



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

TO: Chief Financial Officers
Programme Managers
Budget Managers
Departmental Database Representatives
Financial System Controllers
National Treasury – Public Finance Budget Analysts
National Treasury – Intergovernmental Relations Provincial Budget Analysts

CLASSIFICATION CIRCULAR 12

CHANGES TO THE PROJECT SEGMENT OF THE STANDARD CHART OF ACCOUNTS (SCOA)

PURPOSE

1. The purpose of this circular is to inform departments of the forthcoming changes to the Project segment effective 01 April 2016.

PROJECT SEGMENT DISCUSSION

2. The purpose of the Project segment is to identify whether a payment is part of a project¹ or not. The segment allows for the allocation of all payments made that relate to projects and those that are non-projects related (stand-alone transactions). This makes it possible to monitor the cost of both current and capital inputs into a single project.
3. Project segment has been standardised on high reporting level and departments are allowed to list any projects on a lower reporting level (*Table 1.1*). For the purposes of detailed reporting on infrastructure, individual projects are linked to the appropriate reporting categories in the **Infrastructure** segment, i.e. *infrastructure* and *non-infrastructure* projects.
4. The Project segment allows departments to also identify their unique projects, allowing for all payments made on items to be allocated to relevant projects. This would make it possible to:-
 - monitor the costs of both own-account and outsourced projects;
 - enable the departments to list any projects – thus allowing the linkages with the final and approved tabled infrastructure project lists as tabled and legislated during the budget process (ENE/ EPRE); and
 - link individual projects to the appropriate reporting categories in the Asset and Infrastructure segments for purposes of detailed reporting on infrastructure related projects.

¹ A **project** is a collection of tasks usually of a multi-disciplinary nature to achieve a certain goal; for example, the construction of a new road.

Table 1.1: Chart illustration

1	2	SEGMENT DETAIL NO	P/NP LEVEL	BREAKDOWN ALLOWED
	PROJECTS	1	N	N
	PROJECT	3	N	Y
	PRJ RESEARCH & DEVELOPMENT(S&T)	5	N	Y
	NO PROJECTS	2	N	N
	NO PROJECTS	4	Y	N
	NP RESEARCH AND DEVELOPMENT(S&T)	7	Y	N

SPENDING ON INFRASTRUCTURE

5. Spending on infrastructure is a priority of government. It is aimed at improving access to and the quality of service delivery and as a means of addressing South Africa's pressing challenges such as unemployment and poverty. As such, it is of paramount importance that all infrastructure related transactions be appropriately accounted for in the Chart of Account.
6. Problems of under-spending of infrastructure budgets and inadequate reporting on infrastructure spending have been experienced, resulting in the design and implementation of infrastructure reporting systems to curb such challenges.
7. In order to meet the financial reporting requirements, the National Treasury relies on the use the Basic Accounting System (BAS) to be able to provide systematic reporting of infrastructure expenditure at the project level. Example of such reporting requirements is the Infrastructure Reporting Model (IRM)² as it assists departments in the monitoring of the spending on infrastructure projects.

INCONSISTENT USE OF THE PROJECT SEGMENT

8. The Project segment is designed to cater for the reporting of spending on projects. The segment is only standardised on a high reporting level, as it was agreed that departments would capture details on infrastructure projects on lower reporting levels to ensure proper project reporting. This however has not been the case as the data captured on the system cannot be linked to the projects listed during the budget process.
9. It has been found that some departments have correctly utilised the Project segment. However, in most case there are departments that have not captured the lists of projects, especially projects that have been tabled and legislated during budget processes, therefore making it difficult to monitor the projects.
10. It is evident from the data obtained from Vulindlela of the inconsistent use of the Project segment that departments do not use the segment as envisioned. This is further supported by the rollout of the IRM where reporting on infrastructure is met however the information provided cannot be reconciled to the systems (BAS).

² **Infrastructure Reporting Model (IRM)** is a reporting tool developed by National Treasury to monitor progress and spending on infrastructure projects during the year.

WAY FORWARD

11. The Project segment will be standardised according to budget allocations to enforce appropriate reporting on infrastructure projects during the financial year. The list of project items will be sourced from the infrastructure sheet tabled during the Estimates of National Expenditure (ENE) budget process for national departments and the B4/B5 infrastructure list tabled during the Estimates of Provincial Revenue and Expenditure (EPRE) budget process for provincial departments.
12. It has been decided that the existing Project segment be developed as a centrally controlled segment that is aligned with the ENE and EPRE. The standardised Project segment will still allow departments to capture and monitor spending on non-infrastructure projects (Departmental Specific Project List). Departments will be allowed to capture their non-infrastructure projects on the Project segment, for example Financial Management Training Project.

INFRASTRUCTURE PROJECT LIST

13. The National Treasury has consulted various stakeholders to adjust the existing Project segment in BAS that will capture uniform information on infrastructure spending. During the consultation process the following guiding principles were identified and agreed upon:
 - standardisation and capturing of the project list should be centralised to National Treasury; and
 - the SCOA Technical Committee would use the infrastructure information obtained during the budget (ENE/EPRE) to capture the project list.

NON-INFRASTRUCTURE PROJECT LIST

14. No standardisation will be made for non-infrastructure projects (Departmental Specific Project List). Only projects relating to infrastructure spending will be standardised for appropriate reporting and monitoring of infrastructure budgets versus spending.

CONTACT INFORMATION

15. Please contact the SCOA Technical Committee via the SCOA call centre at **(012) 315 5311**, or by sending a concise mail to [**scoa@treasury.gov.za**](mailto:scoa@treasury.gov.za) if further clarity or discussion is required regarding the changes highlighted above.

Regards,

SCOA Technical Committee

Date: 9 December 2015

New Project Segment

1	2	3	4	5	6	7	SEGMENT DETAIL NO	P/NP LEVEL	LEVEL	BREAKDOWN ALLOWED	RESPONSIBILITY
PROJECTS							1999	N	1	N	NATIONAL TREASURY
PROJECT							3999	N	2	Y	REMOVE 01 PRIL 2016
DEPARTMENTAL SPECIFIC PROJCT LIST								N	2	Y	NATIONAL TREASURY
ENE/EPRE PROJECT LIST								N	2	N	NATIONAL TREASURY
NATIONAL DEPARTMENT								N	3	N	NATIONAL TREASURY
AGRICULTURE AND FORESTRY								N	4	N	NATIONAL TREASURY
PUBLIC WORKS								N	4	N	NATIONAL TREASURY
SCHEDULED MAINTENANCE								N	5	N	INFRASTRUCTURE SHEET (ENE)
40 CHURCH SQUARE UPGRADES								N	5	N	INFRASTRUCTURE SHEET (ENE)
PARKING								N	6	Y	DEPARTMENT ALLOWED TO ADD SUB-PROJECTS
OFFICE SPACE								N	6	Y	DEPARTMENT ALLOWED TO ADD SUB-PROJECTS
TRANSPORT								N	4	N	NATIONAL TREASURY
WATER AFFAIRS								N	4	N	NATIONAL TREASURY
PROVINCIAL DEPARTMENT								N	3	N	NATIONAL TREASURY
EASTERN CAPE								N	4	N	NATIONAL TREASURY
FREE STATE								N	4	N	NATIONAL TREASURY
GAUTENG								N	4	N	NATIONAL TREASURY
KWA-ZULU NATAL								N	4	N	NATIONAL TREASURY
LIMPOPO								N	4	N	NATIONAL TREASURY
MPUMALANGA								N	4	N	NATIONAL TREASURY
NORTH WEST								N	4	N	NATIONAL TREASURY
NORTHERN CAPE								N	4	N	NATIONAL TREASURY
WESTERN CAPE								N	4	N	NATIONAL TREASURY
ROADS & TRANSPORT								N	5	N	NATIONAL TREASURY
N2-VANGUARD DRIVE RESEAL								N	6	N	INFRASTRUCTURE SHEET (EPRE) - B4/B5
MILNERTON-MELKBOSSTRAND RESEAL								N	6	N	INFRASTRUCTURE SHEET (EPRE) - B4/B6
MAINTENANCE								N	6	N	INFRASTRUCTURE SHEET (EPRE) - B4/B7
MAINTENANCE- CAPE TOWN								N	7	Y	DEPARTMENT ALLOWED TO ADD SUB-PROJECTS
MAINTENANCE - EDEN								N	7	Y	DEPARTMENT ALLOWED TO ADD SUB-PROJECTS
EDUCATION								N	5	N	NATIONAL TREASURY
GARDEN VILLAGE PS								N	6	N	INFRASTRUCTURE SHEET (EPRE) - B4/B5
ITSITSA PS								N	6	N	INFRASTRUCTURE SHEET (EPRE) - B4/B5
WELLINGTON PS								N	6	N	INFRASTRUCTURE SHEET (EPRE) - B4/B5
SCHEDULED MAINTENANCE								N	6	N	INFRASTRUCTURE SHEET (EPRE) - B4/B5
DTPW021/2014 - PS 2013/14								N	7	Y	DEPARTMENT ALLOWED TO ADD SUB-PROJECTS
DTPW035/2014 - SS 2013/14								N	7	Y	DEPARTMENT ALLOWED TO ADD SUB-PROJECTS
GRADE R								N	6	N	INFRASTRUCTURE SHEET (EPRE) - B4/B5
DTPW089/2014 - EDEN/KAROO C								N	7	Y	DEPARTMENT ALLOWED TO ADD SUB-PROJECTS
DTPW090/2014-OVERBERG								N	7	Y	DEPARTMENT ALLOWED TO ADD SUB-PROJECTS
DTPW091/2014- METRO								N	7	Y	DEPARTMENT ALLOWED TO ADD SUB-PROJECTS
HEALTH								N	5	N	NATIONAL TREASURY
KHAYELITSHA HOSPITAL: HT: WARD COMPLETION								N	6	N	INFRASTRUCTURE SHEET (EPRE) - B4/B5
MAITLAND: ALEXANDRA HOSPITAL: QA: FIRE COMPLIANCE								N	6	N	INFRASTRUCTURE SHEET (EPRE) - B4/B5
ABBOTSDALE SATELLITE CLINIC								N	6	N	INFRASTRUCTURE SHEET (EPRE) - B4/B5
PRJ RESEARCH & DEVELOPMENT(S&T)							5999	N	2	Y	
NO PROJECTS							2999	N	1	N	
NO PROJECTS							4999	Y	2	N	
NP RESEARCH AND DEVELOPMENT(S&T)							7999	Y	2	N	