



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

CLASSIFICATION CIRCULAR 3 OF 2008/09

ACCOUNTING FOR MONEY RECEIVED FROM THE CRIMINAL ASSETS RECOVERY ACCOUNT (CARA)

Purpose

The purpose of this classification circular is to standardise the accounting procedures and system structures for CARA funds in order to ensure conformity in accounting and reporting throughout government.

CARA Fund

According to section 68 of the Prevention of Organised Crime Act, No. 121 of 1998, the objects of the Criminal Assets Recovery Committee shall be –

- (a) to advise Cabinet in connection with all aspects of forfeiture of property to the State in terms of Chapter 6 and the transfer of forfeited property to the Account in terms of any other Act;
- (b) to advise Cabinet in connection with the rendering of financial assistance to law enforcement agencies in order to combat organised crime, money laundering, criminal gang activities, the financing of terrorist and related activities and crime in general; and
- (c) to advise Cabinet in connection with the rendering of financial assistance to any other institution, organisation or fund established with the object to render assistance in any manner to victims of crime.

CARA money is not “voted funds”, as such are accounted for separately from the department’s annual appropriation. Any excess cash remaining in the department’s bank account at the end of the financial year need not be surrendered to the National Revenue Fund (NRF).

If and when Cabinet approves an allocation of funds from the CARA the following procedures must be applied:

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1. The BAS Fund Segment must be used to distinguish between voted and CARA expenditure. This segment will also be used to distinguish between the various CARA funded projects where applicable.

The **fund segment** will therefore be structured as follows:

Level	Description
1	CRIMINAL ASSETS RECOVERY ACCOUNT (Segment no.6)
2	CARA FUNDS (Segment no 139)
3	GEN ACC OF CARA EXPENDITURE (Segment no 140)
4	GEN ACC OF CARA EXPENDITURE (Segment no 287)

The structure prior to 1 April 2008 allowed departments to create the name(s) of CARA funded projects as part of the Fund segment. In the new structure the specific projects can be monitored as part of the standardised project segment of the chart by creating the project under *projects not related to infrastructure current or capital BAS code 27 or 24*.

2. When the department receives notification of the allocation available for the relevant financial year the following entry is passed in the accounting records of the department:

Dr	Exchequer Grant Account (Pos) (Segment No. 2708)	R XXX	
Cr	General Account of the Fund/Vote (Pos) (Segment No. 2709)		R XXX

It is important to note that there is only one exchequer grant account and general account of the fund/vote. The fund segment is used to distinguish between the different funds available to the department in the current financial year as explained above.

3. Upon receipt of the funds from National Treasury the following entries are made:

Dr	Bank Account (Pos) (Segment No. 1385)	R XXX	
Cr	Bank Exception Account (Pos) (Segment No. 1387)		R XXX

4. The allocation, in the general ledger, of the funds received is done by way of the following entries:

Dr	Bank Exception Account (Pos) (Segment No. 1387)	R XXX	
Cr	Bank Adjustment Account (Pos) (Segment No. 1386)		R XXX
Dr	Bank Adjustment Account (Pos) (Segment No. 1386)	R XXX	
Cr	Fund Requisition Account (Pos) (Segment No. 1290)		R XXX

5. The authorisation of the expenditure incurred in respect of CARA project is as follows:

Dr	Expenditure (Per) (relevant programme & item)	R XXX	
Cr	Outstanding Payment Account (Pos) (Segment No. 1383)		R XXX

For the purpose of this example all the expenditure is in respect of the purchase of 'current' goods and/or services.

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6. The disbursement of the payment is recorded as follows:

Dr	Outstanding Payment Account (Pos) (Segment No. 1383)	R XXX	
Cr	Cheques Payable (Pos) (Segment No. 1388)		R XXX
	<i>or</i>		
Cr	BAS EBT Control (Pos) (Segment No. 1418)		
	<i>or</i>		
Cr	BAS Credit Transfer (Pos) (Segment No. 1416)		

7. Interface of debit on the bank statement:

Dr	Cheques Payable (Pos) (Segment No. 1388)	R XXX	
	<i>or</i>		
Dr	BAS EBT Control (Pos) (Segment No. 1418)		
	<i>or</i>		
Dr	BAS Credit Transfer (Pos) (Segment No. 1416)		
Cr	Bank Account (Pos) (Segment No. 1385)		R XXX

8. At year-end the expenditure incurred during the financial year is closed off to the exchequer grant account:

Dr	Exchequer Grant Account (Pos) (Segment No. 2708)	R XXX	
Cr	Expenditure (Per) (relevant programme & item)		RXXX

9. The closing of the general account of the vote:

Dr	General Account of the Fund/Vote (Pos) (Segment No. 2709)	R XXX	
Cr	Exchequer Grant Account (Pos) (Segment No. 2708)		R XXX

The balance in the exchequer grant account will be disclosed as "Retained Funds" in the Statement of Changes in Net Assets and the Statement of Financial Position of the department.

Departments must refer to the Specimen Annual Financial Statements and the Guide for the Preparation of Annual Reports for guidance on the CARA funding accounting policy and disclosure requirements.

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

Regards, SCOA Technical Committee

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