

Reference: T7/2/1

## TREASURY CIRCULAR NO. 33/2013

THE PREMIER

THE MINISTER OF AGRICULTURE AND RURAL DEVELOPMENT  
THE MINISTER OF COMMUNITY SAFETY  
THE MINISTER OF CULTURAL AFFAIRS AND SPORT  
THE MINISTER OF EDUCATION  
THE MINISTER OF FINANCE, ECONOMIC DEVELOPMENT AND TOURISM  
THE MINISTER OF HEALTH  
THE MINISTER OF HUMAN SETTLEMENTS  
THE MINISTER OF LOCAL GOVERNMENT, ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING  
THE MINISTER OF SOCIAL DEVELOPMENT  
THE MINISTER OF TRANSPORT AND PUBLIC WORKS

} For information

THE SPEAKER: PROVINCIAL PARLIAMENT  
THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (MR A JOEMAT)  
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR R HINDLEY)  
THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (DR JC STEGMANN)  
THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (DR GA LAWRENCE)  
THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MS P VINJEVOLD)  
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 THE HEAD: PUBLIC POLICY SERVICES (MR A PHILLIPS)  
 THE HEAD: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS JD GANTANA)  
 THE HEAD: LOCAL GOVERNMENT PUBLIC FINANCE (MR M SIGABI) (ACTING)  
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## **SCOA CLASSIFICATION CIRCULARS ISSUED BY NATIONAL TREASURY -**

- A SCOA CLASSIFICATION CIRCULAR 1: CHANGES TO THE STANDARD CHART OF ACCOUNTS (SCOA) – VERSION 4**
- B SCOA CLASSIFICATION CIRCULAR 2: CLASSIFICATION OF FINANCE AND OPERATING LEASE PAYMENTS IN THE STANDARD CHART OF ACCOUNTS**
- C SCOA CLASSIFICATION CIRCULAR 3: CLASSIFICATION OF INVENTORY AND CONSUMABLES IN THE STANDARD CHART OF ACCOUNTS**
- D SCOA CLASSIFICATION CIRCULAR 4: ADJUSTMENTS TO THE STANDARDS CHART OF ACCOUNTS**

### **PURPOSE**

To inform Accounting Officers (AOs) and Chief Financial Officers (CFOs) of National Treasury's (NT) SCOA classification circulars numbered 1, 2, 3 and 4 and its implications for the Western Cape Provincial Departments in terms of the hybrid SCOA V4 adopted by this Province.

## **BACKGROUND**

The SCOA Technical Committee of the National Treasury took a decision to re-implement BAS and implement SCOA Version 4(V4) effective from 1 April 2013 in order to address inconsistent classifications and data processing on BAS.

The National Treasury held an information session on 28 February 2013 informing Western Cape Provincial Departments and Provincial Treasury of the SCOA V4/BAS re-implementation planned for 1 April 2013. At this session concerns were raised on the readiness of departments to implement SCOA V4 and hence the following were decided for the WC:

- (a) For the 2013/14 financial year:
  - That SCOA V3 in respect of the "inventory" item structure will be retained instead of "inventory and consumables" items on SCOA V4.
  - That GG vehicle expenditure be classified as "T&S GG vehicle without – Operator" as per SCOA V3 and not replaced by Fleet Services items of V4.
  
- (b) For the 2014/15 financial year SCOA V4 will become fully applicable to all departments.

## **DISCUSSION**

### **A NT SCOA CLASSIFICATION CIRCULAR 1: CHANGES TO THE STANDARD CHART OF ACCOUNTS (SCOA) – VERSION 4**

In this SCOA Classification Circular, National Treasury highlights changes made to SCOA under Version 4. The Provincial Treasury has analysed the changes in SCOA Version 4 and have adapted its implementation in terms of the agreement reached on the hybrid version for the Western Cape. Guidance is provided on the eight segments based on the following areas where appropriate, read in conjunction with NT SCOA Classification Circular 1:

- Impact for the 2013 Adjusted Estimates of Provincial Expenditure (2013 AE)
- Impact for the 2013/14 In-year Monitoring (IYM) Model
- Impact on the 2013/14 AFS
- Impact on the 2014/15 EPRE
- Impact on the 2014/15 AFS

In table 1 below a synopsis is provided of the items discussed in this Circular where there is an impact in terms of the budget and annual financial statement processes.

**Table 1: SCOA Classification Circular 1 summary**

Item	Impact/ No impact					Page no.
	2013 Adj Estimate	2013/14 IYM	2013/14 AFS	2014/15 EPRE	2014/15 AFS	
CoE Learners	x	x	x	x	o	5
Salaries and wages: non residents	o	o	o	o	o	6
Audit cost: external	x	o	x	o	o	7
External computer services	x	o	o	x	o	8
Consultants and Proff services: Scientific and Technological Services	x	x	x	x	o	9
Contractors: Maintenance and repairs	o	o	o	o	o	9
Fleet Services	x	x	x	x	x	11
Inventory	o	x	x	x	x	12
Consumables	o	x	o	x	x	12
Property payments	o	o	o	o	o	16
Travel & Subsistence	o	o	x	x	x	15
Operating payments: Printing and publication services	o	x	x	x	x	17
Interest and rent on land	o	o	o	o	o	19

Legend: X = impact

o = no impact

## 1. ITEM SEGMENT

### 1.1 Current payments

#### 1.1.1 Compensation of employees (COE)

The circular details two changes for COE. The first change has an impact on the Economic Classification, (item level 3) being COE and Goods & Services (G&S), while the second change has an effect on posting level items only. The items affected include the following:

Payment of stipends for PSA Regulation 18(2) type learners forming part of the learnership programme, previously classified as Goods and Services is now classified as Compensation of Employees.

A learner is a person who is contracted to engage in a Learnership programme.

There are two types of learners:

- An 18.1 learner is a person who is employed but does not have a post matric qualification or a person who is in possession of REQV 13 (Relative Education Qualification Value) and wants to study towards a different qualification. REQV 13 is equivalent to Matric+3.
- An 18.2 learner is a person who is unemployed but does not have a qualification and wants to study towards a post matric qualification or a person who is in possession of REQV 13 and wants to study towards a different qualification.

#### ***Impact for the 2013 Adjusted Estimates of Provincial Expenditure (2013 AE)***

This change requires all departments to adjust their 2013/14 Estimate of Provincial Revenue and Expenditure (EPRE) by shifting funds from Goods & Services to CoE in the 2013 Adjusted Estimates.

#### ***Impact for the 2013/14 In-year Monitoring (IYM) Model***

*Expenditure* to date must be journalised from Goods and Services (G&S) to COE.

*Budget:* Align the budget to the EPRE. Thus, if funds were appropriated under G&S, it should be reflected as such until corrected in the 2013 AE.

*Projections:* The misalignment will reflect as an over expenditure on COE and under expenditure on G&S, until the budget is adjusted in the 2013 AE.

**Impact on the 2014/15 EPRE**

The comparative budget information must be restated.

**Impact on the AFS for 2013/14**

The comparative expenditure information must be restated from G&S to CoE.

**Impact on the AFS for 2014/15**

No impact.

**1.1.1.1 Salaries and wages: Non Residents**

To ensure that expenditure on Non Resident Officials is captured correctly at posting level items, and if required it should be corrected as indicated in SCOA Classification Circular 1.

**Impact on 2013 AE**

This change will not affect the EPRE of departments, but will require adjustments to budgeted amounts at lower level items within COE where applicable.

**Impact for the 2013/14 IYM**

No impact.

**Impact on the 2014/15 EPRE**

No impact on level 4. If applicable, departments must start budgeting for Non Residential officials within Salaries & Wages as required.

**Impact on the AFS for 2013/14 and 2014/15**

No impact.

**1.1.2 Goods and Services**

The SCOA (Excel Version) has been colour coded to provide for the following:

Light Blue	Stand Alone Current	
Purple	Own Account	When a department undertakes an activity using its own inputs.
Orange	Outs	Outsourced projects.

The following has been added:

#### 1.1.2.1 **Audit Cost: External**

The item AUDIT COST EXT: REGULARITY has been added at level 5 to monitor separately the cost of regulatory audits from other audit services.

Definition: The Constitution of South Africa Section 188 determines that the Auditor-General must audit and report on the accounts, financial statements and financial management of all national and provincial departments and administrations, as well as all municipalities, etc. This item refers to external/regulatory audits, conducted by the Auditor-General or Private Auditing companies in SA, whereby the audit provides an independent opinion on published information. This is different from internal auditors who do not attest to financial reports but focus mainly on the internal controls of the organization. A financial audit, or more accurately, an audit of financial statements, is the review of the financial statements of an entity resulting in the publication of an independent opinion on whether those financial statements are relevant, accurate, complete and fairly presented.

##### ***Impact on 2013 Budget – Adjustment Estimates***

The change will not affect the EPRE, but requires departments to reallocate the budget within the level 4 item: *Audit Cost External* to ensure that the cost of regulatory audits can be separated from other audit services.

##### ***Impact for the 2013/14 IYM***

No impact.

##### ***Impact on the 2014/15 EPRE***

No impact on level 4 and expenditure history. Within the level 4 category, departments must start budgeting as indicated for regulatory audits.

##### ***Impact on the AFS for 2013/14***

The expenditure must be aligned to the budget, keeping expenditure incurred on regulatory audits separate from other audits costs.

The comparative information needs to be restated.

##### ***Impact on the AFS for 2014/15***

No impact. Reporting in the AFS must be aligned with SCOA V4.

### 1.1.2.2 **Computer services: External Computer Services**

The level 4 category: Computer Services has additional items available to departments namely EXTERNAL COMPUTER SERVICES: SYSTEM DEVELOPMENT, previously only for use by NT, which is now open for use by all departments.

Definition: System development costs incurred for services rendered with regard to developing and establishing network operating systems by other service providers.

#### ***Impact on 2013 Budget – Adjustment Estimates***

This is a new level 4 **category** available to departments and will affect the 2013 EPRE only if departments are engaging in system development activities that can be better reclassified here. This will then result in a budget adjustment from e.g. Computer Services items to this newly available category of items.

#### ***Impact for the 2013/14 IYM***

No impact.

#### ***Impact on the 2014/15 EPRE***

The comparative budget information needs to be re-aligned.

#### ***Impact on the AFS for 2013/14***

No impact.

#### ***Impact on the AFS for 2014/15***

No impact. Reporting in the AFS must be aligned with SCOA V4.

### 1.1.2.3 **Consultant and Professional Services: Scientific and Technological Services**

New items were added for science and technology activities.

#### ***Impact on 2013 AE***

This is a new level 4 category available to departments and will affect the 2013 EPRE only if departments are enlisting the services of this type of consultancy services that can be better reclassified here. This will then result in a budget adjustment from other level 4: Consultants and Professional Services categories to this newly available category of items.



***Impact for the 2013/14 IYM***

If applicable, departments must keep the budget aligned to the main budget allocation until the budget adjustment is made in the 2013 AE. However, actual expenditure and projections may be reflected against the new item category.

***Impact on the 2014/15 EPRE***

The comparative budget information needs to be re-aligned.

***Impact on the AFS for 2013/14***

The comparative information needs to be restated if expenditure was allocated to this item in 2013/14.

***Impact on the AFS for 2014/15***

No impact. Reporting in the AFS must be aligned with SCOA V4.

1.1.2.4 **Contractors**

Contractors: Maintenance and Repairs, Improvements of Other infrastructure Assets item has been expanded to provide for a one-on-one link to the Infrastructure Segment. This is expected to ensure that inconsistent allocations are addressed through newly created category links (See NT SCOA Classification Circular 1 for new lowest level items available).

Definition: Costs incurred in maintaining and repairing of other infrastructure assets by a contractor. Maintenance and repairs of existing assets implies that the asset is kept in its original condition and there is no significant enhancement to its capacity or the value of the asset. Maintenance and repairs includes activities aimed at maintaining the capacity and effectiveness of an asset at its intended level. Excluded in this category are maintenance and repairs to property which must allocated under "Property Payment" in the item segment.

***Impact on 2013 AE***

No impact on the level 4 category Contractors, however, lower items within this category may be affected and thus adjusted in the 2013 AE.

***Impact for the 2013/14 IYM***

No impact.

***Impact on the 2014/15 EPRE***

No impact on level 4.

### ***Impact on the AFS for 2013/14 and 2014/15***

No impact.

#### **1.1.2.5 Fleet Services**

For the 2013/14 financial year, Western Cape Departments will continue to use the SCOA Version 3 (V3) items for the allocation of GG vehicle expenditure.

From 1 April 2014 all budget and expenditure related to GG Vehicles as indicated in the NT SCOA Classification circular 1, must be allocated to Fleet Services, excluding expenditure on daily tariffs for permanently allocated GG vehicles. The latter is capitalised as finance lease expenditure.

Definition: Cost relating to operation and maintenance of fleet services including Government Garage Fleet, Departmental owned vehicles, Ministerial vehicles and leased or rented vehicles. The lease amount will be classified accordingly under the Lease payments category. This item caters for charges over and above the lease payment (flat rate). Please refer to Classification Circular 9 issued 31 March 2011 for more information provided.

#### ***Impact on 2013 AE***

All Departments have appropriated for **GG Vehicle** expenditure under Travel and Subsistence, thus no adjustments to the EPRE are needed for **Travel and Subsistence** level 4 related to GG Vehicles.

The lower level item under **Operating Payment**, namely **Valet & Washing Services**, is no longer available in the chart or on BAS and has been moved to **Fleet Services: Car Valet & Washing Services**. Departments are compelled to use this corresponding item to record this expenditure. Consequently, the budget must be aligned accordingly in the 2013 AE.

#### ***Impact for the 2013/14 IYM***

No impact on GG Vehicle budget, expenditure, and projections.

The item **Operating Payments: Valet & Washing Services** is not available on BAS thus no expenditure will be posted against it.

**Budget** allocations in the IYM will change *after* the 2013 AE (Budget to shift from under level 4: Operating payments to Fleet Service).

**Projections:** Projections must be made where actual expenditure is recorded. This may result in over and under expenditure on item level 4 items affected, until the budget is amended in the 2013 AE.

### ***Impact on the 2014/15 EPRE***

Provision for **Travel & Subsistence Domestic without Operator: GG Vehicle** must be budgeted under **Fleet Services and comparative information must be aligned.**

The comparative budget and expenditure information needs to be re-aligned.

Departments must budget for **Valet & Washing Services** under the item provided for this under Fleet Services. The expenditure history of **Operating Payments** and **Fleet Services** will be affected.

### ***Impact on the AFS for 2013/14***

All GG vehicle related expenditure to be disclosed under "Travel and Subsistence" in terms of SCOA V3 except for valet and washing services.

### ***Impact on the AFS for 2014/15***

All GG vehicle related expenditure to be disclosed under "Fleet Services".

## 1.1.2.6 **Inventory and Consumable Supplies**

### **(a) Inventory**

- (i) Inventory is items that are:
  - Directly distributed or sold to individuals/entities outside the department; or
  - Will be used in a production process for a finished good that will be used by individuals/entities outside the department; or
  - Goods used to benefit the community as a whole.
  
- (ii) In terms of NT SCOA Classification Circulars 1 and 2, the inventory classification will be used exclusively by 'inventory departments'. Departments should assess their use of inventory/consumables and record their classification decision on inventory and consumable items in their asset management policy. The following examples are provided to serve as guidance:
  - The stockpiling of consumables such as sand, cement etc. will be deemed to be inventory for control purposes. In order to avoid this, minimum quantities should be purchased to ensure the economic use of resources.

- A department that maintains high quantities of inventory such as medicines for service delivery will have to classify those items as inventory.
- (iii) Assets purchased for distribution, for example school furniture, previously recorded as Payments for Capital Assets; Machinery and Equipment, will now be part of Goods and Services; Inventory; Assets for distribution. At this stage the use of this item will be limited to school furniture and library materials. However, the SCOA Committee, in consultation with the Office of the Accountant General, will consider proposals for further items to be included in this category.

***Impact on 2013 AE***

No impact.

***Impact for the 2013/14 IYM***

The IYM model will not be amended by NT to accommodate the WC's partial implementation of SCOA V4. As a result, level 4 categories: *Inventory: Stationery and Printing* and *Inventory: Other Consumables* are not available on the IYM model.

To accommodate the WC, NT has provided mapping to the level 4 category: *Consumables: Stationery, Printing & Office Supplies, and Consumable Supplies*.

Departments are required to report both budget and expenditure for *Inventory: Stationery and Printing* items against this item category.

A formal letter from NT detailing the approval for this arrangement will be made available to departments.

***Impact on the 2014/15 EPRE***

Comparative information to be aligned to the budget.

***Impact on the AFS for 2013/14***

The AFS/IFS templates will be aligned to the decision of the Western Cape to report "inventory and consumables" as inventory in terms of SCOA V3. The AFS/IFS templates will be corrected for the Western Cape departments through a macro.

Where items descriptions are not available, "Other supplies: Other" will be used in the IFS/AFS.

### ***Impact on the AFS for 2014/15***

Inventory expenditure will only be disclosed by departments that decide that they keep inventory levels of items for service delivery purposes.

Further guidance on the classification of inventory and consumables is provided under the Section C dealing with NT SCOA Classification Circular 3.

#### **(b) Consumable Supplies**

In terms of guidance provided in NT SCOA Classification Circular 1, items as listed will be available to both 'inventory departments' and 'non-inventory departments'. **It should also be noted that for management and control purposes, departmental policies and procedures should be in place.**

At level 4 of *Goods and Services*, a number of items previously classified as *Inventory*, will now be classified as *Consumables*.

The most substantial adjustment relate to *Inventory: Stationery and Printing* that will now be classified as *Consumables: Stationery, Printing and Office Supplies for all departments*. This adjustment will have no impact on the economic classification (item level 3: *Goods and Services*).

#### ***Impact on 2013 AE***

The implementation of the SCOA Version 4 *Inventory and Consumables* classification has been deferred to the 2014/15 financial year for the Western Cape. This translates into no impact in the 2013 AE.

#### ***Impact for the 2013/14 IYM***

*Expenditure* must be incurred against budgeted *Inventory* items as per SCOA Version 3 items and the EPRE.

The IYM model will not be amended by National Treasury to accommodate the Western Cape's partial implementation of SCOA V4. As a result, level 4 categories: *Inventory: Stationery and Printing* and *Inventory: Other Consumables* are not available on the IYM model.

To accommodate the Western Cape, National Treasury has provided mapping to the level 4 category: *Consumables: Stationery, Printing & Office Supplies, and Consumable Supplies*. The mapping is attached as annexure A.

Departments are required to report both budget and expenditure for *Inventory: Stationery and Printing* items against this item category.

A formal letter from NT detailing the approval for this arrangement will be made available to departments.

Excluding the above two items, no expenditure should reflect under Consumable items for 2013/14, as all other SCOA Version 3 Inventory items are available on the BAS for 2013/14.

This includes Inventory: **Stationery and Printing: Binding** that is proposed to move to **Operating Payments: Printing and Publications Services** (in 2014/15 for the WC). In 2014/15 the allocation of expenditure relating to printing and printed material must be allocated in terms of the following guidelines:

- **Inventory: Stationery and Printing: Binding:** Only the Department of Home Affairs will be using this item to record expenditure incurred on the printing of IDs etc.
- **Operating payments: Printing and Publications Services:** To be used when a service provider has been procured to print material for a department. This includes forms, publications, and any other printing matter.
- **Consumables:** Only used where items have been purchased to be used as part of the printing process.

Also to remain unchanged for **2013/14** is the lowest level item: **Inventory Other Consumables: Uniform & Protective Clothing** that is proposed to move to level 4 status in version 4 in 2014/15.

#### ***Impact on the 2014/15 EPRE***

In 2014/15, all departments are required to fully implement the V4 list of Inventory and Consumable items and align comparative information.

#### *1<sup>st</sup> round: MTEF submission*

Departments may not be in a position to make final decisions on the distinction between *Inventory* vs. *Consumable* items by the due date of the first round of budget submissions. Subsequently, departments are required to allocate funds to Inventory vs. Consumable items based on their interpretation of definitions and guidelines available currently.

#### *2<sup>nd</sup> round: MTEF submission*

For this round Departments are granted the opportunity to make adjustments to the allocations to Inventory vs. Consumable items based on departmental management decisions taken, as documented, on the

items that will be classified as inventory whilst the remainder will be classified as consumables. Further guidance is provided in SCOA Classification Circular 3 that needs to be read in conjunction with paragraph 1.1.2.6(a)(ii) above.

***Impact on the AFS for 2013/14***

No impact.

***Impact on the AFS for 2014/15***

Expenditure on consumables must be disclosed in line with SCOA V4 and comparative information to be aligned.

**1.1.2.7 Property payments**

The items "Property Payments: Contractors" and Property Payments: Municipal Services (Excluding Rates and Taxes) has been expanded. Under 'Property Payments: Contractors', new items were created for outsourced, project and own payments to improve category links.

The lowest level items under Property Payments: Municipal Services" requires the monthly allocation of municipal services to the items Water, Electricity, Sewerage and Waste/Refuse removal to improve the analysis of expenditure. In Version 3 of the SCOA, the lowest level item: Property Payments: Municipal Services Excluding Rates and Tax and the **itemised** Property Payments: Municipal Services Excl Rates and Tax (Water, Electricity, Sewerage and Waste/Refuse removal) were available on the chart and BAS. As from 2013/14, only the itemised Property Payments: Municipal Services Excluding Rates and Tax lowest level items are available on the Version 4 chart and BAS. Departments are thus compelled to record municipal services expenditure in an itemised manner from 2013/14.

Definition: This category provides for all payments related to contractual obligations contributing to the functionality of, for example, building or land. When this category of items is used, the relevant asset to which it relates should always be selected on the Asset segment. The structure of the chart provides for detailed posting level items to be added at the discretion of the user department, for example, gardening services, cleaning services, municipal services, deeds, electricity compliance certificate, fire protection, etc. This category amongst other also provides for the payment of contractor services towards maintenance and repair, upgrade and addition and refurbishment and rehabilitation of buildings and other fixed structures. This name change was proposed after consultation with departments where it was found that the word

owned and leasehold creates uncertainty in the use of the accounts, specifically where amounts were appropriated in the budget of the relevant national or provincial department to carry out and pay for e.g. the maintenance and repair of other institutions infrastructure, i.e. municipalities.

***Impact on 2013 AE***

No impact.

***Impact for the 2013/14 IYM***

No impact.

***Impact on the 2014/15 EPRE***

No impact on level 4.

***Impact on the AFS for 2013/14 and 2014/15***

No impact.

1.1.2.8 **Travel and Subsistence**

Travel and Subsistence items have been renamed and the naming "T&S DOMESTIC WITH/WITHOUT OPERATOR" under TRAVEL AND SUBSISTENCE has been removed.

In the Western Cape it was agreed that the items as listed in SCOA V3 would be available for the 2013/14 financial year. From 2014/15 onwards GG vehicle expenditure must be allocated under Fleet Services in terms of SCOA V4.

***Impact:*** The above item changes will have no impact in the 2013 AE or 2013/14 IYM.

***Impact on the 2014/15 EPRE***

Comparative information to be aligned to the budget.

***Impact on the AFS for 2013/14***

GG vehicle expenditure must be reflected under T&S Dom Op: GG Vehicle.

***Impact on the AFS for 2014/15***

All GG vehicle expenditure must be disclosed as part of Fleet Services except daily tariffs paid for permanently allocated vehicles that are accounted for and disclosed as finance leases.



## 1.1.2.9 **Operating payments**

### 1.1.2.9.1 **Operating Payments: Printing & Publication Services**

Within this category *Inventory: Stationery and Printing: Binding* has been reclassified to lower level item: *Operating Payments: Printing & Publication Services* in Version 4 SCOA.

Definitions: All printing and publications, not inventory related and including development of photos. Included in this item is payment for additional printing where the lease company will charge extra for over and above the flat rate in respect of the lease agreement.

#### ***Impact on 2013 AE***

No impact for 2013/14, thus the budget and expenditure will remain under level 4: *Inventory: Stationery and Printing* for the WC.

#### ***Impact for the 2013/14 IYM***

The IYM model will not be amended by NT to accommodate the WC's partial implementation of SCOA V4. Level 4: *Inventory: Stationery and Printing* is not available on the IYM model. NT has provided mapping to the level 4 category: *Consumables: Stationery, Printing & Office Supplies*. Departments are required to report this item's budget and expenditure within *Inventory: Stationery and Printing*.

A formal letter from NT detailing the approval for this arrangement will be made available to departments.

#### ***Impact on the 2014/15 EPRE***

The comparative information must be restated to be aligned.

#### ***Impact on the AFS for 2013/14***

Expenditure will be disclosed as part of *Inventory*.

#### ***Impact on the AFS for 2014/15***

Expenditure to be disclosed as operating payments and comparative information restated.

### 1.1.2.9.2 **Operating Payments (O/P): Achievements & Awards and O/P: Gifts**

Operating Payments (O/P): Achievements & Awards and O/P: Gifts are not available in SCOA version 4 (moved to *Consumables*). However, the item is

available in the chart and available on BAS for our Province for 2013/14. Expenditure and budget should remain unchanged.

**Note - This is additional guidance that does not form part of SCOA Classification Circular 1.**

**Impact on 2013 AE**

No impact.

**Impact for the 2013/14 IYM**

No impact.

**Impact on the 2014/15 EPRE**

As described under Inventory vs. Consumables.

**Impact on the AFS for 2013/14**

No impact.

**1.1.3 Interest and Rent on Land**

Interest Paid: Finance Leases have been removed wef 1 April 2012 in line with the revised requirements of the Departmental Financial Reporting Framework Guide.

**Impact on 2013 AE**

If a department has budgeted for Interest Paid: Finance Leases, it must be shifted to the relevant Capital Expenditure item in the 2013 AE.

**Impact for the 2013/14 IYM**

Expenditure on Interest Paid: Finance Leases must be reflected under the relevant Capital Expenditure item.

**Impact on the 2014/15 EPRE**

The budget must be aligned to 2013/14.

**Impact on the AFS for 2013/14 and 2014/15**

No impact.

**1.2 Transfers and Subsidies: Households**

A new level 6 classification has been created for Research and Development Bursaries for non-employees.

The level 4 item: Transfers and Subsidies: Households will not be affected, thus no amendments is needed in the 2013 AE. If needed, departments must make budget adjustments on lower level items within Transfers and Subsidies: Households.

***Impact on 2013 AE***

No impact.

***Impact for the 2013/14 IYM***

No impact.

***Impact on the 2014/15 EPRE***

This is a new lower level item and will have no impact on expenditure history. Department may start budgeting for this item in 2014/15.

***Impact on the AFS for 2013/14 and 2014/15***

No impact.

2. **ASSET SEGMENT**

2.1 **Leased Assets**

Finance lease items in the Item segment have been provided for the under appropriate category Major Capital Assets. However, with the introduction of the classification **INFRASTRUCTURE LEASES** in the Infrastructure segment, the Leased Asset category in the Asset segment has been removed to avoid duplication amongst the segments. When classifying lease transactions, departments must use the Tangible/Intangible capital asset category.

2.2 **Buildings and other fixed structures: Non- residential buildings**

The following items have been added:

- Agriculture – Laboratories
- School: Prefab & Portable Buildings
- Health Assets for Hospitals, Primary Health Care and Other Health Care assets

3. **PROJECT SEGMENT**

The Project segment has been changed to only identify projects within the Department, allowing for:

- The allocation of all items to projects;
- Listing of projects;
- Monitoring the cost of current and capital projects;
- Detailed reporting on projects.

4. **REGIONAL IDENTIFIER SEGMENT**

No changes were made.

5. **INFRASTRUCTURE SEGMENT**

A new Infrastructure segment has been introduced to form part of the economic reporting format. The economic classification of transactions should start off in the infrastructure segment, followed by the project and the item segments to ensure that misclassifications are limited. The section on this segment as described in NT SCOA Classification Circular 1 needs to be applied in order to distinguish between infrastructure and non-infrastructure expenditure.

The requirements and descriptions of the following infrastructure categories need to be applied consistently:

- Existing infrastructure
- New infrastructure assets
- Infrastructure payments for financial assets
- Infrastructure Leases: Finance and Operating
- Non infrastructure Current/Capital/Leases
- Non expenditure

**B NT SCOA CLASIFICATION CIRCULAR 2: CLASSIFICATION OF FINANCE AND OPERATING LEASE PAYMENTS IN THE STANDARD CHART OF ACCOUNTS**

In NT SCOA Classification Circular 2, guidance is provided on leased assets used on a current or capital project, the capitalisation of lease expenditure and the classification of lease payments in line with NT SCOA Classification Circular 1.

2013/14 Budgets must be aligned to the requirements of NT SCOA Circular 3 and if not, it needs to be aligned in the adjustment budget.

## **C NT SCOA CLASSIFICATION CIRCULAR 3: CLASSIFICATION OF INVENTORY AND CONSUMABLES IN THE STANDARD CHART OF ACCOUNTS**

The NT SCOA Classification Circular provides further guidance on distinguishing between the different inventory and consumable categories.

Specific Guidance is also provided on the following items:

- Ammunition and security supplies
- Bags (including laptop bags)
- Library and learning and teaching support materials
- Assets purchased for distribution.

In the WC it was decided that all departments will report on inventory in the 2013/14 financial year. From 2014/15 departments will have to implement the requirements of SCOA V4 by reporting fully on inventory and consumables in the 2014/15 financial year. This will result in comparative trend information not being available.

The Guidance provided in NT SCOA classification Circular 2 will only impact on departments from the 2014/15 financial year and onwards. It is therefore important for departments to, as part of the 2014/15 budget process, distinguish between inventory and consumables per program. As stated by the SCOA Committee, items for use by a vote may be classified as inventory and consumables.

## **D SCOA CLASSIFICATION CIRCULAR 4: ADJUSTMENTS TO THE STANDARDS CHART OF ACCOUNTS**

In this NT SCOA Circular departments are informed of changes made to the SCOA version (V4) 13.14.01 to 13.14.02.

### **REQUIRED**

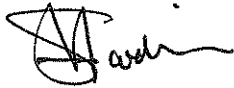
Departments to take cognisance of the of the SCOA-chart changes which were effective as from 1 April 2013.

Departments are to take note of the implications of NT SCOA Circular 1 relating to the 2013/14 financial year and the 2014/15 financial year and beyond.

Departments are to take note of SCOA Circular 2, plan for its implementation through the 2014/15 budget process and beyond.

Enquiries on NT SCOA Classification Circulars 1, 2, 3 and 4 must please be submitted to [PT.Helpme@westerncape.gov.za](mailto:PT.Helpme@westerncape.gov.za).

It is imperative that the content of this Circular be brought to the attention of all officials in your department.



**PROVINCIAL ACCOUNTANT GENERAL**

**DATE:** 31 July 2013

## ANNEXURE A: MAPPING FROM NATIONAL TREASURY FOR 2013/14 IYM REPORTING

<i>V3 Lowest Level</i>	<i>V4 Lowest Level</i>
<b>INVENTORY OTHER CONSUMABLES</b>	<b>CONS SUPPLIES</b>
INV OTH CONS:BROOMS&BRUSHES	CONS HOUS SUP:BROOM&BRSH
INV OTH CONS:DIS PAPER/PLAST	CONS HOUS SUP:DIS PAPER/PLAST
INV OTH CONS:CROCKERY&CUTLRY	CONS HOUS SUP:LIN,CROCKRY&CUTLRY
INV OTH CONS:LINEN	CONS HOUS SUP:LIN,CROCKRY&CUTLRY
INV OTH CONS:PACKING MATER	CONS HOUS SUP:PACKING MATER
INV OTH CONS:TOILETRIES	CONS HOUS SUP:TOILETRIES
INV OTH CONS:TBLGHT&LGHT BLB	CONS HOUS SUP:TUBELGHTS&LGHT BUL
INV OTH CONS:WASH/CLEAN DETE	CONS HOUS SUP:WASH/CLEAN DETE
INV OTH CONS:WATER	CONS HOUS SUP:WATER
INV OTH CONS:WOOD&COAL	CONS HOUS SUP:WOOD&COAL
INV OTH CONS:WORKPLAC DECOR	CONS HOUS SUP:WORKPLAC DECOR
INV OTH CONS:FARMING SUPPL	CONS SUPP:GARDENING SUPPLIES
INV OTH CONS:FERTILIZER	CONS SUPP:GARDENING SUPPLIES
INV OTH CONS:GARDENING SUPPL	CONS SUPP:GARDENING SUPPLIES
INV OTH CONS:INSECTICIDES	CONS SUPP:GARDENING SUPPLIES
INV OTH CONS:IRRIGATION MAT	CONS SUPP:GARDENING SUPPLIES
INV OTH CONS:LVST FOD&ANM FD	CONS SUPP:GARDENING SUPPLIES
INV OTH CONS:SEEDS&SEEDLINGS	CONS SUPP:GARDENING SUPPLIES
INV OTH CONS:UNIF&PROT CLTHI	CONS SUPP:UNIFORM & CLOTHING
INV OTH CONS:LABORATORY SUPP	CONS: LABORATORIES CONS
INV OTH CONS:CELLPHONE ACCES	CONS:COMMUNICATION ACCES
INV OTH CONS:CAMPING MATER	CONSS:BUILD,MAT & SUPPLIES
INV OTH CONS:FENCING MATER	CONSS:BUILD,MAT & SUPPLIES
INV OTH CONS:ROAD CONSTR&SUP	CONSS:BUILD,MAT & SUPPLIES
INV OTH CONS:ROAD SIGNS	CONSS:BUILD,MAT & SUPPLIES
OWN INV OTH CONS:BROOMS&BRUSHES	OWN:CONS HOUS SUP:BROOM&BRSH
OWN INV OTH CONS:DIS PAPER/PLAST	OWN:CONS HOUS SUP:DIS PAPER/PLST
OWN INV OTH CONS:PACKING MATER	OWN:CONS HOUS SUP:PACKING MATER
OWN INV OTH CONS:TBLGHT&LGHT BLB	OWN:CONS HOUS SUP:TBLGHT&LGHT BL
OWN INV OTH CONS:WASH/CLEAN DETE	OWN:CONS HOUS SUP:WASH/CLEAN DET
OWN INV OTH CONS:GARDENING SUPPL	OWN:CONS SUPP:GARDENING SUPPL
OWN INV OTH CONS:FENCING MATER	OWN:CONSS:BUILD,MAT & SUPPLIES
OWN INV OTH CONS:ROAD CONSTR&SUP	OWN:CONSS:BUILD,MAT & SUPPLIES
OWN INV OTH CONS:ROAD SIGNS	OWN:CONSS:BUILD,MAT & SUPPLIES
<b>INVENTORY STATIONERY &amp; PRINT</b>	
INV STA&PRNT:IT CONSMBLES	CONS :IT CONSSMBLES
INV STA&PRNT:PHOTOGRAPHC MAT	CONS:PHOTOGRAPHC CONSS
<b>OPERATING PAYMENTS</b>	
O/P:ACHIEVEMENTS AND AWARDS	CONS SUPP:GIFTS AND AWARDS
O/P:GIFTS	CONS SUPP:GIFTS AND AWARDS

<b>INVENTORY OTHER CONSUMABLES</b>	<b>FLEET SERVICES</b>
INV OTH CONS:LICENCE PLATES	F/SER: LICENCE PLATES
<b>INV:CLOTH MAT&amp;ACCESSORIES</b>	
INV OTH CONS:CORPORATE GEAR	INV CLOTH:CORPORATE GEAR
<b>INV:FARMING SUPPLIES</b>	
INV OTH CONS:GARDENING SUPPL	INV FARM SUP: GRDENG SUP
INV OTH CONS:FARMING SUPPL	INV FARM SUP:FARMING SUP
INV OTH CONS:FERTILIZER	INV FARM SUP:FERTILIZER
INV OTH CONS:INSECTICIDES	INV FARM SUP:INSECTICID
INV OTH CONS:SEEDS&SEEDLINGS	INV FARM SUP:SEDS&SEED
INV OTH CONS:LVST FOD&ANM FD	INV FARMSUP:LVSTK FOD&ANM
<b>INV:MATERIALS &amp; SUPPLIES</b>	
INV OTH CONS:CAMPING MATER	INV MAT&SUP:CAMPING MATER
INV OTH CONS:IRRIGATION MAT	INV MAT&SUP:IRRIGATION MAT
INV OTH CONS:ROAD CONSTR&SUP	INV MAT&SUP:ROAD CONSTR&SUP
INV OTH CONS:ROAD SIGNS	INV MAT&SUP:ROAD SIGNS
INV OTH CONS:SPRT&RECRN CONS	INV MAT&SUP:SPRT&RECRN CONS
OWN INV OTH CONS:ROAD CONSTR&SUP	OWN:INV MAT&SUP:ROAD CONSTR&SUP
OWN INV OTH CONS:ROAD SIGNS	OWN:INV MAT&SUP:ROAD SIGNS
<b>INV:OTHER SUPPLIES</b>	
INV OTH CONS:LABORATORY SUPP	INV LAB:LABORATORY SUPP
INV OTH CONS:LABORATRY CHEMS	INV LAB:LABORATRY CHEMS
<b>INVENTORY STATIONERY &amp; PRINT</b>	
<b>CONS:STA, PRINT&amp;OFF SUP</b>	
INV STA&PRNT:ART REQUIREMENT	CONS:SP&OS:ART&DRAW
INV STA&PRNT:DRAWING MATER	CONS:SP&OS:ART&DRAW
INV STA&PRNT:AUDIO VIS MATER	CONS:SP&OS:AUDIO VISUAL
INV STA&PRNT:GOVNMNT PRINTER	CONS:SP&OS:GOV PRIN
INV STA&PRNT:BOOKS,JOURN ETC	CONS:SP&OS:MAG/NEWS/JRNLS
INV STA&PRNT:MAGAZ/NEWSPAPRS	CONS:SP&OS:MAG/NEWS/JRNLS
INV STA&PRNT:PRINT CARTRIDGE	CONS:SP&OS:PRINT CART
INV STA&PRNT:PRINTING PAPER	CONS:SP&OS:PRNTNG PAPR
INV STA&PRNT:STATIONERY	CONS:SP&OS:STATIONERY
<b>OPERATING PAYMENTS</b>	
INV STA&PRNT:BINDING	O/P:PRINTING&PUBLICAT SERV

Only Applicable to the Dept of Agriculture