

CLASSIFICATION CIRCULAR 1 OF 2009/10

ADJUSTMENTS TO THE STANDARD CHART OF ACCOUNTS (SCOA)

PURPOSE

1. The purpose of this classification circular is to inform all government financial practitioners of the changes made to the Standard Chart of Accounts (SCOA) for the 2009/10 financial year.

DISCUSSION

2. Changes to the chart will be discussed according to each of the segments. Please note where applicable in a segment, all terminology has been aligned to the Reference Guide on the Economic Reporting Format (ERF), i.e. expenditure has been renamed to payments and revenue to receipts. Terminology for Trading Entities and Trust Funds will remain as revenue and expenditure.
3. Departments are also requested to ensure that all the necessary PERSAL and BAS links be updated to the structure where proposed changes have been recommended in the segments of the chart, i.e. amended fund segment for earmarked and specific funds, programmes and subprogrammes in the objective segment, the changes to the asset segment for leased assets and the newly created project structure that caters for the distinction between infrastructure and non infrastructure projects.

FUND SEGMENT

4. Earmarked and specific funding and conditional grants codes for national departments were aligned to the appropriation and division of revenue acts for 2009 as tabled by the Minister of Finance in Parliament.
5. No corresponding structure was created for provincial departments in the earmarked and specific allocation categories. Provincial Treasuries have to create these structures as and when requested.
6. The SCOA technical committee has issued a classification circular on the allocation of earmarked and specific funds and conditional grants in the financial system. Departments are requested to please consult the circular for guidance.
7. A name change was proposed for 'conditional grants: national' and conditional grants provincial have been removed from the fund segment.

Classification Circular 1 of 2009/10

8. Please consult the classification circular on earmarked and specific funds and conditional grants for details.

OBJECTIVE SEGMENT

9. Programme structures of national and provincial departments were aligned to the budget statements of departments as tabled in parliament and the legislature.

RESPONSIBILITY SEGMENT

10. This is the non-standardised segment and departments need to amend the structure according to their needs and what's in the organisational structure of the department. No changes were made to this section of the chart.

ITEM SEGMENT

Payments

Goods and services

Operating payments

11. The item for protective clothing and uniforms under operating payments was **removed** because it was duplicated under goods and services in the chart. This item was previously used for payments made to suppliers or directly to the employee through the salary system for uniforms such as police uniforms and fleet uniforms.

ITEM REMOVED	BAS CODE
OPER/EXP:PROTEC/SPEC CLOTH&UNIF	2658

12. In future the item under inventory namely: Inventory other consumables: uniforms and protective clothing should be used for all types of uniforms and protective clothing.

13. The **definition** for the item uniform and protective clothing was **revised** as follows: This item includes uniform allowances as well as the purchase of formal uniforms and protective clothing such as police uniforms. This item also includes payments for overalls for cleaners and artisans, gloves, gumboots etc. Furthermore, also included under this item are payments for reflective belts and jackets used on animals or people to be used for identification as emergency assistants or any other type of uniform or protective clothing. The relevant PERSAL allowance codes will also be linked to the BAS item code 1788.

ITEM DEFINITION CHANGED	BAS CODE
INV OTH CONS:UNIF&PROTEC CLTHING	1788

Classification Circular 1 of 2009/10

Administration fees

14. The item DPW property management fee under the category administrative fees was **removed** as it was duplicated in the chart. The item can be found in the category owned and leasehold property expenditure.

ITEM REMOVED	BAS CODE
DPW PROPERTY MANAGEMENT FEE	511

15. The correct item to use for payments to an entity/department charging a management fee for rendering property related services is provided for, under owned and leasehold property expenditure: Management fee. An example would be where the Department of Public Works manages the municipal accounts on behalf of another department and charges a fee for managing these accounts. Departments are advised to capture their budget for this purpose under the following item:

ITEM	BAS CODE
OWN&LEAS PROP EXP:MANAGEMENT FEE	1754

Lease payments

16. To enhance the reporting requirements on leases, the item lease payments in the item segment was adjusted to provide for payments on operating and finance leases separately.
17. The non-posting level item lease payments, BAS code 384 remain as is, and two new posting level items were **added** on the item segment to separate operating leases from finance leases. The asset categories as required to be reported on in the annual financial statements are provided for in the asset segment as a new category. Please refer to the discussion on the asset segment

ITEMS ADDED	BAS CODE
LEASE PAYMENTS	384
OPERATING LEASES	3022
FINANCE LEASES	2990

18. The one line item previously used for both operating as well as finance leases was **removed**.

ITEM REMOVED	BAS CODE
LEASE PAYMENTS	1758

Classification Circular 1 of 2009/10

Owned and leasehold payments

19. The name of this item category was **changed** to owned and leasehold property payments. Please note that the prefix for these items has changed from 'EXP' to 'PMT'.

Financial transactions in assets and liabilities

20. The name of this category has been changed to '*payments for financial assets*'. A more detailed explanation of this category will be provided for in the updated Reference Guide to the New Economic Reporting Format (Blue Book) which will be released soon.

Unauthorised expenditure

21. Unauthorised expenditure approved with funding is recognised in the statement of financial performance when the unauthorised expenditure is approved and the related funds are received. Where the amount is approved without funding it is recognised as spending, subject to availability of savings, in the statement of financial performance on the date of approval. Unauthorised expenditure was allocated to BAS item code 1562.
22. This item was **removed** due to a change in the accounting policy for unauthorised expenditure which should now be accounted for against the relevant spending items in the chart where these expenses took place originally. Further guidance is provided in 'preparation guide to the annual financial statements'.

ITEM REMOVED	BAS CODE
UNAUTHORISED EXPENDITURE	1562

Fruitless and wasteful expenditure

23. The same principle applies for the fruitless and wasteful expenditure item as mentioned with unauthorised expenditure. Please refer to paragraph 20 and 21. Further guidance on this is also provided in 'preparation guide to the annual financial statements'.

ITEM REMOVED	BAS CODE
FRUITLESS & WASTEFUL EXP	1561

Transfer payments

24. Changes made to this category are the addition of newly introduced entities as per the latest PFMA schedule on public entities.

ITEMS ADDED	BAS CODE
TRANSFERS AND SUBSIDIES	309
TRANSFERS TO DEPARTMENTAL AGENCIES	325
PROVINCIAL DEPARTMENTAL AGENCIES	355
PROV DA:GAUTENG ENTERP PROP	2992
PROV DA:GAUTRAIN MAN AGEN	2993
PROV DA:XHASA ATC AGENCY	2991

Classification Circular 1 of 2009/10

NATIONAL DEPARTMENTAL AGENCIES	356
BREEDER RIVER CATCHMENT MAN AGENC	3007
INKOMATI CATCHMENT MAN AGENCY	2994
MEDIA RESEARCH COUNCIL OF SA	2995
NAT COMSUMER COMMISSION	2996
NAT CONSUMER TRIBUNAL	2997
NAT CREDIT REGULATOR	2998
NAT REGULATOR FOR COMPULSORY SPEC	2999
OFF OF THE OMBUD FIN SERV PROV	3000
OFF OF THE PENSION FUND ADJ	3001
PORTS REGULATOR OF SA	3002
PRIV SEC INDUSTRY REGULATOR AUTH	3003
PRODUCTIVITY SA	3004
PUB INV CORP LTD	3005
STATE DIAMOND TRADER	3006

25. The item municipal bank accounts: neighbourhood development partnership grant BAS code 2353 has been **removed** and should be allocated to conditional grants municipalities BAS code 2352. Details of the type of grant should be identified in the fund segment. The indirect portion of the grant is flowing through the PDF trading entity account. This is only applicable for the National Treasury.

ITEM REMOVED	BAS CODE
MUNICIPAL BANK ACCOUNTS:NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	2353

26. For the management and monitoring of payments on land reform and restitution transfers the Department of Land Affairs requested for all the current transfer payment items to be breakdown allowed. These accounts have been recreated in the structure and will be breakdown allowed as from 1 April 2009. The Department of Land Affairs is requested to please deactivate all old accounts and activate the newly created structure.

ITEMS REMOVED	BAS CODE
TRANSFERS AND SUBSIDIES	30
HOUSEHOLDS	330
HOUSEHOLDS OTHER TRANSFERS	333
LAND REFORM/RESTITUTION	336
LAND REF/REST:CLAIM VERIFICAT-TR	1942
LAND REF/REST:CONVEYANCING(TRNS)	1943
LAND REF/REST:ENVIRONM STUDY(TR)	1944
LAND REF/REST:HONORARM(FACIL)TRN	1945
LAND REF/REST:LAND PUR&DEV CST-T	1946
LAND REF/REST:LEGAL FEES(TRNS)	1947
LAND REF/REST:MAPPING(TRNSF)	1948
LAND REF/REST:NEEDS ASSESSM(TRN)	1949
LAND REF/REST:PLANNING GRNT(TRN)	1950
LAND REF/REST:PRINTING&PUBL(TRN)	1951
LAND REF/REST:SURVEYING(TRNSF)	1952
LAND REF/REST:TOWN® PLAN(TRN)	1953
LAND REF/REST:VALUER(TRNSF)	1954

Classification Circular 1 of 2009/10

ITEMS ADDED	BAS CODE
TRANSFERS AND SUBSIDIES	30
HOUSEHOLDS	330
HOUSEHOLDS OTHER TRANSFERS	333
LAND REFORM/RESTITUTION	336
LAND REF/REST:CLAIM VERIFICAT-TR	3009
LAND REF/REST:CONVEYANCING(TRNS)	3010
LAND REF/REST:ENVIRONM STUDY(TR)	3011
LAND REF/REST:HONORARM(FACIL)TRN	3012
LAND REF/REST:LAND PUR&DEV CST-T	3013
LAND REF/REST:LEGAL FEES(TRNS)	3014
LAND REF/REST:MAPPING(TRNSF)	3015
LAND REF/REST:NEEDS ASSESSM(TRN)	3016
LAND REF/REST:PLANNING GRNT(TRN)	3017
LAND REF/REST:PRINTING&PUBL(TRN)	3018
LAND REF/REST:SURVEYING(TRNSF)	3019
LAND REF/REST:TOWN® PLAN(TRN)	3020
LAND REF/REST:VALUER(TRNSF)	3021

Payments for capital assets

27. **No changes** have been made to this section of the chart.

Receipts

Sales of goods and services

28. The item for the proceeds for the abolishment of old coins under the category 'other sales' was **removed** as this deem not to be departmental receipts. The SCOA technical committee after consultation with various stakeholders created a new item under the category 'Direct exchequer receipts' where these proceeds need to be recorded. The item 'sales nickel and copper' is therefore replaced with the new item 'proceeds on old coins' in the category 'direct exchequer receipts'. This item is for use by the National Treasury only.

ITEM REMOVED	BAS CODE
SALES METAL: NICKEL AND COPPER	2944

Financial transactions in assets and liabilities

29. The name of this category was **changed** to '*transactions in financial assets and liabilities*'. A more detailed explanation of this category will be provided for in the updated Reference Guide to the New Economic Reporting Format (Blue Book) which will be released soon.

Assets, liabilities and net assets

30. **No changes** have been made to this section of the chart.

ASSET SEGMENT

31. A new category for lease payments was introduced to improve recording and reporting on lease payments.
32. For operating and finance leases high-level categories of asset classes were **created** in the assets segment to identify the types of assets that are leased. The items were created as breakdown allowed items and departments should create the relevant posting level details as might be required. Asset classes are listed in the table below.
33. This segment provides for allocation and statistics on assets that have been constructed, purchased, maintained, rehabilitated, refurbished, upgraded, leased or sold.
34. Since the inception of the revised chart on 1 April 2008, the description 'non-asset related' in the asset segment created uncertainty. The existence of the description 'non-asset related' in the asset segment is to facilitate the allocation of spending, receipts or assets and liabilities transactions that do not directly contribute to asset formation, i.e. the payments of salaries and wages and social contributions to current employees not working on capital projects.
35. A more detailed explanation on the term 'non-assets related' will be provided for in the updated version of the Reference Guide to the New Economic Reporting Format (Blue Book) that will be issued soon.

An extract of the structure as from 1 April 2009

ITEMS ADDED	BAS CODE
LEASED ASSETS	502
BUILDINGS AND OTHER FIXED STRUCTURES	503
OTHER MACHINERY AND EQUIPMENT	506
TRANSPORT EQUIPMENT	507
INTANGIBLE ASSETS	504
LAND AND SUBSOIL ASSETS	505

PROJECT SEGMENT

36. The SCOA technical committee through the In Year Monitoring (IYM) process identified that the current structure on the project segment do not fully provide for the split between infrastructure and non-infrastructure projects for reporting purposes.
37. In order to address this, the committee created a new project structure for the project segment. This new project structure provides for a separation between infrastructure and non-infrastructure spending. This will enable users to clearly distinguish the respective payment items and comply with requirements for the completion of the IYM and IRM reports.
38. Departments are requested to retain the current project structure in place as used for the financial year 2008/09 but for the financial year 2009/10 onwards to use the new project structure for all new projects and daily transaction purposes. System controllers are urged to deactivate old project structures that are not in use by departments and managers are requested to monitor

Classification Circular 1 of 2009/10

the use of the old project structure on a monthly basis and guide users until these projects has come to an end or been faced out.

An extract of the structure as from 1 April 2009

ITEMS ADDED	BAS CODE
PROJECTS	1
PROJECTS INFRASTRUCTURE	53
PRJ:EXISTING INFRASTRUC ASSETS	55
MAINTENANCE & REPAIR CURRENT	60
MAINT & REP: NO PROJECT LISTED	63
UPGRADE & ADDITIONS CAPITAL	61
UPGRADE & ADDITIONS: NO PROJECT LISTED	64
REFURB & REHAB CAPITAL	62
REFURB & REHAB: NO PROJECT LISTED	65
PRJ:NEW INFRASTRUC ASSETS (CAP)	56
NEW INFRSTRUC:NO PROJECT LISTED	59
INFRASTRUCTURE TRANSFERS	76
INFRASTRUCTURE TRANSFERS CAPITAL	77
INFRASTRUCTURE TRANSFERS CURRENT	78
PROJECTS NON INFRASTRUCTURE	54
PRJ:NOT RELATED TO INFRSTRUC ASS	66
NOT RELTED INFRASTRU ASS PRJ CUR	67
N/INFR/ASS REL:PRJ CUR	73
N/INFR/ASS REL:MAINT&REP PRJ CUR	74
N/INFR/ASS REL:TRANSFER PRJ CUR	75
NOT RELTED INFRASTRU ASS PRJ CAP	68
N/INFR/ASS REL:PRJ CAP	69
N/INFR/ASS REL:UPGRADE&ADD CAP	70
N/INFR/ASS REL:REFURB&REHAB CAP	71

REGIONAL SEGMENT

39. **No changes have** been made to the regional segment other than the name changes of municipalities due to information received from the Municipal Demarcation Board.

Please contact the SCOA project team via the **SCOA call center at (012) 315 5311**, or by sending a concise mail to scoa@treasury.gov.za if further clarity or discussion is required regarding the changes highlighted above.

For updated versions of the SCOA master, definitions and classification circulars visit <https://scoa.treasury.gov.za/>

SCOA Technical Committee

Regards,

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