



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

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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

## **SCOA COMMUNICATION: BUDGET STRUCTURE CHANGES TO BE IMPLEMENTED ON THE OBJECTIVE SEGMENT OF THE STANDARD CHART OF ACCOUNTS (SCOA) FOR THE 2012/13 FINANCIAL YEAR**

### **Purpose**

1. The purpose of this communication is to provide departments with information regarding the process to be followed for budget structure changes that affects the Objective segment of the standard chart of accounts (SCOA) for the 2012/13 financial year.

### **Background**

2. With the implementation of the 'toned' standard chart of accounts in April 2008, the National Treasury improved the presentation of budget programmes at the national and provincial level, by capturing and centrally managing the first two budgeting levels (programme and subprogramme) presented in the budget documentation and appropriation acts.
3. This change effectively implies that departments will not be allowed to amend the programme and subprogramme levels in the financial system (BAS) without the necessary approval and concurrence of the appropriate treasury. Departments will be able to create sub-level activities according to their own requirements once approval is granted by the relevant treasury for the new programme and subprogramme structure.
4. Even though departments will be able to create any activities as is required to ensure effective financial management and control beyond the first two budgeting levels, it is important that departments ensure that lower-level activities relate to the subprogrammes to which they are assigned in order to eliminate misclassification.
5. The standard chart of accounts operates such that a "CORE" (containing all available allocations) database is created by National Treasury from which departments must activate the specific information that is relevant in respect of their department. In this "CORE" the higher levels of the Objective segment is locked for modification.

6. Programme structure changes may be in the form of:
- Creation of new programmes and subprogrammes;
  - Name changes to programmes and subprogrammes;
  - Discontinuing of programmes and subprogrammes;
  - Splitting and merger of functions between departmental votes;
  - Merger and splitting of subprogrammes or functions within a departmental vote; and
  - Change in the order of programmes or subprogrammes

### **Process on changing budget structures**

7. The national and provincial budget guidelines requires formal approval for programme structure changes by the relevant treasury before these changes are taken forward and incorporated into the budget documentation and appropriation bill. Departments are requested to follow this process as non compliance will impact on the creation of the new structure in the Objective segment of the SCOA.
8. Once approval is granted for the new budget structure, departments must submit their letters of approval with supporting documentation to the SCOA Technical Committee. Letters for national departments will be sourced from the Public Finance branch in National Treasury but provincial budget structure changes approval letters should be forwarded for the attention of Mrs. Vanessa Parker at the National Treasury, [vanessa.parker@treasury.gov.za](mailto:vanessa.parker@treasury.gov.za).
9. Upon receipt of the letters for approval of the new structure the SCOA Technical Committee will verify the details provided in the approval letter to what has been populated in the departmental databases and the appropriation bill. Only when there is a match of the details captured in these documents the SCOA Technical Committee may continue to create the new structure on the Objective segment of the SCOA.
10. It is important to note that departments should consult the SCOA Technical Committee on the creation of these new/amended structures and not the financial systems team directly. The master chart is vested in the Office of the Accountant-General and the master chart is first amended with any changes via the SCOA Technical Committee before it is forwarded to the financial systems team for capturing on the system and the creation of the relevant segment codes.

### **Impact of changes on budget structures**

11. The Objective segment contain the programmes and subprogrammes of departments and are interlinked to other transversal systems like PERSAL and LOGIS. Budget structure changes will result in departments having to re-link transaction combinations between the various transversal systems like payments for compensation to employees paid on PERSAL and re-commitment of orders.
12. History data will also be affected as some of the programmes and subprogrammes will no longer exist. History detail will no longer be available in one report and the continuity in management reporting will be lost.
13. Departments will have to remap data manually for reporting purposes on the annual financial statements and for the preparation of budget submissions.

14. Lower detail structures created and budgets captured under existing structures may be influenced and departments will have to recreate, re-link and recapture detail to align with new proposed structures.
15. In some instances there might be open orders/payments or commitments on the transversal systems and by removing current structures will result in failure of payments on the various systems and thus re-capturing.

### **Challenges**

16. Without having the approval of the new/amended budget structure and the assurance that departments have correctly populated their structures in the departmental databases and the appropriation bill will result in a delay or even non creation of the new/amended structure by the SCOA Technical Committee in the Objective segment of the chart. This will also impact directly on the department not be able to create the lower level activities of the programmes and subprogrammes and capturing of budgets to these structures.

### **Time frames and the way forward**

17. Time lines and due dates for submission of various budget documentation was communicated through the respective treasury budget guidelines.
18. Upon receipt of departmental budget databases and approval letters for new structures the SCOA Technical Committee will start verifying the details provided and creates the new structures on the master chart. Only once all structures have been verified and captured on the master chart the committee will forward the new structure to the financial systems team for capturing and creating of new segment codes. The new segments codes will be published as part of the master chart on both the SCOA and BAS webpage.
19. Failure to submit the required documentation with the relevant attachments of the structure changes will results in the Committee not being able to create the items on time.
20. Provided that all processes as stipulated in this document are followed and are in time will result in having the amended Objective segment ready in the last week of February 2012. Departments must take note that new programme and subprogramme structures will be available on the system earlier as indicated, however the effective date will be 1 April 2012. Deletions and name changes of programme and subprogrammes cannot be made available earlier than 1 April 2012 as they are in use for the current financial year ending 31 March 2012.

Please contact the SCOA Technical Committee 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](mailto:scoa@treasury.gov.za)

Regards

SCOA Technical Committee

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