and
- (b) Purchase of dinner during authorised overtime, if no compensation in the form of time off or additional pay is approved, provided that the closing time is later than 20h00. (Chapter 7 of the PSCBC Resolution No. 3 of 1999 – paragraph 3.1 (b)).

This item does not include, but is not limited to, spending on:

- (a) Gifts (including flowers) to individuals;
- (b) Private entertainment;
- (c) Cost of meals claimed by individuals when away from home on official duty;

Catering departmental: Expenditure incurred on individuals employed or contracted to the department or individuals outside the employ of the department, in connection with the activities of a department, or division within a department, that directly relates to the achievement of its objectives. Such expenditure includes, but is not limited to:

- (a) Catering for lekgotla's, conferences, bosberade, workshops, indabas, courses, forums, hearings and meetings held with the intention to discuss the governments' or departments' initiatives;
- (b) Catering for a function for the launching/roll-out of an product of the department or division within a department (for example the Public-Private Partnership Manual);
- (c) Catering for interviews or training sessions;
- (d) Diner and drinks supplied at year-end functions of a department or a division within a department;
- (e) Catering for the opening of Parliament;
- (f) Eatery provided for members of standing boards, other government bodies and official commissions or committees of enquiry.

This item does not include, but is not limited to, spending on:

- (a) Gifts (including flowers) to individuals; and
- (b) Venues in connection with the function/event or any other expenditure incurred in addition to the catering of the function/event.

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Structure in the SCOA

The following accounts under entertainment support the above definition:

Account Name	Posting level	BAS segment number
Entertainment	N	391
Management	Y	1868
Ministers	Y	1869
Missions	Y	1870

The following account must be used for allocation of any departmental catering costs:

Account Name	Posting level	BAS segment number
Catering departmental	Y	1565

The chart of accounts separates departmental catering payments from catering that is procured from an expert or private outsourced agency that is not related to catering for departmental activities. The reason for not grouping all catering items together is to obtain a clearer picture of catering services for employees and their departmental activities and other catering services outsourced by the department. The agency support and outsourced catering services will be used where a department does not have the capacity or expertise to carry out the catering service not relating to the catering for departmental activities. The following accounts must be used for allocation of agency support and outsourced catering services:

Account Name	Posting level	BAS segment number
Agency and support/outsourced services: Catering services	N	416
A&S/O Catering ser: Detainees	Y	2404
A&S/O Catering ser: Patients	Y	2405
A&S/O Catering ser: Prisoners	Y	2406
A&S/O Catering ser: Communities	Y	2865
A&S/O Catering ser: Armed forces	Y	2557
A&S/O Catering ser: Social welfare facilities	Y	2558
A&S/O Catering ser: Education facilities	Y	2559
A&S/O Catering ser: Training colleges	Y	2560

The project segment introduced 1 April 2008 has been standardised by the National Treasury. In order to cost an event, where a number of spending items are available, the committee recommends the use of the project segment. The project segment provide for an item *Projects not related to infrastructure assets current BAS code 27 (N)*, which may be used by the department to monitor spending on a current project. For example, the launch of the New Economic Reporting Format (NERF) resulted in the National Treasury hosting workshops in the different provinces. Using the above proposed

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accounts, the total cost of the launch would be allocated to the SCOA items using the project segment as follows:

Project – Launch of the NERF¹		
Items		
Catering	Lunches provided for the delegates	XXX
Venues & Facilities	Cost of hiring the venue	XXX
Compensation of employees	Compensation paid to the National Treasury officials during the road shows	XXX
Travel & Subsistence - Domestic – Accommodation	Accommodation costs of National Treasury officials	XXX
Travel & Subsistence – Domestic – Food & Beverages	Cost of meals purchased by National Treasury officials. This excludes the lunch supplied at the venues	XXX
Travel & Subsistence – Domestic – Air Transport	Flights taken by National Treasury Officials	XXX
Travel & Subsistence – Domestic – incidental costs	Airport parking	XXX
	TOTAL COST	XXX

This circular comes into effect from the date on this circular. Please contact the SCOA project team via the **SCOA call center at (012) 315 5311** if further clarity or discussion is required regarding the above. Alternatively, practitioners can communicate via email, by sending a concise mail to scoa@treasury.gov.za.

Regards,
SCOA Technical Committee

Date: 14 May 2008

¹ The launch of the NERF did not result in a capital asset and is therefore seen as a current project