



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Ref: 8/3/1/7/4/8

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: STANDARD CHART OF ACCOUNTS (SCOA) CHANGES TO BE NOTED FOR THE BUDGET PREPARATIONS (2012 BUDGET) AND CAPTURING OF BUDGETS IN THE BASIC ACCOUNTING SYSTEM (BAS)

Purpose

1. The purpose of this communication is to inform departments of the process that should be followed for the capturing of budgets on the BAS system in preparation for the 2012/13 financial year.

Background

2. The National Treasury attempts to continually improve the Economic Reporting Format (ERF) and Standard Chart of Accounts (SCOA), with a view of simplifying transactional procedures and eliminating misclassification of transactions. To this end a number of improvements have been made to the SCOA, mainly to address the issue of inconsistencies in classification between the various segments of the chart.
3. The SCOA operates such that a 'CORE' (containing all available segments) database is created by the National Treasury. In this 'CORE' all segments except the responsibility segment have been centralized and coordinated by the National Treasury's SCOA Technical Committee. It is within this 'CORE' database that a number of improvements will be introduced in the 2012/13 financial year.

Issues to be addressed in the Standard Chart of Accounts

4. The SCOA Technical Committee has considered a number of issues raised by departments regarding recording of transactions, with the main focus on own-account construction of capital assets, finance lease transactions and other system related issues. The chart will also be adjusted for changes proposed by the Department of Public Service and Administration regarding the reporting on Information and Communication Technology spending.
5. Departments are currently understating infrastructure expenditure incurred through the use of contractors as the budget is captured under the category "Purchase/Construction of Capital Assets" and the item contractors in the item segment is currently catered for under "Goods and Services". This has resulted in a high number of transactional inconsistencies in the financial system.

6. In order to improve the flow of financial data inputs, amended systems reporting procedures in the form of changes to the chart need to be implemented. This will result in BAS being able to provide accurate systematic reporting of infrastructure expenditure at the item level.
7. The recording of Finance Lease payments was another issue raised by Departments, it was suggested that since Finances Leases amount to "Purchase/Construction of Capital Assets" in the budget. The SCOA Technical Committee has taken into consideration moving the item from "Goods and Services" to "Purchase/Construction of Capital Assets" for ease of recording of such transactions.
8. Departments are also still recording "Transfers and Subsidies" using the incorrect combination of segments, resulting in inaccurate transactional allocation and a high number of inconsistencies on "Transfers and Subsidies".

Improvements to be introduced

9. The SCOA team will be introducing some category links into the financial system, which will limit the number of inconsistencies in the classification of transactions. These will focus on "Transfers and Subsidies" as well as some items of "Payments/Construction of Capital Assets".
10. The review of the standard chart of accounts also provides the opportunity to do a clean-up of the existing segment structures and supporting databases. Some of these improvements are listed below:
 - a) The revised Item Segment will provide for improved reporting and transparency in the presentation of item spending aggregates;
 - b) Alignment of the segments of the chart with the Infrastructure Reporting Model (IRM), i.e. establishing a direct link between the financial systems and IRM. This will provide departments with the functionality to easily provide for the data requirements of the IRM, as well as to provide the National Treasury's infrastructure team with a tool to confirm spending magnitudes of specific projects directly from the financial systems;
 - c) The improved Item Segment configuration will allow departments to correctly record and easily extract data on own account construction of capital asset formation, so ensuring compliance to the requirements of the budget format and IRM.

Impact of changes to the standard chart of accounts

11. As the proposed segment changes will be implemented on 1 April 2012, departments will be compelled to capture financial transactions using the latest version of the chart of accounts. Departments must ensure that appropriate processes and procedures are set in place to cater for such a change in the transacting process.
12. The proposed changes imply that the departments will not be in a position to capture the budgets before the new 'CORE' database is rolled out. The roll-out of the 'CORE' database is dependent on the finalization of the departmental programme structures as part of the budget preparation process. This process will be finalized for National Departments by the end of the second week in February and for Provinces by mid to end February. Only once this process has been finalized will departments be in a position to capture budgets for the 2012/13 financial year.

Time frames and the way forward

13. The SCOA Committee will be submitting the proposed chart of accounts (as captured on the Master chart) for capturing to the financial systems team (BAS) by **1 February 2012**. This version will not include the final approved Objective Structures as some departments will only finalise these in the following weeks.
14. Upon receipt of the changes to the Master chart for capturing on CORE (containing all the available segments), the financial system team will capture and create new segment codes. The new segment codes will be published as part of the Master chart on both the SCOA website and the BAS webpage on or before **15 February 2012**.
15. As indicated at the previous meetings of the BAS User Forum, departments are urged to **not capture any budgets before the roll-out of the 'CORE' database on 15 February 2012**, as the revisions to the chart will require the deletion of a number of existing items on the SCOA, resulting in a loss of data already captured.
16. The new structure will then be active from 1 April 2012 for transacting expenditure.

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.

Regards

SCOA Technical Committee

Date: 25 January 2012