



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# STANDARD CHART OF ACCOUNT SPECIFIC TO LOCAL GOVERNMENT *SCOA for MUNICIPALITIES- mSCOA*

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## Item Segment – Expenditure

*January 2024 (Version 6.8)*

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# EXPENDITURE

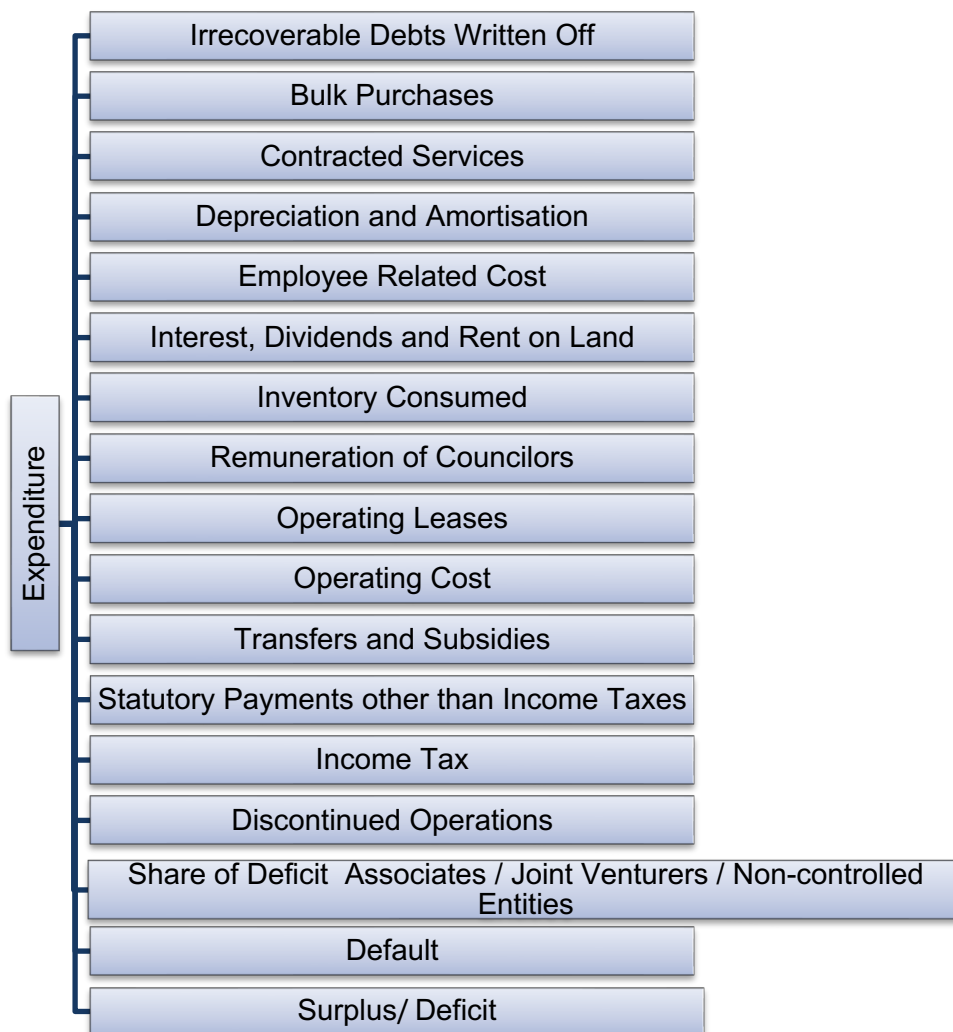
## Background to the Segment

This expenditure component of the Item segment contains the classification structure for expenditure to enable the extracting of reporting information in various formats, for example the Budget Reporting Tables, In-year Reporting, Annual Financial Statements, the NERSA Regulatory Reporting Tables, the Department of Water and Sanitation reporting requirements, etc.

The key question in finding the appropriate classification code for the Item Expenditure segment is: *“what is the type and nature of the expenditure incurred”*

## Illustration: High-level Classification

At the highest level the Item Expenditure Segment distinguishes between:



**Definition:**

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or the incurrence of liabilities that result in decreases in net assets, other than those relating to distributions to owners. (GRAP 1)

## Design Principles

The design principles defined and included in the Item Segment Introduction need to be considered in conjunction with the following design principle(s) when applying the Item Expenditure Segment:

*Principle 1: Irrecoverable Debts Written-off* - The principle adopted in setting-up “impairment, increase/ decrease in the impairment and irrecoverable debts written-off” is to bring “irrecoverable debts written-off”. This also include write-off of accounts in terms of debt prescription rules. More guidance in this regard is available from the *mSCOA* Position Paper on Debt Impairment and write-offs issued on 22 September 2020

*Principle 2: Bulk Purchases* – The accounts provided for in “Electricity Bulk Purchases” are providing for the Regulatory Reporting Requirements determined by NERSA.

*Principle 3: Contracted Services* - This group of accounts distinguish between "Outsourced Services, Consultants and Professional Services and Contractors" consistent to the approach taken in the Economic Reporting Format. Cognisance needs to be taken of the distinct meanings given to the categories of contracted services. Depending on the “reason” for making use of contracted services the service might be either “Outsourced Services, Consultants and Professional Services and Contractors”.

*Principle 4: Depreciation and Amortisation* - The “high-level” fixed/ intangible asset and infrastructure categories are included in *mSCOA*. The municipality may add more detailed accounts to this classification at the discretion of the municipality.

*Principle 5: Property, Plant and Equipment Classification for Depreciation and Amortisation* - The Cities Infrastructure Development Management System (CIDMS) provides the bases in this regard for the high-level classes used in the *mSCOA* Tables. National Treasury do take cognisance of the progressive implementation timeframe defined for the implementation of the CIDMS model. However, for purposes of *mSCOA* categorisation, CIDMS full implementation is applicable to all municipalities without providing for any alternatives as it relates to:

- Land
- Community Assets

- Computer Equipment
- Furniture and Office Equipment
- Infrastructure:
- Machinery and Equipment
- Computer Equipment
- Furniture and Office Equipment
- Libraries
- Zoos. Marine and Other Non-Biological Assets
- Community Assets
- Other Assets
- Transport Assets
- Infrastructure:
  - Coastal
  - Electrical
  - Network and Communication
  - Rails
  - Roads
  - Sanitation
  - Solid Waste
  - Storm Water
  - Water Supply
- Libraries
- Machinery and Equipment
- Other Assets
- Transport Assets
- Zoos. Marine and Other Non-Biological Assets

*Principle 6: Employee Related Cost - distinguishes at the highest-level between “Senior Management” and “Municipal Staff”.* Section 124(1)(c) of the MFMA requires disclosures of the details of remuneration for all senior managers. The reporting framework (Directive 5) provides that use the Standard of GRAP 20 on Related Party Disclosure to disclose information in its financial statements. Post -retirement benefit provision is not reflected under

these classifications due to the practitioners' difficulties in allocating the provision adjustment determined by the actuaries. The structure for "senior managers" address the need to individually provide for the designations used by the municipality *mSCOA* for extracting reporting information for annual financial statement disclosure purposes.

*Principle 7: Board Members* - The structure for "board members of entities" needs to individually provide for the designations used by the municipal entity. Version 6.8 provides for categories of accounts for customisation by the municipality. If the municipal entity requires more classifications than provided for in *mSCOA* Version 6.8 a request need to be logged to the *mSCOA* Frequently Asked Questions (FAQ) Database for consideration by the *mSCOA* Technical Committee.

*Principle 8: Interest, Dividends and Rent on Land* – This category is included as defined by the Economic Reporting Format.

*Principle 9: Inventory* – *mSCOA* provides for high-level categories within which the municipality may add detail posting-level accounts. These categories are:

- Agricultural
- Consumable Stores
- Finished Goods
- Materials and Supplies
- Water
- Housing Stock
- Land
- Capitalisation of inventory consumed

*Principle 10: Remuneration of Councillors* - Remuneration as determined by the Remuneration of Public Office Bearers Act, 1998 (Act No 20. of 1998). Salary of full-time councillors consisting of:

- Speaker
- Chief Whip
- Executive Mayor/Mayor
- Deputy Executive Mayor/Deputy Mayor
- Executive Committee/Mayoral committee
- Total for All Other Councilor's
- Section 79 committee chairperson

*Principle 11: Operational Cost* – This group of accounts provides for all expenditure items not specifically provided in any other category and replace the customary “miscellaneous, general, sundry, other, etc.” classification. An operating expense is a day-to-day expense such as sales and administration, or research and development, accounting expenses, license fees, advertising, office expenses, utilities such as telephone, insurance, property management, travel and vehicle expenses.

*Principle 12: Operating Leases* – Is a lease other than a finance lease. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Land use portion of a building finance lease must be recorded under Rental of Land. This group of accounts is based on the fixed and intangible asset categories as explained in design principle 5.

*Principle 13: Transfers and Subsidies* – This category provides for of all unrequited payments made by the municipality. A payment is unrequited provided that the municipality does not receive anything of similar value directly in return for the transfer to another party. Both current and capital transfers are included in this item. Municipalities distinguish between transfers to provinces, district municipalities, departmental agencies and accounts, universities and Technikons, public corporations, private enterprises, foreign government and international institutions, non-profit organisations and households. This group of accounts provide for "operational and capital transfers and subsidies" made "in-kind or in monetary value". The high-level categories applied in the *mSCOA* for Capital and Operational Transfers and Subsidies are based on the transfer categories as defined in the Reference Guide to the Economic Reporting Format (September 2009) for National and Provincial Departments, namely:

- Provincial Government
- National Government
- Departmental Agencies and Accounts
- District Municipalities
- Higher Educational Institutions
- Public Corporations and Technikons
- Foreign Governments and International Organisations
- Non-profit Organisations
- Households
- Municipal Entities

*Principle 14: Losses* - By definition “expenditure” includes “losses”. However, it should be noted that the *mSCOA* Classification provides for “losses” within the component of the Item Segment for “Gains and Losses”.

*Principle 15: VAT Indicators* - Included in the classification are VAT indicators to assign specific VAT categories to posting level accounts. Distinction is made between VAT charged at Standard Rate, Exempt and Zero Rated as indicated in the detailed *SCOA* Tables

## Legislative and Regulatory Requirements

For the legislative and regulatory requirements refer to Annexure A of the PSD.

## Transactions by Business Process to be allocated in this Segment

Business processes are the set of activities taking place from the initiation of a process to the completion thereof. Typical in the context of financial reporting is a source document from an activity within a business process initiating the activity to flow through a defined business processes ultimately resulting in the transaction being captured within a financial model in the system and updating the general ledger.

The *mSCOA* classification framework provides a classification structure within the general ledger to “record” transactional information within “fields” within the database functioning in the background of the municipality’s financial application.

Identification of transactions by typical business processes thus would provide a standardisation of specific transactional types for recording within the various segments of *mSCOA*.

The transaction types reflected here are based on the initial discussions of the *mSCOA* Project Steering Committee held during October 2010. This initial determination was confirmed by the *mSCOA* Project Steering Committee in October 2016.



Transaction Type	Allocate Yes/ No	Comments
Net Assets	No	
Assets	No	
Liabilities	No	
Revenue	No	
Expenditure	Yes	

Pending the outcome of the Standard Operating Procedures Project undertaken by the National Treasury: Office of the Accountant General this table may need to be expanded to include business cycles and activities.

### Category Links and Business Rules

Category links and business rules refer to programming rules that system developers of financial and business applications for local government are required to provide for in their applications. The considerations listed may not be complete considering the development stage of this project and might need to be enhanced as this consultation with the various stakeholder groups evolves.

Proposals that were considered in the design principles of *mSCOA*:

- Irrecoverable Debt Written Off to be linked to specific functions similar to “Trading Service Debtors”.
- Salaries and Wages Senior Managers to be customised according to the requirements of the municipality.
- Boards Members of Entities to be customised according to the requirements of the municipal entity.
- Employee Related Cost – less capitalised to automate as capitalised to the respective projects and the construction work-in-progress account in the Item Segment Assets.
- Depreciation and amortisation, impairment contributions and specific losses to be automatically linked to operational cost relating to movable and immovable assets or municipal running cost.

## Discussion of the Classification Structure

Transactions are classified in the “expenditure component” according to the “nature”. The combination of the Item- and Function segment provides information relating to “function”.

## Irrecoverable Debts Written-off

**Definition:**

The irrecoverable debts that are written off during the financial year (as approved by the Council) and allocated according to the type of service provided to the customer. This account would also include the write-off of accounts in terms of the debt prescription rules. The accounting implication is a reduction from the impairment adjustment not to overstate the movement on impairment in the Statement of Financial Position.

The account for Irrecoverable Debts Written-off is at posting level with no further breakdown required.

National Treasury prepared a Position Paper on Impairment and Bad Debt Written-off to provide further guidance.

Debt write-off need specific approval from council and is considered to be information in the interest of ratepayers from a reporting perspective.

The irrecoverable debts that are written off during the financial year as approved by the council allocated according to the type of service provided to the customer, within the Function Segment.

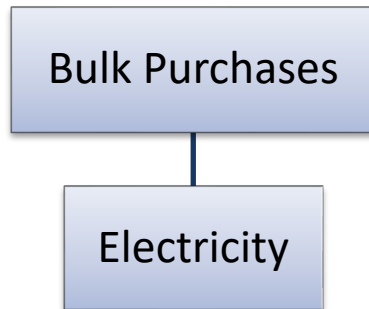
Irrecoverable debts written off has been unbundled on version 6.8 of the chart to include posting levels for all services and property rates under Item Expenditure: irrecoverable debt.

## Bulk Purchases

**Definition:**

Bulk purchases of electricity from Eskom (including alternative service providers). Bulk purchase of Water must no longer be used in the Item Expenditure Segment but Water must be purchased through the Asset Inventory and issued through the Item Expenditure: Inventory

At the highest-level this group of accounts provides for water and electricity purchases in bulk for distribution to consumers.



Bulk purchase of Water must no longer be used in the Item Expenditure segment, Water must be purchased through the Asset Inventory and issued through the Item Expenditure: Inventory. Water balance reporting has been communicated to Municipalities and the use must be implemented to improve Water reporting from the *mSCOA* 6.5 chart version.

### *Electricity*

The accounts set-up for “electricity” is based on the Regulatory Reporting Requirements determined by NERSA. This account should record the cost of all electricity purchased for resale.

#### **Definition**

**Eskom:** This account provides for bulk purchases from Eskom.

**Independent Power Producers (non-posting level):** The candidates are earmarked to contribute 14216MW to South Africa’s total installed capacity, as part of the Department of Energy’s renewable energy bidding programme. NERSA has approved the licensing of 28 independent power producers as preferred bidders for the first phase of the government’s renewable energy programme. The programme aims to produce 3725MW of electricity from wind, solar concentration, photovoltaic, small hydro-gas, biogas, biomass and landfill gas by 2016. The programme is a change for South-Africa, which gets less than 2 per cent of its energy from renewable resources and has only one substantial electricity provider, state utility Eskom. SA relies on coal, a non-renewable resource, for more than 90 per cent of its energy requirements.

**Green Electricity (non-posting level):** This account is to record purchase of electricity from "green electricity" sources.

**Charges:** The cost for the bulk purchases of electricity from darling wind farm for resale.

**Rights and Certificates:** Certification and rights for the purchase of electricity from darling wind farm for resale

**Renewable, Cogen, etc.:** Provides for other types of energy sources.

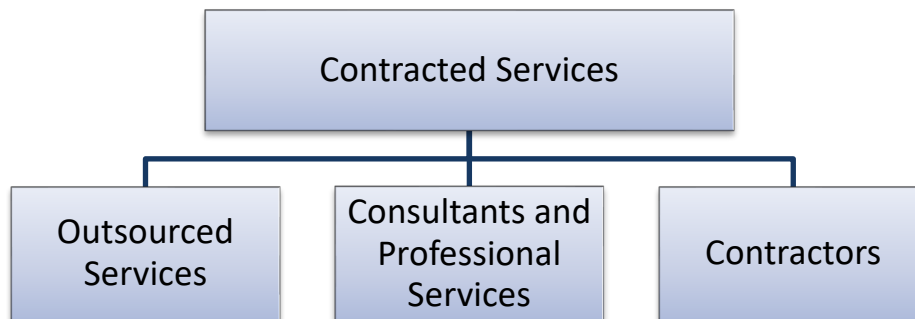
**Self-Generation:** Production of electricity for own use with a captive power plant installed usually on one's own premises. It may be owned by the consumer, or by a third-party under a power-supply contract.

## Contracted Services

**Definition:**

This group of accounts distinguish between "Outsourced Services, Consultants and Professional and Special Services and Contractors.

Contracted services at the highest-level provides for a distinction between:



### *Outsourced Services*

**Definition:**

Outsourced Services refers to “services” the municipality should have the capacity and expertise to carry out certain services, but for some reasons not utilising their own staff. The reasons might include temporary incapacity or the outsourcing of services to save costs, for example cleaning, security and recruitment. In evaluating the classification of agency/ outsourced services it should be established whether the services being procured could have been provided by the municipality itself. It could also be that the municipality ordinarily has the expertise to provide the service but temporarily could not do so or to save costs.

The posting-level (non-breakdown allowed) detail for this category includes the following accounts:

**Definitions:**

**Administrative and Support Staff:** Making use of agency staff or outsourced staff for administrative, support staff and "traffic point duty".

**Alien Vegetation Control:** External service providers used by the municipality for the control of alien vegetation being 1) declared noxious weeds (toxic to humans or cattle and which can infest agricultural crops 2) declared invasive weeds (usually less dangerous than the former but are none the less invasive and thus threaten the survival of other species and 3) plants perceived as "weeds" which are not classified within the two former groups and are not "declared" as such. [Conservation of Agricultural Resources Act, 1983 (Act No. 43 of 1983)]

**Animal Care:** Making use of external service providers to assist with animal care, such as the SPCA, Wet Noise or volunteers.

**Burial Services:** External service providers are used to render this service. Cash payments to households for burial services should be classified as transfers to households and must not be included under this item. Included under this item will be environmental management contracts for grave digging and pauper burials.

**Business and Advisory:** This group of accounts provides for Business and Advisory Services provided by Consultants and Professional Service Providers which is inherent to the functions and responsibilities of the municipality. Posting level accounts (non-breakdown allowed) provide for the following:

Accountanting and Auditing

Business and Financial Management

Commissions and Committees

Communications

Human Resources

Occupational Health and Safety

Organisational

Project Management

Research and Advisory

Qualification and Verification

Quality Control

Valuers

**Catering Services:** Catering services outsourced for detainees, patients, prisoners, communities, armed forces, social welfare facilities, universities, training colleges and schools. This category specifically excludes internal catering which is provided for separately as entertainment.

**Call Centre:** Municipalities make use of call centres for various reasons and functions. If these call centres are handled by external service providers the related costs need to be recorded to this item.

**Cleaning Services:** The use of an external service provider for the cleaning of office buildings.

**Clearing and Grass Cutting Services:** The municipality making use of external service providers for assisting in the clearing and cleaning of bushes, erven, fire belt, alien, invasive trees and tree/ grass cutting the cost need to be recorded to this item. This would include the hiring of the unemployed for assisting in these tasks.

**Fire Services:** If the municipality make use of external service providers for assisting in providing fire services.

**Hygiene Services:** External service providers used by the municipality in providing hygiene services such as public toilets, toilet facilities in municipal buildings, waste and rain water causing hygiene concerns and problems, sewerage spills resulting from blocked drains, etc.

**Internal Auditors:** Contracted-in and co-sourced audit services where the municipality make use of external service providers.

**Illegal Dumping:** If the municipality make use of external service providers to remove and clean-up "illegal dumping" of waste and refuse.

**Litter Picking and Street Cleaning:** External service providers or making use of contract workers to assist in litter picking in cleaning the municipal area.

**Medical Waste Removal:** Hospitals, clinics, medical practitioners and laboratories generate various forms of medical waste to be disposed of in terms of waste legislation. In order to ensure the appropriate removal of waste the service is outsourced to specialist external services providers by the municipality.

**Meter Management:** The municipality makes use of external service providers for the management of water and electricity meters including checking for tampering, calibration, replacing meters, reading meters and securing meters if instructed to disconnect and reconnect.

**Medical Services [Medical Health Services and Support]:** The municipality making use of private nurses at clinics and includes nursing and ambulance services.

**Mini Dumping Sites:** If the municipality makes use of external service providers to manage "mini dumping sites" including activities such as collecting dumping fees, ensuring that only permissible waste is dumped, take care of the site according to environmental requirements and secure the site from illegal settlements.

**Organic and Building Refuse Removal:** If the municipality makes use of external service providers for assisting in the removal of organic (garden) and building refuse removal the cost need to be recorded to this item.

**Personnel and Labour:** Staff contracted in to fill temporary vacancies or fill ad hoc positions (non-professional staff). Excluded from this allocation is personnel and labour directly contracted in/ appointed by the municipality remunerated through the payroll system.

**Post Mortem:** The municipality making using of outsourced services for examining deceased bodies in cases where death is unknown or where a post mortem has been specifically requested.

**Professional Staff:** Outsources services for professional staff in providing services normally within the scope of the municipality's activities.

**Connection/ Dis-connection:** The cost of services rendered by external parties in terms of the disconnection/ re-connection of meters and new installations of meters for electricity and water. The posting level accounts available within this classification provides for 1) Electricity, 2) Restricted Water Flow and 3) Water.

**Refuse Removal:** External service provider used for the removal of municipal waste (trash, garbage, refuse or rubbish) being a waste type consisting of everyday items we consume and discard. It predominantly includes food and yard waste, containers and product packaging, inorganic waste for residential, commercial, institutional and industrial sources. Examples of inorganic wastes are appliances, newspapers, clothing, food scrapes, boxes, disposable tableware, office and classroom paper, furniture, wood pallets, rubber tires, and cafeteria wastes. Municipal solid waste does not include industrial/ agricultural waste and sewage sludge. The term residual waste relates to waste left from household sources containing materials that have not been separated out or sent for reprocessing. The removal of any other waste not specifically provided for are included in this account.

**Removal of Structures and Illegal Signs:** The use of contractors to remove illegal structures, signage, posters, advertisements, etc. This item excludes Informal Settlement Management.

**Researcher:** Outsourcing of routine research, such as market research, surveys, research for land claims conducted for the municipality.

**Security Services:** Cost incurred for the rendering of security services including safe guarding of cash in transit, personal bodyguards, guard services for public events and functions, monitoring of alarms, crime prevention, access control to buildings and public places, rapid and armed response both public and staff.

**Sewerage Services:** Contractors used for sewerage and sanitation services, including suction pump vehicle (honey suckers) and removal of sludge from drying beds.

**Swimming Supervision:** Outsourcing of supervision at municipal swimming pools.

**Translators, Scribes and Editors:** External translator, interpreting service, speech writing and editing used by the municipality to assist at public participation meetings, newsletters, public hearings and addresses, communications, letters, newsletters, etc.

**Traffic Management:** This account provides for outsourcing of traffic management e.g. Camera fines, collection of fines and other traffic management / control services.

**Veterinary Services:** Costs incurred for services rendered by persons caring for sick, hurt or injured animals. Included are consultation fees, medication and hospitalisation of animals.

**Transport Services:** Service provider to assist the municipality in providing transportation services to the public and staff, for example Integrated Rapid Transport (IRT) services.

**Drivers Licence Cards:** Contractors for providing new card licences.

**Electrical:** Cost incurred in the use of electrical contractors (electricians) for installing cabling, meters, transformers and transmitters, cable replacement in the maintenance of electrical infrastructure and equipment.

**Water Takers:** Contractors used for taking water to informal settlements.

## Consultants and Professional Services

### Definition:

Consulting services refer to specialist services and skills provided that are required for the achievement of a specific objective, with the aim of providing expert and professional advice on a time and material basis. It is unnecessary to maintain these skills in-house, since they are required on a once-off or temporary basis. Therefore, a consultant is a professional person appointed by the municipality to provide technical and specialist advice or to assist with the design and implementation of specific project/ programs.

The legal status of this person can be an individual a partnership or a corporation. The fact that a consultant is defined as a professional person implies that the consultant is professionally qualified.

The provision of advice or service is in line with a contractual arrangement. Remuneration is usually based on an hourly fee or a fixed fee for a product/ deliverable.

This category consists of groups for "business and advisory services", "infrastructure and planning", "laboratory" and "legal service". The following posting-level accounts (non-breakdown allowed) are included:

### Definitions:

**Business Advisory:** This group of accounts provides for business and advisory services provided by consultants and professional service providers for activities that could or should be performed by the municipality. Posting level for System Support account has been added on *mSCOA* version 6.8 and retired under Operational Costs.

**Accounting and Auditors:** Consultancy services provided by registered accountants and auditors.

**Air Pollution:** Consultancy services provided to assist the municipality in monitoring air pollution resulting from the introduction of chemicals, particular matter or biological materials that cause harm or discomfort to humans or other living organisms, or cause damage to the natural environment or built environment into the atmosphere.

**Audit Committee:** Compensation paid to external audit committee members for attending meetings.



**Board Member:** Compensation paid to external board member's attendance at board meetings.

**Business and Financial Management:** Provision of specialised professional services regarding Financial Management and Procurement Management that cannot be maintained in-house. The legal status can be an individual, partnership or corporation.

**Commission and Committees:** Services to members for special commissions of enquiry and committees other than the audit committee, performance committee, etc.

**Communications:** Professional advice to the municipality on its external and internal communication strategies.

**Human Resources:** Specialised professional services of a technical or specialised nature related to Human Resources Management that cannot be maintained in-house.

**Medical Examinations:** Consultancy services for referring employees for medical examinations at the expense of the municipality, for example if more than the acceptable sick leave is taken within a cycle, etc.

**Occupational Health and Safety:** Consultancy services relating to occupational safety, health and risk assessment consultants, which is a cross-disciplinary area concerned with protecting the safety, health and welfare of people engaged in the work- or employment environment. As a secondary effect, it may also protect co-workers, family members, employers, customers, suppliers, nearby communities and other members of the public who are impacted by the workplace environment. Risk assessment is the determination of quantitative or qualitative value of risk related to a concrete situation and a recognised threat which involve the calculations of risk, magnitudes of loss and the probability that the loss will occur.

**Organisational:** Professional advice to the municipality on the organisational structure, including advice on transformation, streamlining and stabilisation of the municipality and its service-delivery activities.

**Project Management:** Professional fees for persons (individuals) or companies contracted to manage specific large projects on behalf of the municipality.

**Research and Advisory:** Specialist research and advisory services related to the development, refinement or evaluation of policies to the municipality. Usually these kinds of specialist research and advisory services would be done by recognised specialists in the relevant field, who very often are working as individuals, universities or research institutes. Also, environment studies done for land under claim to determine the impact a change of business will have on the land and surrounding environment and needs assessments are done whilst settling the claims to assess what the community's requirements are and if it will be met by the way the claim is settled.

**Qualification Verification:** Professional services for qualification verification of employees and candidates for positions.

**Quality Control:** Consultancy services are the provision of specialised professional services of a technical or specialised nature related to quality control that cannot be maintained in-house. The legal status can be an individual, partnership or corporation, including electricity, water and air.

**Valuer and Assessors:** Professional services of valuers for valuing property, plant and equipment or providing assistance with compilation of the municipal valuation roll, insurance requirements, etc.

**Forensic Investigators:** Provision of Investigative Forensic Services.

**Credit Rating Agencies:** Professional services provided to assess the municipalities financial stability, ability to fulfil financial commitments and net worth and give a credit rating reporting.

**Actuaries:** Professional services for actuaries appointed to provide actuarial information on post-retirement benefits, financial modelling and planning, etc.

**Infrastructure and Planning:** This group of accounts provides for infrastructure and planning consultants and professionals.

**Architectural:** Architectural services being the art and science of designing buildings and structures. This service may include the design of the total built environment: from the macro level of town planning, urban design and landscape architecture to the micro level of construction details and, sometimes, furniture.

**Agriculture:** Consultancy services relating to infrastructure and planning specific to agriculture being the science, art and business of cultivating soil, producing crops, and raising livestock; farming.

**Ecological:** Consultancy services relating to ecology, such as studies in the science of the relationship between organisms and their environment, or studying the relationships between human groups and their physical and social environment and the study of the detrimental effects of modern civilisation on the environment, with a view toward prevention or reversal through conservation.

**Engineering:** Consulting services refer to specialist services and skills provided that are required for the achievement of a specific objective, with the aim of providing expert and professional advice on a time and material basis, this group specifically provides for the engineering sector. The disciplines provided for in this category are:

- *Aeronautical : Aerospace engineering is the branch of engineering behind the design, construction and science of aircraft and spacecraft. Aerospace engineering has broken into two major branches: aeronautical engineering and astronautically engineering.*
- *Agricultural : Agricultural engineers apply engineering science and technology to agricultural production and processing, and to the management of natural resources. Agricultural engineers design agricultural machinery, equipment, and agricultural structures.*
- *Chemical : Chemical engineering is the branch of engineering that deals with the application of physical science (e.g. chemistry and physics), with mathematics, to the process of converting raw materials or chemicals into more useful or valuable forms. In addition to producing useful materials,*

*chemical engineering is also concerned with pioneering valuable new materials and techniques, an important form of research and development.*

- *Civil : Civil engineering is a professional engineering discipline that deals with the design, construction and maintenance of the physical and naturally built environment, including works such as bridges, roads, canals, dams and buildings.*
- *Electrical : Electrical engineering, sometimes referred to as electrical and electronic engineering, is a field of engineering that deals with the study and application of electricity, electronics and electromagnetism. It covers a range of subtopics including power, electronics, control systems, signal processing and telecommunications.*
- *Industrial : Industrial engineering is a branch of engineering that concerns the development, improvement, implementation and evaluation of integrated systems of people, money, knowledge, information, equipment, energy, material and process. Industrial engineering draws upon the principles and methods of engineering analysis and synthesis, as well as mathematical, physical and social sciences together with the principles and methods of engineering analysis and design to specify, predict and evaluate the results to be obtained from such systems. Industrial engineers work to eliminate waste of time, money, materials, energy, and other resources. Industrial engineering is also known as operations management, systems engineering, production engineering, manufacturing engineering or manufacturing systems engineering. Whereas most engineering disciplines apply skills to very specific areas, industrial engineering is applied in virtually every industry. Examples of where industrial engineering might be used include shortening lines (or queues) at a theme park or streamlining an operating room.*
- *Mechanical : Mechanical engineering is an engineering discipline that involves the application of principles of physics for analysis, design, manufacturing, and maintenance of mechanical systems. Mechanical engineers design and build engines and power plants, structures and vehicles of all sizes. Mechanical engineers also design and analyse motor vehicles, aircraft, heating and cooling systems, watercraft, manufacturing plants, industrial equipment and machinery, robotics, medical devices and more.*
- *Metallurgical : The scientific study of the structures and uses of metals.*
- *Mining : Mining engineering is an engineering discipline that involves the practice, the theory, the science, the technology, and application of extracting and processing minerals from a naturally occurring environment. Mining engineering also includes processing minerals for additional value.*
- *Structural : Structural engineering is a field of engineering dealing with the design of structures that support or resist loads. Structural engineering is usually considered a specialty within civil engineering. Structural engineers are most commonly involved in the design of buildings and large non-building structures, but they can also be involved in the design of machinery, medical equipment, vehicles or any items where the structural integrity of the design item affects its function or safety.*

**Geodetic, Control and Surveys:** A Geotechnical engineer is an expert who evaluates and stabilises foundations for buildings, roads and other structures. Geotechnical engineering deals with geology, soil and rock mechanics, foundation engineering, ground improvement, land reclamation, deep excavation, underground construction and related work. A Landfill Site report is a further example.

**Geoinformatic Services:** Consultancy services related to the creation of geographic information from manipulating geographic data in a computerised system. Typical applications are land registration, hydrology, cadastral, land evaluation, planning or environmental observation. Service may come in many different forms, such as maps or images taken from the air or from space, for example, remote sensing data. Geodata is stored in a database, having special extensions for storing, handling and manipulation. Geoinformation is the useful output, produced by analysing data with a computer program called a "geographic information system".

**Geologist:** Professional service provider relating to the science of geology, such as studying the physical structure and processes of the earth and planets of the solar system.

**Land and Quantity Surveyors:** This item broadly refers to the control of the cost on construction projects. The methods employed cover a range of activities which may include cost planning, value engineering, feasibility studies, cost benefit analysis, lifecycle costing, valuation and cost estimation.

**Landscape Designer:** Professional service normally provided by a landscape designer, being the planning, design and sometimes oversight of an exterior landscape or space.

**Town Planner:** Town planners consider environmental matters such as sustainable development, air pollution, traffic congestions, crime, land values, legislation and zoning codes. They are usually hired by developers, private property owners, private planning firms, and local municipalities to assist in the large-scale planning of master planned communities, private/ public housing, commercial development, community redevelopment, environmental expertise, public facilities, and public transportation systems.

**Laboratory Services:** This group of items includes the cost associated with making use of consultants or professionals for laboratory services such as scientific experiments, research, and manufacturing of drugs or chemicals, observation and testing.

**Agriculture:** Consultants or professionals for laboratory services such as scientific experiments, research, manufacturing of drugs or chemicals, observation and testing specifically relating to agriculture.

**Medical:** Consultants or professionals for laboratory services (including the national health laboratory services and "other services providers") such as scientific experiments, research, manufacturing of drugs or chemicals, observation and testing specifically relating to human health (medical).

**Roads:** Consultants or professionals for laboratory services provided for testing of road surfaces and any other tests relating to roads.

**Water:** Consultants or professionals for laboratory services provided for testing of water samples, water quality and water related laboratory services.

**Legal Cost:** Costs incurred for legal services including legal advice, messenger of court, and conveyance for both private and law firms.

- *Legal Advice and Litigation: Professional services rendered by an attorney duly admitted to practioners as an attorney in any part of the Republic of South Africa. Legal advice includes services such as: arbitration, business law, litigation (civil), commercial , company law, human rights, conveyance, employment law, environmental law, family law, insolvency, intellectual property, labour law, liquidation, mediation, property law, taxation, litigation (general), litigation (commercial), litigation (corporate), MVA claims, company registrations, mining, corporate, insurance law, commercial drafting, sequestrations, financial markets, high court practioners, constitutional, liquor law, town planning, litigation (high court), litigation (magistrates court), industrial relations, water law, international transactions and litigation (tax).*
- *Issue of Summons : Messenger of the court fees are incurred only on civil cases. A civil case refers to a matter where there is money involved (non-payment of fees), for example, the department has not been paying its electricity or water bill. Money to pay for messenger of the court fees.*
- *Collection : Issuing warning to customers, collection cost of outstanding debt, fines and penalties.*

## Contractors

**Definition:**

**Contractors** are required to provide services that are not the core business of the municipality. It is normally not cost effective to maintain these skills within the department. Contractors include costs associated with the use of contracted individuals or businesses on projects or tasks. This does not include amounts payable to contractors in respect of provision of services such as cleaning and security even if a staff element can be identified. Note also that it is common practice that the said contractor provides all the materials required for the project – the tenders are for the whole project, materials included.

The following “posting level accounts are relevant to contractors:

**Definitions:**

**Aerial Photography:** Aerial photography is the process of taking photographs from a camera mounted in an aircraft or balloon. Aerial photographs are used extensively in cartography to provide detailed geographical information in the production of maps.

**Aerial Surveillance:** Aerial surveillance service being the gathering of surveillance, usually visual imagery or video, from an airborne vehicle, such as helicopters or military aircrafts for reasons such as crime prevention, emergency and disaster management, high way patrols, helicopter Services, etc.

**Artists and Performers:** The hiring of artists and/ or performers for festivals organised by the municipality.

**Auctioneers:** Services rendered by an auctioneer who conducts a public sale in which goods and capital assets are sold to the highest bidder. This payment usually equals a fixed percentage of the selling price obtained.

**Audio-visual Service:** Services provided by a person, not employed by the municipality relating to the recording and reproduction of sound and sight. Consultants used in the creation, development and production of videos, films, DVD or other audio-visual materials.

**Bore Waterhole Drilling:** Bore waterhole drilling contractors used for the rendering of service. This only includes the cost of drilling the bore hole.

**Bottling and Packaging:** Contracted services to either pack, label or bottle goods produced by the municipality, for example the bottling and labelling of wine or packaging of for example vegetables that are produced by community projects themselves. The contractor will in most instances provide the packaging material, labour and necessary machinery and equipment to do the packaging, labelling and bottling. *This item excludes wrapping and packaging materials purchased by the municipality for their own purpose.* The latter is allocated in the inventory category under goods and services.

**Building:** Building contractors providing services not recognised as capital but rather repairs and maintenance.

**Chipping:** Chipping of solid waste for recycling such as tires, metal, glass, wood, etc.

**Catering Services:** Catering services outsourced for detainees, patients, prisoners, communities, armed forces, social welfare facilities, universities, training colleges and schools. This category specifically excludes internal catering which is provided for separately as entertainment.

**Distribution of Electricity by Others:** This account should record amounts payable to others for distribution of the utility's electricity using distribution power system facilities owned by others [NERSA GG 626]. Posting level accounts (non-breakdown allowed) are provided for the following:

- Network Charges: This account should record amounts payable to others for distribution of the utility's electricity using distribution power system facilities owned by others [NERSA GG 626] Specific definition o/s from NERSA!
- Ancillary Charges: This account should record amounts payable to others for distribution of the utility's electricity using distribution power system facilities owned by others [NERSA GG 626] Specific definition o/s from NERSA!
- Reliability Charges : This account should record amounts payable to others for distribution of the utility's electricity using distribution power system facilities owned by others [NERSA GG 626] Specific definition o/s from NERSA!



**Electrical:** Cost incurred in the use of electrical contractors (electricians) for installing cabling, meters, transformers and transmitters, cable replacement in the maintenance of electrical infrastructure and equipment.

**Employee Wellness:** Service providers for internal seminars and awareness programs in assisting employees in addressing specific needs and problems either in their workplace or private affairs. This includes programs relating to psychological, physical, financial, etc. Examples of such programs will include HIV awareness, financial awareness or self-defence classes by contractors who come to the workplace to instruct etc. *It is important to note that this item excludes medical wellness programs which include physical tests such as cholesterol, blood pressure, diabetes or advisory services by dieticians or any other medical related issue.* The latter should be classified under the specific item for medical services and also does not include training programmes as defined in the training definitions; neither should the cost for any materials, or venues and facilities for those wellness contractors be classified under this item, but to the specific items as available for those items on the chart.

**Event Promoters:** Promoters develop marketing strategies for events ranging from concerts to sporting tournaments. Event promoters work with television, radio, special-events coordinators, ticket sellers, reviewers, bulk mailers, and local merchants to market a product/ service. They are also involved in locating and booking the venues, artists, performers, stage and sound crew as well as the marketing strategies. It will also include market related cost payable to motivational speakers at public events, team building sessions etc.

**First Aid:** Contractors with regards to first aid facilities required for government occupied buildings. These facilities are fixed to the walls in the building. All costs incurred should be allocated to this item even if procured from an external service provider.

**Fire Protection:** Contractors in the prevention of fires and for fire brigade charges.

**Fire Services:** Contractors and other authorities' in respect of the prevention of fires and for fire brigade charges.

**Gardening Service:** Gardening services provided by service organisations. All costs incurred should be allocated to this item even if procured from an external service provider.

**Gas:** Contractors providing service related to the usage and supply of gas.

**Graphic Designers:** Design or create graphics to meet specific commercial or promotional needs, such as packaging, displays, or logos. May use a variety of mediums to achieve artistic or decorative effects.

**Grading of Sport Fields:** Contractors used for grading (1 per cent – 5 per cent slope allowed from the centre of the field to outer corners) and drainage of sports fields according to generally accepted norms and standards. Essential process in constructing sports fields.

**Haulage:** Transport of waste between sites and from sites for recycling. Service provided by a contractor.

**Interior Decorator:** This item provides for the expertise of an interior decorator to provide advice in the art of decorating a room so that it is attractive, easy to use, and functions well with the existing architecture.

**Inspection Fees:** Contractors used for water and electricity meter inspections to detect tampering and confirm accuracy of metering use.

**Maintenance of Buildings and Facilities:** Contractors for maintaining and repairing of buildings and facilities. Transactions allocated to this item are applicable only if the maintenance and repair does not extend the useful life of the asset and result in future cash inflows into the organisation. Examples would be painting, waterproofing, replacing carpets, fix broken windows, etc. Detail of buildings and facilities to be selected from the project segment.

**Maintenance of Equipment:** Contractors for maintaining and repairing of equipment. Transactions allocated to this item are applicable only if the maintenance and repair does not extend the useful life of the asset and result in future cash inflows. Examples would be replacing filters or gas in an air conditioner, servicing of machinery and equipment and ordinary service of a motor vehicle. Detail of plant and equipment to be selected from the project segment.

**Maintenance of Unspecified Assets:** Contractors for maintaining and repairing of buildings and facilities. Transactions allocated to this item are applicable only if the maintenance and repair does not extend the useful life of the asset and result in future cash inflows into the organisation. Included in this item are maintenance of all other assets, not included under the categories for machinery and equipment for example, biological assets, software and intangible assets, heritage assets. Examples would be maintenance of other assets such as roads, harbours and other infrastructure assets (all other assets not included in property maintenance or machinery and equipment). Detail of "other assets" to be selected from the project segment.

**Management of Informal Settlements:** Contractors used for removal of illegal settlements, structures and occupants.

**Medical Services:** Clinics might from time to time require the services of private medical practitioners to render services when staff shortages occur. This is a short-term arrangement for a specific requirement or need. Includes payment to private medical practitioners for services to employees as a result of injury on duty. Costs incurred by private medical centres for examination of sick patients of which the cost is carried by the municipality. Municipalities acquire the services of medical staff to render medical services to employees at the workplace to enhance employment wellness.

**Mint of Decorations:** Draft/ mint of decorations/ medals for the mayor and deputy mayor not subjected to capitalisation.

**Pest Control and Fumigation:** Contracting in pest control services for managing pests in the municipal area, such as rats, cockroaches, termites, including fumigation cost using chemicals to prevent pests.

**Photographer:** Services rendered by photographer for official photos.



**Plants, Flowers and Other Decorations:** Contractors for providing plants, flowers, wreaths used at memorial services, special events, offices, public spaces, etc.

**Prepaid Electricity Vendors:** Contractors for vending of "prepaid electricity".

**Preservation/ Restoration/ Dismantling/ Cleaning Services:** Services relating to restoration and preservation of items that should be stored for a long period of time whilst not in use and the restoration of art items. Excluded from this item are normal maintenance and repairs. Also included are the cost for dismantling and cleaning of assets to be stored for an unspecified period of time as well as the cost associated with the demolition of assets.

**Relief Drivers:** Contractors used for assisting in driving municipal vehicles during strikes or other shortages of drivers occur.

**Tracing Agents and Debt Collectors:** Contracted services rendered by collecting firms with regard to outstanding accounts, including legal fees in this regard.

**Traffic and Street Lights:** Contractors appointed for the management of traffic and street lights such as replacing light bulbs, poles and traffic lights damaged in accidents, etc.

**Transmission of Electricity by Other:** This account should record amounts payable to others for transmission of the utility's electricity using transmission power system facilities owned by others. [NERSA GG 626]. Posting level accounts (non-breakdown allowed) are provided for the following:

- Network Charges : This account should record amounts payable to others for transmission of the utility's electricity using transmission power system facilities owned by others. [NERSA GG 626] Specific definition outstanding from NERSA.
- Ancillary Charges : This account should record amounts payable to others for transmission of the utility's electricity using transmission power system facilities owned by others. [NERSA GG 626] Specific definition outstanding from NERSA.
- Reliability Charges : This account should record amounts payable to others for transmission of the utility's electricity using transmission power system facilities owned by others. [NERSA GG 626] Specific definition outstanding from NERSA.

**Transportation:** Contractor for furniture removal, removal of abandoned vehicles, pounding of vehicles and "tow-in" of municipal vehicles and motors practitioners restricting entrance/ exit gates.

**Safeguard and Security:** Contracted services relating to safeguarding of property, for example armed response provided by ADT, Chubb or other(s) and security services for example reception or motor entrances access control outsourced.

**Sewerage Services:** Contractors used for sewerage and sanitation services, including suction pump vehicles (honey suckers) and removal of sludge from drying beds.

**Sports and Recreation:** A person, not appointed permanently by the municipality, assisting specifically with sport and recreation. Sport being an activity involving physical exertion and skill in which an individual or team competes against another for recreation and enjoyable leisure.

**Stage and Sound Crew:** Contractors hired who specialise in setting-up stage and sound at special events, festivals and celebrations.

**Prepaid Water Vendors:** Contractors for vending of "prepaid water", including maintenance of vending machines.

**Exhibit Installations:** Contractors hired for the installation of exhibits

**Shark Nets:** Contractors used for the maintenance of shark nets.

**Stream Cleaning and Ditching:** Contractors employed to clear blocked streams.

**Removal of Hazardous Waste:** Deals with any chemical waste that needs to be disposed of but not medical waste

**Forestry:** Reforestation deals with protection of environmentally sensitive areas. This involves removal of alien vegetation, planting of indigenous trees, maintenance of wetlands, etc.

**Air Traffic and Navigation:** These are contractors that are engaged for the services outsourced to control air traffic at municipal airports. They basically direct air traffic in the air space above the Airport and direct planes for landing and take-off. They perform the same function as Air Traffic controllers at all the airports. Where the skills are not present internally professionals must be engaged to undertake this function on behalf of the airport.

**Postage and distribution of accounts services:** These are contractors that are remunerated for providing the outsourced service of posting and distributing municipal accounts.

***Maintenance is still provided for in “Contractors”. Why if “Repairs and Maintenance”, does the transaction need to be reflected as a project within the Project Segment?***

The account for “Contractors: Maintenance Unspecified” identifies the “type” of service rendered to the municipality. This is only one type of expenditure that could be incurred as part of the processes for maintaining assets.

Other type of expenditure may be a reallocation of primary cost recognised in the Item Segment Expenditure through the Costing Segment, for example cost of using internal staff, materials and supplies issued through the stores and transport cost.

## Depreciation and Amortisation

**Definition:**

**Depreciation** is the systematic allocation of the cost of an asset from the statement of financial position to depreciation expense on the statement of financial performance over the useful life of the asset.

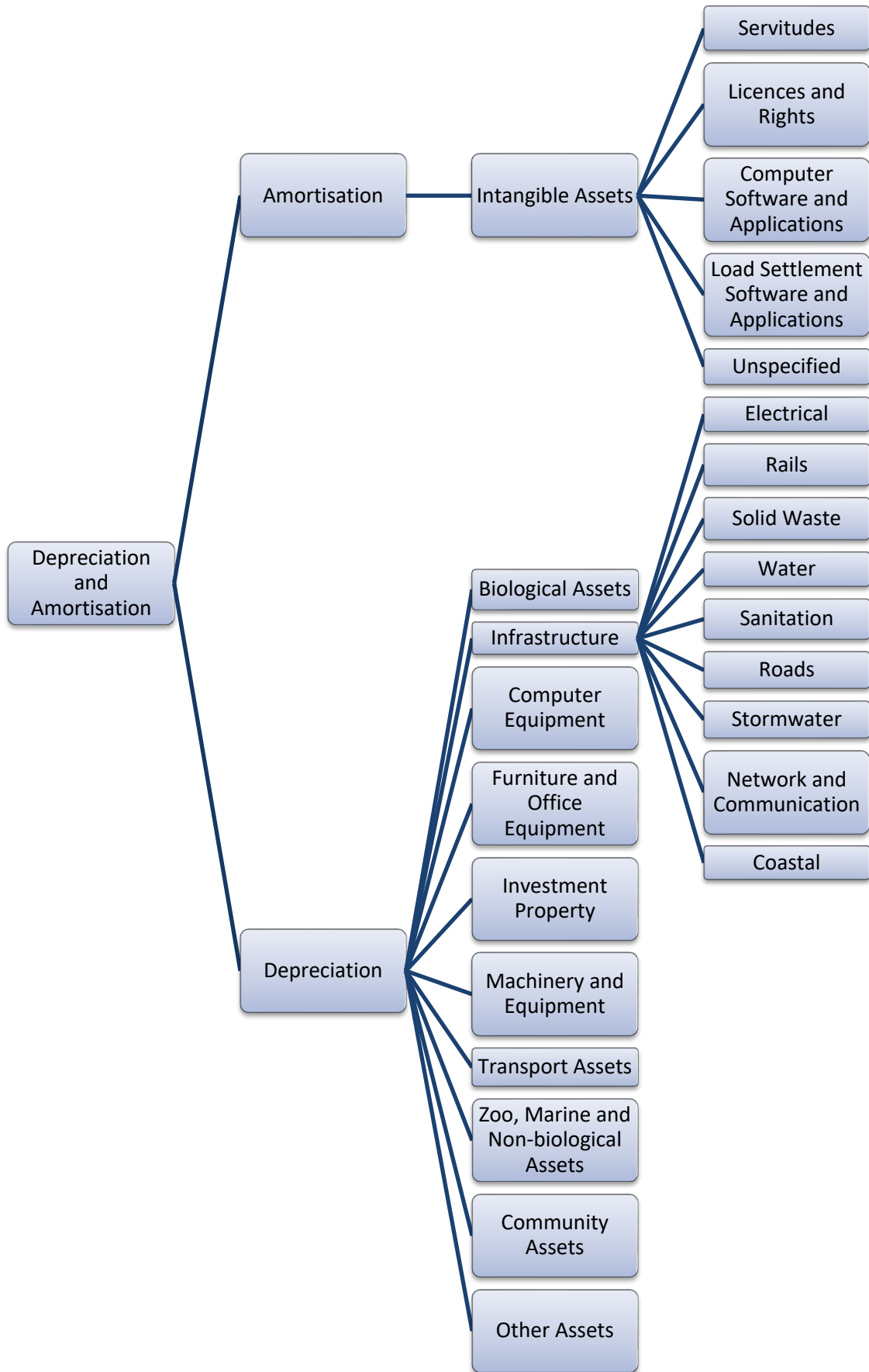
**Amortisation** is the systematic allocation of the discount, premium or issue cost of a financial instrument over the life of the instrument, or an intangible asset over a certain period.

Depreciation allocates the original cost of an asset to expense in the periods in which the asset is consumed. Depreciation is calculated whether the asset is infused or idle. Furthermore, accumulated depreciation is the portion of an asset's original cost that has already been written off as a depreciation expense in prior periods – it is not a sum of cash waiting to be used.

The depreciation charge for each period will be recognised as an expense unless it is included in the carrying amount of another asset, for example depreciation included in the capital costs of another asset. The calculation of future funding requirements for asset replacement should be part of the asset management planning processes that should feed into the annual budget.

The accounting transaction for depreciation is a debit for depreciation (an expense) and a credit for accumulated depreciation (an offset against the assets cost).

*mSCOA* provides detail posting levels based on the high-level property, plant and equipment categories as illustrated in the diagram below:



**Definitions:**

**Intangible Assets:** Amortisation of intangible assets [GRAP 101.77/121]

**Servitudes:** Amortisation of intangible assets [GRAP 101.77/121] Accounts added to align to CIDMS Classification Structure in Version 5.5.

**Licences and Rights -** Amortisation of intangible assets [GRAP 101.77/121] Accounts added to align to CIDMS Classification Structure in Version 5.5.

**Computer Software and Applications -** Amortisation of intangible assets [GRAP 101.77/121] Accounts added to align to CIDMS Classification Structure in Version 5.5.

**Load Settlement Software and Applications:** Amortisation of intangible assets [GRAP 101.77/121] Accounts added to align to CIDMS Classification Structure in Version 5.5.

**Unspecified:** Amortisation of intangible assets [GRAP 101.77/121] Accounts added to align to CIDMS Classification Structure in Version 5.5.

**Depreciation:** Depreciation is the systematic allocation of the cost of an asset from the Statement of Financial Position to depreciation expense on the Statement of Financial Performance over the useful life of the asset.

**Biological Assets:** Depreciation of biological assets recognised at cost if fair value is not available. [GRAP 27.52]

**Computer Equipment:** Depreciation recognised on computer equipment, distinction made for complying to the NERSA reporting requirements or if not an alternative classification to be applied.

**Furniture and Office Equipment:** Depreciation recognised on furniture and office equipment, distinction made for complying to the NERSA reporting requirements or if not an alternative classification to be applied.

**Electrical Infrastructure:** Depreciation recognised on infrastructure electricity. *mSCOA*

**Rails Infrastructure:** Depreciation recognised on infrastructure railways. Terminology aligned to CIDMS Classification.

**Solid Waste Infrastructure:** Depreciation recognised on infrastructure waste management. Infrastructure Waste Management changed to Solid Waste Infrastructure to align with CIDMS Classification.

**Water Supply Infrastructure:** Depreciation recognised on infrastructure water. Infrastructure Water changed to Water Supply Infrastructure

**Sanitation Infrastructure:** Depreciation recognised on Sanitation Infrastructure. Infrastructure Waste Water Management *mSCOA*

**Investment Property:** Depreciation on investment property recognised on the cost model. [GRAP 16.88]

**Machinery and Equipment:** Depreciation recognised on machinery and equipment, distinction made for complying to the NERSA reporting requirements or if not an alternative classification to be applied.

**Transport Assets:** Depreciation recognised on transport assets, distinction made for complying to the NERSA reporting requirements or if not an alternative classification to be applied.

**Zoo, Marine and Non-Biological Animals:** Depreciation recognised on zoo, marine and non-biological animals.

**Roads Infrastructure:** Depreciation recognised. *mSCOA*

**Storm water Infrastructure:** Depreciation recognised. *mSCOA*

**Network and Communication Infrastructure:** Depreciation recognised. *mSCOA*

**Coastal Infrastructure:** Depreciation recognised. *mSCOA*

**Community Assets:** Depreciation recognised. *mSCOA*

**Other Assets:** Depreciation recognised. *mSCOA*

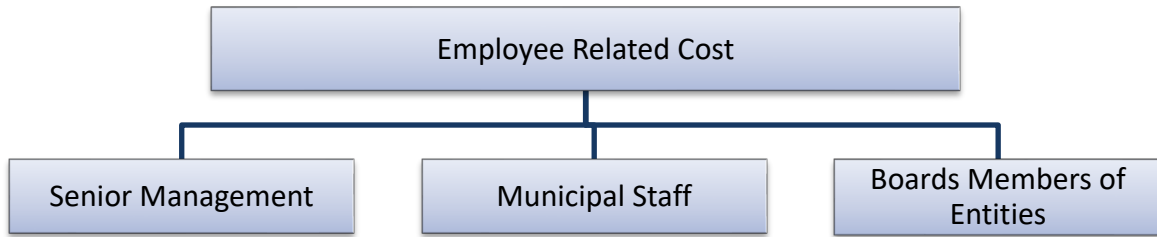
*Note: Depreciation on Land was retired in version 6.7 since land cannot be depreciated.*

## Employee Related Cost

### **Definition:**

This item includes all payments to employees except social contributions, defined below. Employee related cost distinguish between senior managers and other staff as section 124(1)(c) of the MFMA require disclosures of the details of remuneration for all senior managers and the Standard of GRAP on Related Party Disclosure requires disclosure of key management personnel (GRAP 20) Related Party Disclosure - no effective date determined by the Minister thus IPSAS 20 Related Parties need to be applied. Key management personnel in the context of municipalities referring to the senior management group, including the chief executive (municipal manager).

At the highest-level this group of accounts provides for senior management and municipal staff as illustrated in the diagram below:



### *Senior Management*

**Definition:**

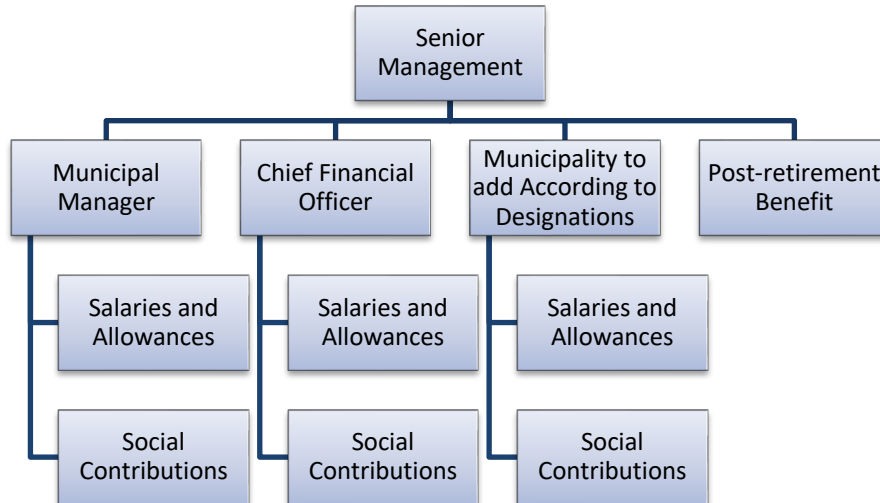
Key management personnel in the context of municipalities, referring to the senior management group, including the chief executive (municipal manager).

At the highest-level provision is made for salaries and allowances and social contributions.

Section 75 Municipal Systems Act, 2000. As required by Section 124(1)(c) of the MFMA disclosure is required of the remuneration for all senior managers and GRAP 20 Related Party disclosures. For example, the Municipal Manager, Chief Financial Officer and Senior Directors/ Executives. Compensation related cost and allowances excluding Social Contributions.

Further to the above, provision is made by “type” of employee related cost for capitalisation to construction work-in-progress for property, plant and equipment. The Budget Reporting Framework requires an estimate and presentation of cost capitalised related to employees.

The structure for “senior managers” needs to individually provide for the designations used by the municipality in *mSCOA* for extracting reporting information for annual financial statement disclosure purposes. *mSCOA* Version 6.8 provides for categories of accounts of which Municipal Manager and Chief Financial Officer have been created with the remainder of accounts for customisation by the municipality. If the municipality requires more classifications than provided for in *mSCOA* Version 6.8 a request need to be logged to the *mSCOA* Frequently Asked Questions (FAQ) Database for consideration by the *mSCOA* Technical Committee.

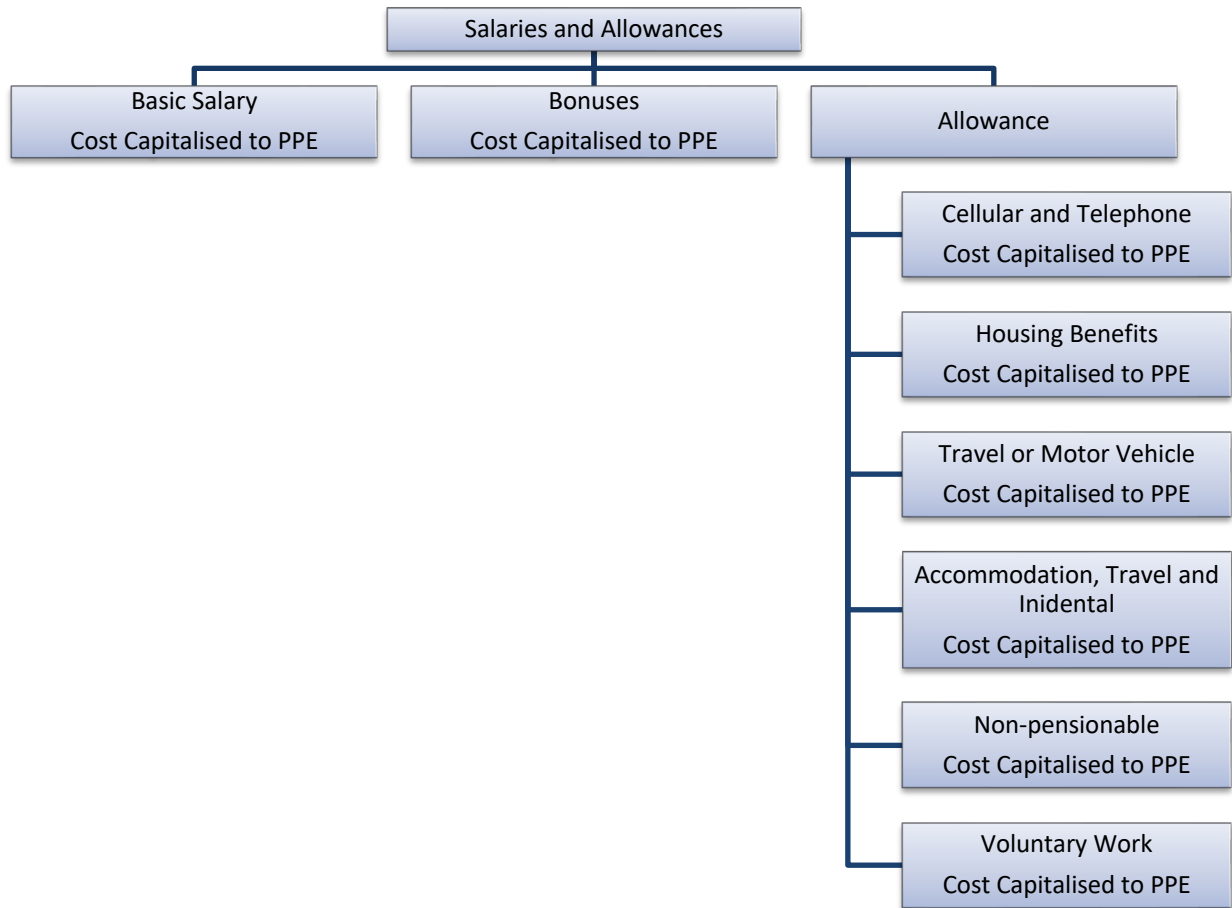


**Definitions:**

**Senior Management:** Section 75 of the Municipal Systems Act, 2000. As required by Section 124(1)(c) of the MFMA disclosure is required of the remuneration for all senior managers and IPSAS 20 (the Standard of GRAP 20 Related Party Disclosure when effective). For example, the Municipal Manager, Chief Financial Officer and Senior Directors/ Executives. Compensation related cost and allowances excluding Social Contributions.

**Municipal Manager (MM)/ Chief Financial Officer (CFO):** Municipal Manager/ Chief Financial Officer added as these designations are required. The municipality to customise the classification provided for the requirements of their municipality.





**Definitions:**

**Salaries and Allowances:** This group of accounts provides (by senior manager) a breakdown of the compensation paid to the employee classified according to "annual remuneration, performance and bonuses, travel, motor vehicle, accommodation, subsistence and service related benefits".

**Basic Salary:** Annual remuneration refers to basic salary as per IRP5 excluding allowances, benefits, performance and other bonuses and service related awards. Annual bonus in the form of a 13<sup>th</sup> cheque included in basic salary.

**Basic Salary - Cost Capitalised to PPE (Credit Account)** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Bonuses:** A form of additional compensation paid/ accrued to an employee or department as a reward for achieving specific goals or hitting predetermined targets. A performance bonus is compensation beyond normal wages and is typically awarded after a performance appraisal and analysis of projects completed by the employee over a specific period of time. Included in this account is any other form of bonus given to employees.

**Bonuses - Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this

account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Allowance:** Allowances paid in accordance with the municipality's policy for senior managers and conditions of employment.

**Cellular and Telephone:** Cellular and Telephone Allowances paid to employees for compensation for official use of private phones.

**Cellular and Telephone Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Housing Benefits:** Assistance given to employees for acquiring accommodation as guided by the municipalities housing policy and conditions of employment.

**Housing Benefits: Cost Capitalised to PPE (Credit Account) -** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Travel or Motor Vehicle:** A travel allowance is any allowance paid or advance given to an employee in respect of travelling expenses for business purposes. Any allowance or advance in respect of travelling expenses not to have been expended on business travelling to the extent that it has been spent on private travelling (this includes travelling between the employee's place of residence and his/her place of employment). The following two situations are envisaged, namely 1) a travel allowance given to an employee to finance transport (for example, a set rate or amount per pay period); and 2) a reimbursement given to an employee based on actual business travel. [Section 8(1)(b) of the Income Tax Act, 1962]

**Travel or Motor Vehicle: Cost Capitalised to PPE (Credit Account) -** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

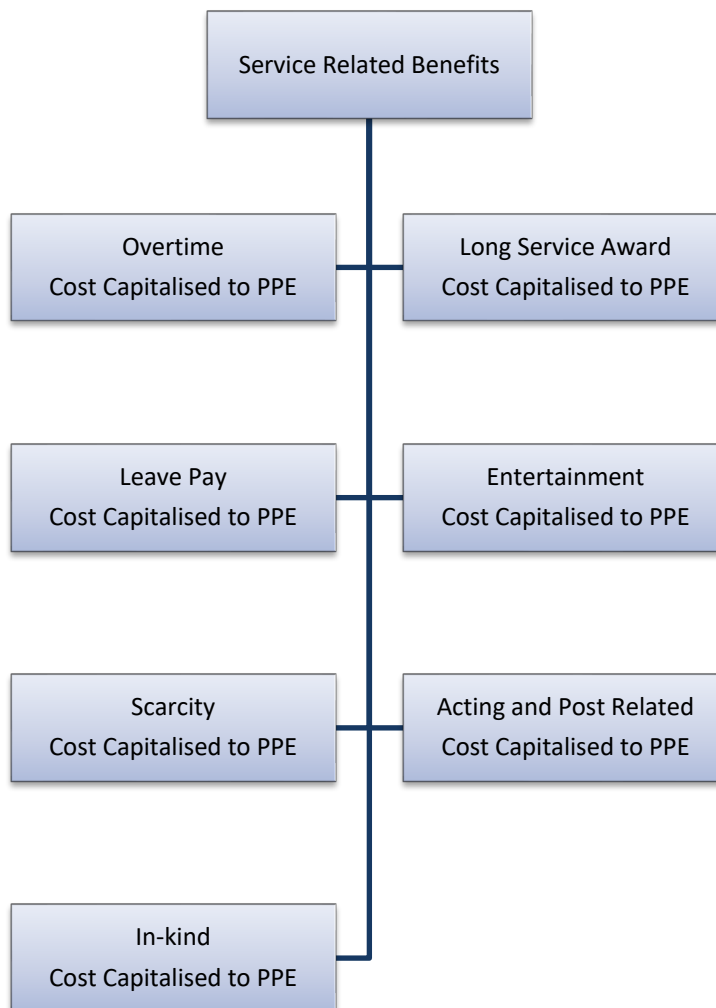
**Accommodation, Travel and Incidental:** This account provides for accommodation, travelling and incidental cost paid to employees as provided for in terms of service contracts.

**Accommodation, Travel and Incidental: Cost Capitalised to PPE (Credit Account) -** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Non-pensionable:** An amount other than salaries or wages, paid to employees as per conditions of service which are either fixed or advised based on time and materiality. Examples included here: - First Aid Allowance - Fire Driving Allowance - Diving Allowance - Sewer Allowance – etc.

**Non-pensionable: Cost Capitalised to PPE** (Credit Account) - Non-pensionable allowance capitalised

**Voluntary Work:** Additional compensation paid to employees for volunteering services during municipal elections.



**Definitions:**

**Service Related Benefits:** This group of accounts provides for Service Based Benefits and Bonuses such as 13<sup>th</sup> cheques, cashing in on leave (if provided for in the Leave Policy of the Municipality) and awards given based on long service (if provided for by the Long Service Award policy of the Municipality) and due to the conditions of employment as agreed.

- **Overtime:** Overtime as defined by the Basic Conditions of Employment Act (No. 75 of 1997), Chapter 2 Section 10 consisting of payments, accruals and provisions.

**Overtime Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Long Service Award:** Long Service Benefit paid to employees as determined in term of the municipality's policy either and/ or conditions of employment.

**Long Service Award:** Cost Capitalised to PPE (Credit Account) - This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Leave Pay:** Discounting accumulated leave for cash payment if the municipality's policy provides for discounting include leave accrued or provided.

**Leave Pay:** Cost Capitalised to PPE (Credit Account) - This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Entertainment:** Allowance given to officials in terms of employment contracts.

**Entertainment:** Cost Capitalised to PPE (Credit Account) - Entertainment cost capitalised to Property Plant and Equipment (PPE).

**Scarcity:** This allowance is paid in terms of a Scarce Skills Policy aiming at identifying scarce skills within the municipality, recruiting individual with such scare skills and retaining the employees with these skills.

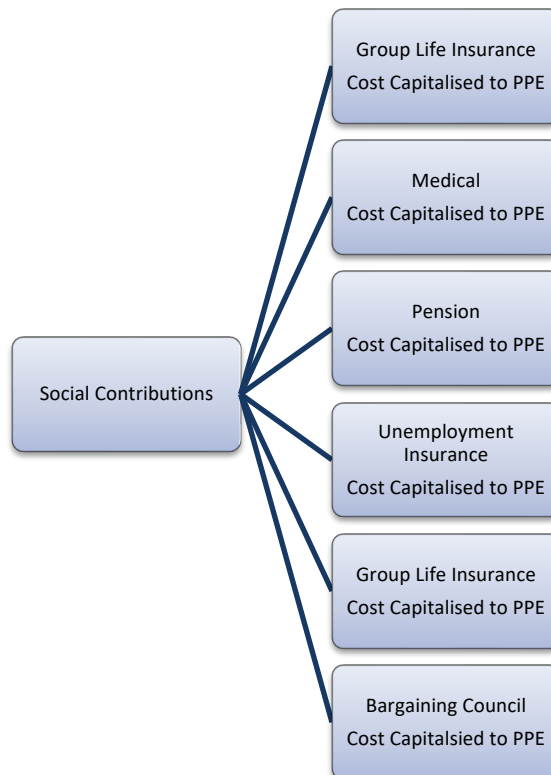
**Scarcity:** Cost Capitalised to PPE (Credit Account) - This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Acting and Post Related Allowances:** Acting Allowance payable within the provision of the municipality's policy to an employee who is "acting in a position of another employee in his/ her absence" and in addition remains responsible for his original duties, functions and powers. Allowance specific to hold off a position and job related included in this allocation, for example danger pay, secondment, etc. (This allowance is paid to an employee that is required to perform duties in a higher position in a different or the same Directorate and is being released of his/ her current duties. The allowance is the difference between the remuneration of the current position and that of the position being seconded to. It is not the same as "acting" where you are required to perform your own duties as well as the duties in the position you are required to act in.)

**Acting:** Cost Capitalised to PPE (Credit Account) - Acting allowance capitalised

**In-kind Benefits:** In-kind benefits provides for the inclusion of the benefit determined at the fair value thereof and include any benefit given to an employee that is not cash, for example a free medical check-up once a year.

**In-kind Benefits - Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.



**Definitions:**

**Social Contributions:** Payments, actual or imputed, by government units to social insurance schemes to obtain entitlement to social benefits for their employees, including pensions and other retirement benefits.

**Group Life Insurance:** Employer contributions to insurance schemes.

**Medical:** Employer contributions to medical schemes.

**Pension:** Employer contributions to pension funds and unemployment insurance fund.

**Unemployment Insurance:** Employer contributions to the Unemployment Insurance Fund (UIF).

**Group Life Insurance - Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By

providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

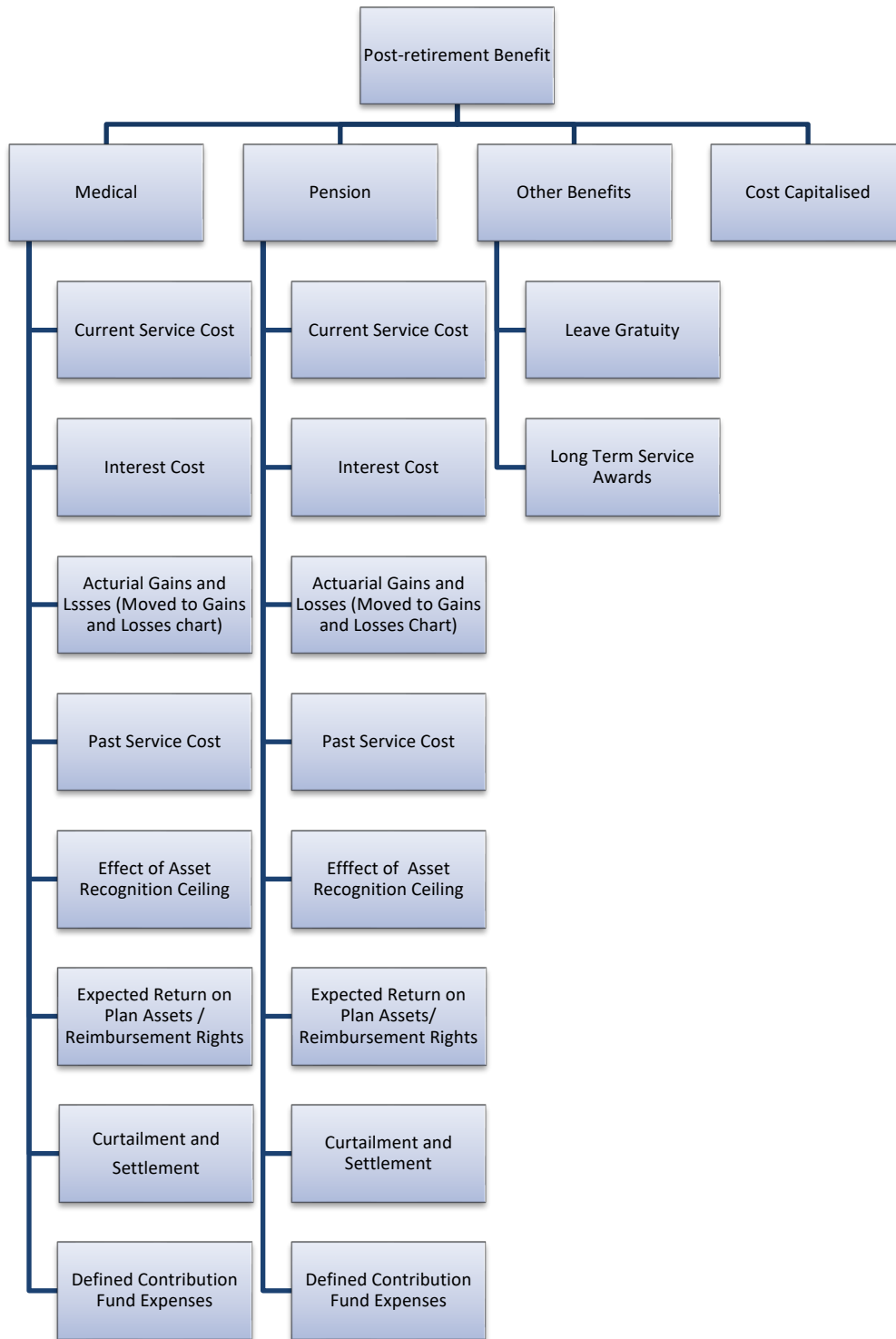
**Medical - Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Pension - Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Unemployment Insurance - Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Bargaining Council:** Employer contributions to the South African Local Government Bargaining Council.

**Bargaining Council Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.



**Post-retirement Benefit:** The actuarial present value of the post-retirement benefits of an employer that are attributed to employee service that is rendered to a particular date. These benefits are those other than pensions.

**Medical:** Post-retirement benefit for medical.

**Current Service Cost:** The increase in the present value of the defined benefit obligation resulting from employee service in the current period. [GRAP 25.08]

**Interest Cost:** Increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement. [GRAP 25.08]

**Actuarial Gains and Losses:** Actuarial gains/ losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions.-.

**Past Service Cost:** Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits.

**Effect of 'asset recognition ceiling':** Adjustments arising from applying the "limit - asset recognition ceiling" as guided by the *Standard of GRAP 25 Employee Benefits*, paragraph 68.

**Expected return on Plan Assets/ Reimbursement Rights:** Expected return on plan assets is based on expectations, at the beginning of the reporting period, of returns over the entire life of the related obligation. The expected return reflects changes in fair value of plan assets held during the period as a result of actual contributions paid into the fund and actual benefits paid out of the fund.

**Curtailement and Settlement:** Curtailment is the act or process of reducing the municipality's operations; this is often linked to restructuring. The effects of curtailments are the reduction in the obligation due to restructuring. Settlement occurs when the municipality enters into a transaction that eliminates future legal or constructive obligations for part or all the benefits provided under a defined benefit plan.

**Defined Contribution Fund Expenses:** Payments made to defined contribution funds

**Pension:**

**Current Service Cost:** The increase in the present value of the defined benefit obligation resulting from employee service in the current period. [GRAP 25.08]

**Interest Cost:** The increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement. [GRAP 25.08]

**Actuarial Gains and Losses:** Actuarial gains/ losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. This item was moved in the 6.5 chart to Item Gains and Losses since the actuarial assessment is not always referring to an expense, it could also be a gain. This item has been retired in version 6.8 since it is catered for under Item: Gains and Losses.

**Past Service Cost:** Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits.

**Effect of 'asset recognition ceiling':** Adjustments arising from applying the "limit - asset recognition ceiling" as guided by the *Standard of GRAP 25 Employee Benefits*, paragraph 68.



**Expected return on Plan Assets/ Reimbursement Rights:** Expected return on plan assets is based on expectations, at the beginning of the reporting period, of returns over the entire life of the related obligation. The expected return reflects changes in fair value of plan assets held during the period as a result of actual contributions paid into the fund and actual benefits paid out of the fund.

**Curtailement and Settlement:** Curtailement is the act or process of reducing the municipality's operations; this is often linked to restructuring. The effects of curtailments are the reduction in the obligation due to restructuring. Settlement occurs when the municipality enters into a transaction that eliminates future legal or constructive obligations for part or all the benefits provided under a defined benefit plan.

**Defined Contribution Fund Expenses:** Payments made to defined contribution funds

**Less: Cost Capitalised:** *This account is to be used for recording the allocation of employee related cost capitalised to property, plant and equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction, provides reporting information on the "gross" employee related cost but also provides the "net" position.*

**Posting Level Detail to be customised according to the municipality's establishment for defining senior managers by designation.**

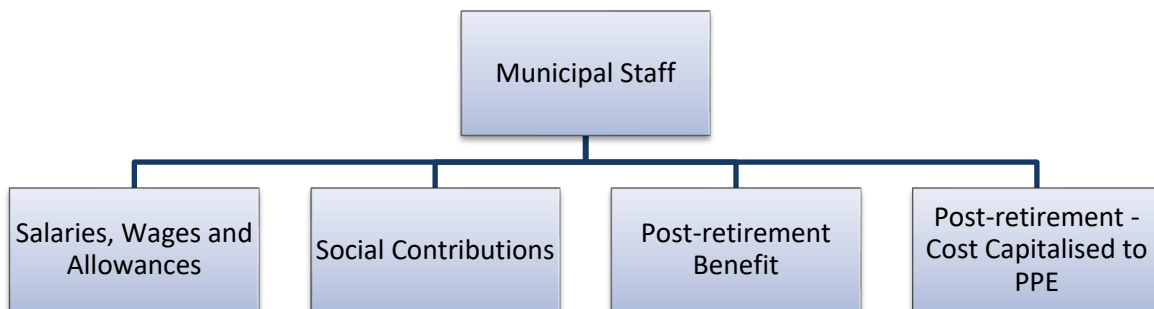
The account structure for senior management was replicated and provides for Municipal Manager (MM) and Chief Financial Officer (CFO). The municipality to change the account description as indicated in Version 6.8 of the mSCOA Tables to provide for the requirements as per the municipalities staff establishment.

*Municipal Staff*

This category provides for compensation paid to employees excluding social contributions other than senior management.

**Definitions:**

**Municipal Staff:** This category provides for compensation paid to employees other than senior management. Included are interns paid through the payroll system.



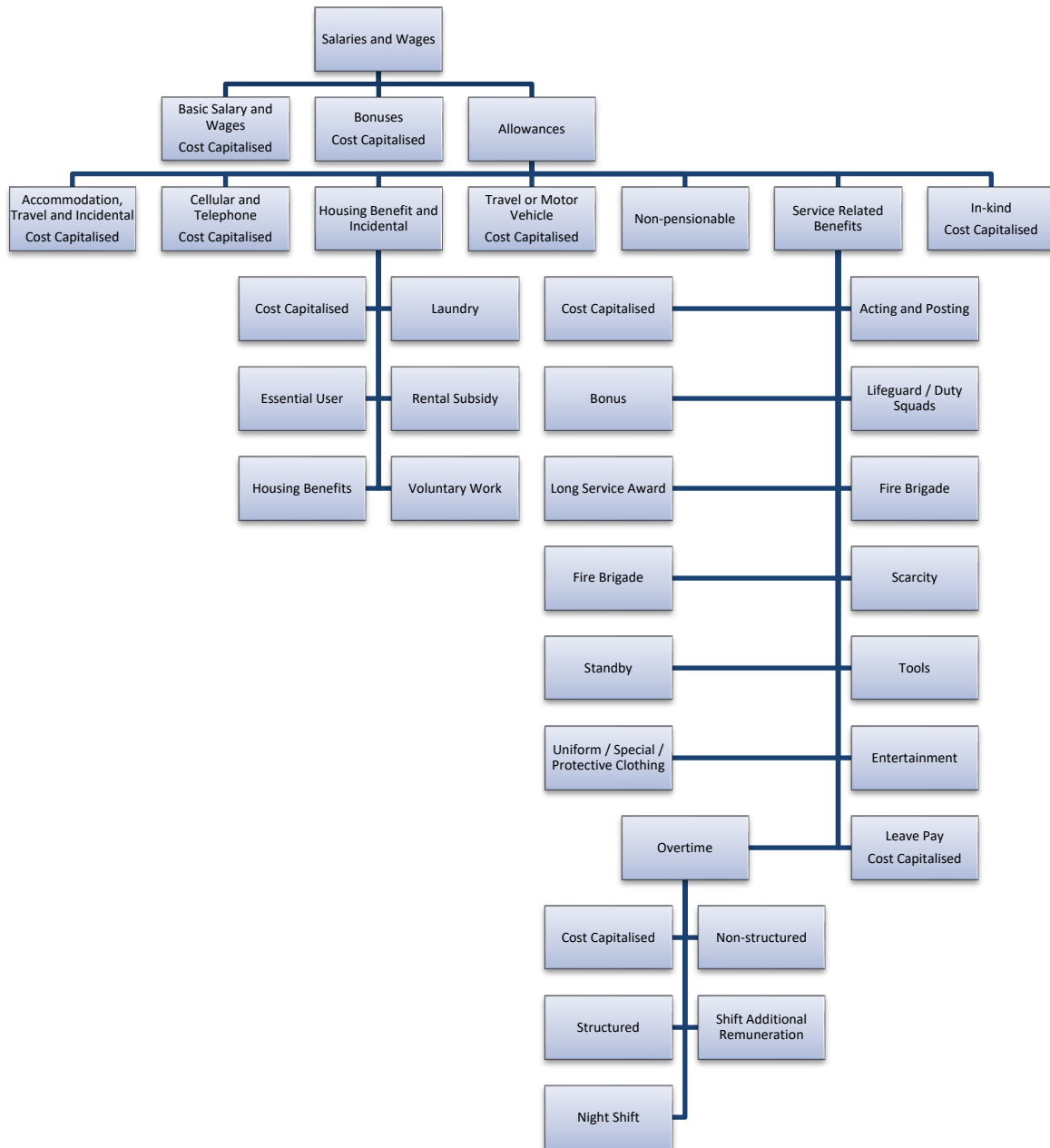
**Definitions:**

**Municipal Staff:** This category provides for compensation paid to employees other than senior management. Included are interns paid through the payroll system.

**Salaries, Wages and Allowances:** This group of accounts provides a breakdown of the compensation paid to the employee classified according to "annual remuneration, performance and bonuses, travel, motor vehicle, accommodation, subsistence and service related benefits".

**Social Contributions:** Payments, actual or imputed, by government units to social insurance schemes to obtain entitlement to social benefits for their employees, including pensions and other retirement benefits.

**Post-retirement Benefit - Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.



**Definitions:**

**Basic Salary and Wages:** Basic salary excludes any fringe benefits, allowances or overtime compensation for services rendered by a permanent employee according to a scale as negotiated.

**Basic Salary and Wages - Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Bonuses:** A form of additional compensation paid/ accrued to an employee or department as a reward for achieving specific goals or hitting predetermined targets. A performance bonus is compensation

beyond normal wages and is typically awarded after a performance appraisal and analysis of projects completed by the employee over a specific period of time. Included in this account is any other form of bonus given to employees.

**Bonuses - Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Allowances:** Allowances paid in accordance with the municipality's policy for senior managers and conditions of employment:

**Accommodation, Travel and Incidental:** This account provides for accommodation, travelling and incidental cost paid to employees as provided for in terms of service contracts.

**Accommodation, Travel and Incidental - Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Cellular and Telephone:** Cellular and Telephone Allowances paid to employees for compensation for official use of private phones.

**Cellular and Telephone: Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Housing Benefits and Incidental:** Assistance given to employees for acquiring accommodation as guided by the municipalities housing policy and conditions of employment.

**Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Essential User:** Transport allowance paid to employees qualifying for the Essential User Scheme as per their conditions of service.

**Housing Benefits:** Assistance given to employees for acquiring accommodation as guided by the municipalities housing policy and conditions of employment.

**Laundry:** Compensation for out of pocket cost for cleaning of clothes whilst away from home for official business.

**Rental Subsidy:** Assistance given to employees for renting accommodation as guided by the municipalities housing policy and conditions of employment.

**Voluntary Work:** Additional compensation paid to employees for volunteering services during municipal elections.

**Travel or Motor Vehicle:** A travel allowance is any allowance paid or advance given to an employee in respect of travelling expenses for business purposes. Any allowance or advance in respect of travelling expenses not to have been expended on business travelling to the extent that it has been spent on private travelling (this includes travelling between the employee's place of residence and his/her place of employment). The following two situations are envisaged, namely 1) a travel allowance given to an employee to finance transport (for example, a set rate or amount per pay period); and 2) a reimbursement given to an employee based on actual business travel. [Section 8(1)(b) of the Income Tax Act, 1962]

**Travel or Motor Vehicle:** Cost Capitalised to PPE (Credit Account) - This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Non-pensionable:** An amount other than salaries or wages, paid to employees as per conditions of service which are either fixed or advised based on time and materiality, examples being First Aid Allowance, Fire, Driving, Diving, Sewer, etc.

**Service Related Benefits:** This group of accounts provides for Service Based Benefits and Bonuses such as 13<sup>th</sup> cheques, cashing in on leave (if provided for in the Leave Policy of the Municipality) and awards given based on long service (if provided for by the Long Service Award policy of the Municipality) and due to the conditions of employment as agreed.

**Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Acting and Post Related Allowances:** Acting Allowance payable within the provision of the municipality's policy to an employee who is "acting in a position of another employee in his/ her absence" and in addition remains responsible for his original duties, functions and powers. Allowance specific to hold off a position and job related included in this allocation, for example cashers, danger pay, secondment. (This allowance is paid to an employee that is required to perform duties in a higher position in a different or the same Directorate and is being released of his/her current duties. The allowance is the difference between the remuneration of the current position and that of the position being seconded to. It is not the same as "acting" where you are required to perform your own duties as well as the duties in the position you are required to act in.)

**Bonus:** 13<sup>th</sup> cheque as determined in terms of the conditions of employment and package structure or any other method in accordance with the municipality's policy and conditions of employment including provision and accruals.

**Lifeguard/ Duty Squads:** Additional allowance paid to life and duty guards as per the municipality's employee compensation policy and conditions of employment.

**Long Service Award:** Employees who has completed an exceptional number of years get this award. Including accrual.

**Fire Brigade:** Operational Allowance to Fire Department employees or "Mess Fees Contribution".

**Scarcity Allowance:** This allowance is paid in terms of a Scarce Skills Policy aiming at identifying scarce skills within the municipality, recruiting individual with such scare skills and retaining the employees with these skills.

**Standby Allowance:** Is a compensatory allowance which is paid to an employee when he/ she is instructed to keep himself/ herself readily available to work after normal working hours for standby duty.

**Tools Allowance:** An allowance given for staff making use of "own tools" for business purposes as determined by the employee compensation policy and conditions of employment.

**Uniform/ Special/ Protective Clothing:** If a condition of employment prescribes that whilst on duty to wear a special uniform which is clearly distinguishable from ordinary clothing this tax-free allowance is paid to them to enable the purchase of this uniform or protective clothing.

**Entertainment:** Allowance given to officials in terms of employment contracts.

**Overtime:** Overtime as defined by the Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997), Chapter 2 Section 10 consisting of payments, accruals and provisions.

**Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Non-structured:** Compensation for prior approved and agreed overtime payable to shift workers for hours work in addition to the shift hours and to all non-shift workers for hours worked outside their normal working hours including hours worked on Public Holidays and Sundays.

**Structured:** Compulsory compensation payable as result of the requirement to work on Sundays and Public Holidays as part of a shift in a shift roster.

**Shift Additional Remuneration:** Inconvenience allowance for working shifts other than normal business hours.

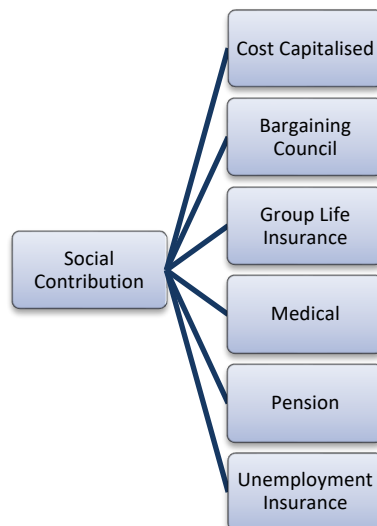
**Night Shift:** Night shift allowance in general refers to work performed after 18:00 and before 6:00 the next day. An employer may only require or permit an employee to perform night work is so agreed and if an employee is compensated by the payment of an allowance, which may a shift allowance as per the Bargaining Council Agreement, or by reduction of working hours. Night shift allowance should not be paid out to employees who are already receiving standby allowance. Transport is available between employee's place of work at the commencement and conclusion of employee's shift.

**Leave Pay:** Discounting accumulated leave for cash payment if the municipality's policy provides for discounting including leave accrued or provided.

**Leave Pay:** Cost Capitalised to PPE (Credit Account): This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**In-kind Benefits:** In-kind benefits provides for the inclusion of the benefit determined at the fair value thereof and include any benefit given to an employee that is not cash, for example a free medical check-up once a year.

**In-kind Benefits:** Cost Capitalised to PPE (Credit Account) - This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.



**Definitions:**

**Social Contributions:** Payments, actual or imputed, by government units to social insurance schemes to obtain entitlement to social benefits for their employees, including pensions and other retirement benefits.

**Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

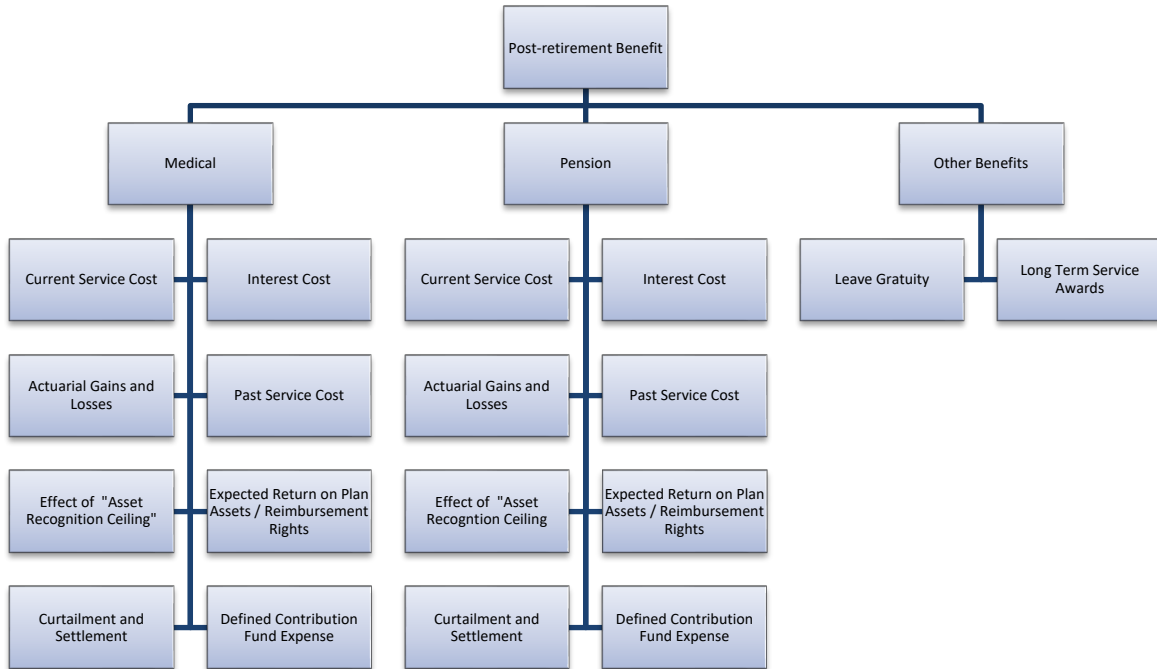
**Bargaining Council:** Employer contributions to the South African Local Government Bargaining Council.

**Group Life Insurance:** Employer contributions to insurance schemes.

**Medical:** Employer contributions to medical schemes.

**Pension:** Employer contributions to pension funds.

**Unemployment Insurance:** Employer contributions to unemployment insurance fund.



**Post-retirement Benefit:** Under defined benefit plans the municipality's obligation is to provide the agreed benefits to current and former employees and actuarial risk (that benefits will cost more than expected) and investment risk fall in substance, on the municipality. If actuarial or investment experience are worse than expected, the municipality's obligation may be increased. This account is for recording the contribution to this provision.

**Medical:** Post-retirement benefit for medical.

**Current Service Cost:** The increase in the present value of the defined benefit obligation resulting from employee service in the current period. [GRAP 25.08]

**Interest Cost:** The increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement. [GRAP 25.08]

**Past Service Cost:** Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefit.

**Effect of "asset recognition ceiling":** Adjustments arising from applying the "limit - asset recognition ceiling" as guided by the *Standard of GRAP 25 Employee Benefits*, paragraph 68.

**Expected return on Plan Assets/ Reimbursement Rights:** Expected return on plan assets is based on expectations, at the beginning of the reporting period, of returns over the entire life of the related



obligation. The expected return reflects changes in fair value of plan assets held during the period as a result of actual contributions paid into the fund and actual benefits paid out of the fund.

**Curtailment and Settlement:** Curtailment is the act or process of reducing the municipality's operations; this is often linked to restructuring. The effects of curtailments are the reduction in the obligation due to restructuring. Settlement occurs when the municipality enters into a transaction that eliminates future legal or constructive obligations for part or all the benefits provided under a defined benefit plan.

**Defined Contribution Fund Expenses:** Payments made to defined contribution funds

**Pension:** Post-retirement benefit for pension.

**Current Service Cost:** The increase in the present value of the defined benefit obligation resulting from employee service in the current period. [GRAP 25.08]

**Interest Cost:** The increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement. [GRAP 25.08]

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**Past Service Cost:** Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefit.

**Effect of "asset recognition ceiling":** Adjustments arising from applying the "limit - asset recognition ceiling" as guided by the *Standard of GRAP 25 Employee Benefits*, paragraph 68.

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**Curtailment and Settlement:** Curtailment is the act or process of reducing the municipality's operations; this is often linked to restructuring. The effects of curtailments are the reduction in the obligation due to restructuring. Settlement occurs when the municipality enters into a transaction that eliminates future legal or constructive obligations for part or all the benefits provided under a defined benefit plan.

**Defined Contribution Fund Expenses:** Payments made to defined contribution funds.

**Other Benefits:** This group of accounts provide for other post-retirement benefits that require recognition in terms of the *Standards of GRAP 25 Employee Benefits*.

**Leave Gratuity:** On the termination of an employees service they will be paid the value of annual leave credit at the time of termination of service.

**Long Term Service Awards:** Long service awards are intended to acknowledge the loyalty and longevity of service of staff members are not linked to salary or performance of the individual.

**Post-retirement Benefit - Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

***Employees appointed on “contract” to fill vacancies on the establishment – should they be classified under “Employee Related Cost or Contracted Services”?***

Persons appointed on fixed or variable term contracts to fill vacancies on the establishment are considered to be salaried employees. These types of contracts would be subjected to PAYE and accordingly paid through the salary system and issued with an IRP5 at the end of the tax year.

***Workers specifically appointed for the Expanded Public Works Programme (EPWP) to be classified as “Contracted Services or Employee Related Cost”?***

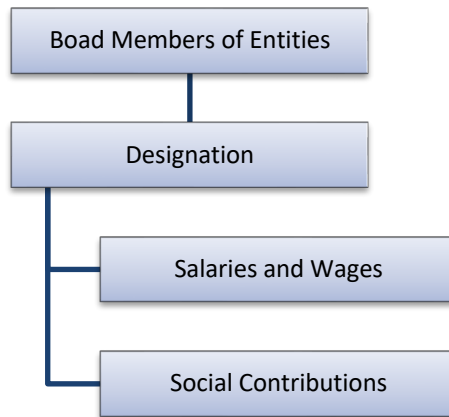
This classification typically depends on the conditions of employment. A worker may be paid through the payroll if the appointment is of a longer duration or municipal worker may be released for the EPWP. If short term and specific appointments are made not necessary resulting in an appointment per the staff establishment, then Contractors: Personnel and Labour would be appropriate.

The typical work stream project for the EPWP serve as the cost collector assisting in reporting to the Department of Public Works for benefiting from the incentive grant.

***Board Members of Entities***

As required by Section 124(1)(c) of the MFMA disclosure is required of the remuneration for all senior managers and GRAP 20 Related Party Disclosure. For example, the Accounting Officer/ Municipal Manager, Chief Financial Officer and Senior Directors/ Executives. Compensation related cost and allowances excluding Social Contributions.

The account description provides for “designation” with a replication of the group of accounts. The municipality/Municipal Entity need to change the account description according to the requirements for the municipality. This change had been made in *mSCOA* Version 6.1:

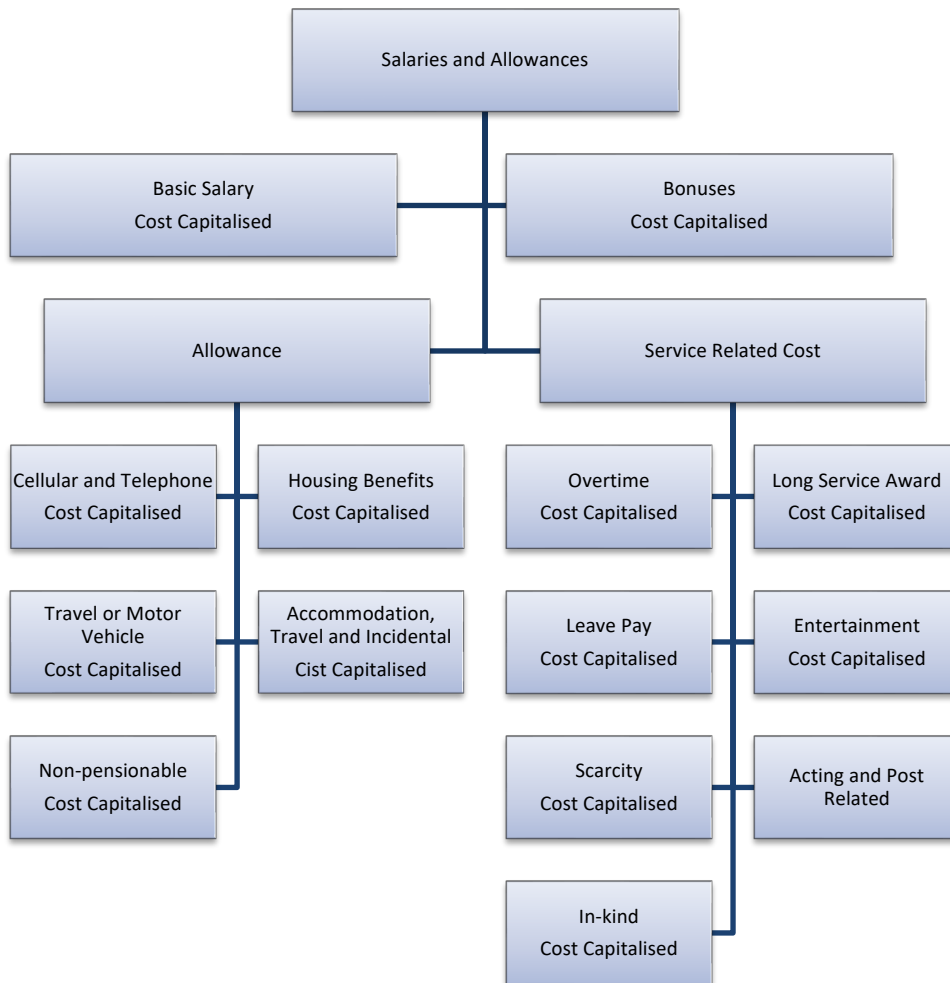


**Definitions:**

**Designation:** Senior Management need to provide for the different dispensation within the group for the extraction of reporting information from SCOA. Provision is made for typical designation within the group "senior manager". The structure need to be duplicated based on the organisational structure/ requirements of the individual municipality.

**Salaries and Allowances:** This group of accounts provides by senior manager a breakdown of the compensation paid to the employee classified according to "annual remuneration, performance and bonuses, travel, motor vehicle, accommodation, subsistence and service related benefits".

**Social Contributions:** Payments, actual or imputed, by government units to social insurance schemes to obtain entitlement to social benefits for their employees, including pensions and other retirement benefits.



**Definitions:**

**Allowance:** Allowances paid in accordance with the municipality's policy for senior managers and conditions of employment.

**Cellular and Telephone:** Cellular and Telephone Allowances paid to employees for compensation for official use of private phones.

**Cellular and Telephone Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Housing Benefits:** Assistance given to employees for acquiring accommodation as guided by the municipalities housing policy and conditions of employment.

**Housing Benefits: Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Travel or Motor Vehicle:** A travel allowance is any allowance paid or advance given to an employee in respect of travelling expenses for business purposes. Any allowance or advance in respect of travelling expenses not to have been expended on business travelling to the extent that it has been spent on private travelling (this includes travelling between the employee's place of residence and his/her place of employment). The following two situations are envisaged, namely 1) a travel allowance given to an employee to finance transport (for example, a set rate or amount per pay period); and 2) a reimbursement given to an employee based on actual business travel. [Section 8(1)(b) of the Income Tax Act, 1962]

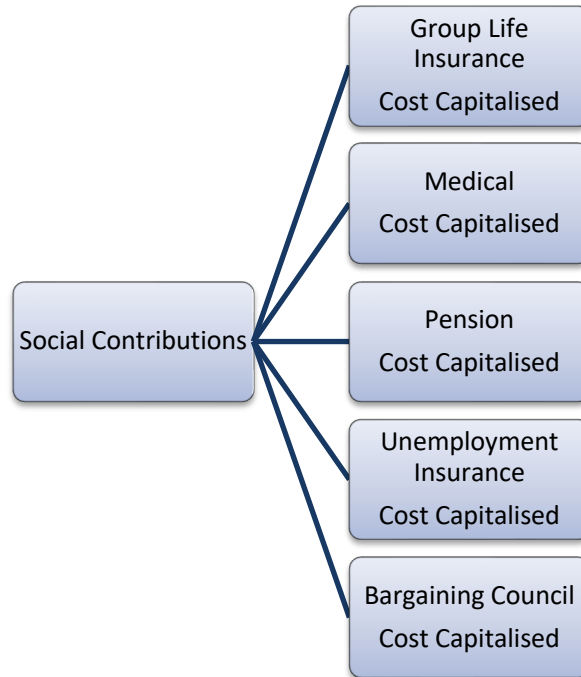
**Travel or Motor Vehicle: Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Accommodation, Travel and Incidental:** This account provides for accommodation, travelling and incidental cost paid to employees as provided for in terms of service contracts.

**Accommodation, Travel and Incidental: Cost Capitalised to PPE (Credit Account):** *This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.*

**Non-pensionable:** An amount other than salaries or wages, paid to employees as per conditions of service which are either fixed or advised based on time and materiality. Examples included here: - First Aid Allowance - Fire Driving Allowance - Diving Allowance - Sewer Allowance – etc.

**Non-pensionable: Cost Capitalised to PPE (Credit Account):** Non-pensionable allowance capitalised



**Social Contributions:** Payments, actual or imputed, by government units to social insurance schemes to obtain entitlement to social benefits for their employees, including pensions and other retirement benefits.

**Group Life Insurance:** Employer contributions to insurance schemes.

**Medical:** Employer contributions to medical schemes.

**Pension:** Employer contributions to pension funds and unemployment insurance fund.

**Unemployment Insurance:** Employer contributions to the Unemployment Insurance Fund (UIF).

**Group Life Insurance - Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Medical - Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Pension - Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

**Unemployment Insurance - Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By

providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

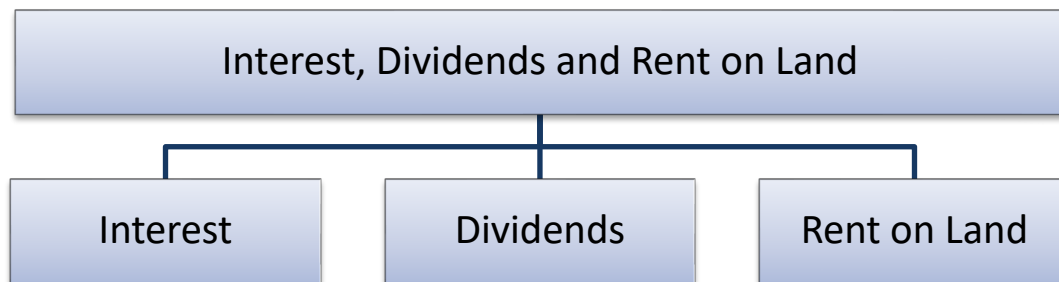
**Bargaining Council:** Employer contributions to the South African Local Government Bargaining Council

**Bargaining Council Cost Capitalised to PPE (Credit Account):** This account is to be used for recording the allocation of employee related cost capitalised to Property, Plant and Equipment. By providing this account as a separate line item containing the credit entry of the capitalisation transaction provides reporting information on the "gross" employee related cost but also provides the "net" position.

## Interest, Dividends and Rent on Land

This item includes the total value of interest payments, dividends and payment for the use of land owned by another party.

At the highest-level provision is made for interest, dividends and rent on land:



Dividends are distributions paid to shareholders holding shares in municipal entities.

Interest provides for the total value of interest payments. These are payments associated with debt, for example interest on borrowing and overdraft facilities. Interest payments on bills and bonds issued by other government units are also included here. Interest paid on overdue accounts should also be included under this item. Interest includes public sector (domestic and foreign) and private sector (domestic and foreign).

Posting level accounts available within this group do not require any further breakdown and include:

# Interest

- Arrears Salaries
- Bank Overdraft
- Borrowings (not posting level)
- Discounting of Financial Instruments
- Finance Leases
- Interest Cost Non-current Provision
- Overdue Accounts
- Overpayments of Interest due to Uerries resolved
- Deposits
- Intercompany/Parent-subsiidiary Transactions Bursary Obligation
- Transfers and Subsidies Payable
- Long Service Awards

Rent on land includes only rent of land, and royalties, exploration and rights of use. Rent of buildings is included in operating leases. The "land" portion of the financial lease of buildings must also be included here.

## Inventory

The number of inventories recognised as an expense during the period. Often referred to as cost of sales, consists of those costs previously included in the measurement of inventory as part of assets, that has now been sold, exchanged or distributed, and unallocated production overheads and abnormal amounts of production cost of inventories.

Included in this classification are direct purchases (for example swimming pool chemicals delivered on site and used immediately) as well as goods and material taken up in inventory (for example chemicals procured in place in store and issued on request) and issued for use.

mSCOA introduced the concept of a virtual store to ensure the accounting for all stock is done using a stock system Provided for in the expenditure group of inventories are:



## Inventory

- Consumables
- Finished Goods
- Materials and Supplies
- Water
- Housing Stock
- Agricultural
- Land
- Capitalisation of Inventory consumed

***The municipality procure some inventory items through the Asset Segment and expensed the items in the Expenditure segment***

mSCOA adopted the principles of inventory accounting in defining the classification framework. Accordingly, all purchases of consumables, material and supplies, water, etc. are considered to be received by the “stores” department and this reflected in the Assets: inventory and then is issued to the requesting department. . No direct purchases should be processed because this will hamper the stock taking ability of a municipality. GRAP 12 for inventories must be applied.

## Remuneration of Councillors

Remuneration as determined by the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998). Salary of full-time councillors consisting of executive mayor or mayor, speakers, deputy executive mayor or deputy mayor, members of the executive committee or mayoral committee, whip and chairperson of a sub-council. Remuneration as determined by the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998). Salary of full-time councillors consisting of:

- Speaker
- Chief Whip
- Executive Mayor/Mayor
- Deputy Executive Mayor/Deputy Mayor
- Executive Committee/Mayoral Committee
- Total for All other Councilors
- Section 79 committee chairperson

At the highest-level distinction is made for the designation of the councillors to assist in providing reporting information in the *mSCOA*. The structure to be “duplicated” to provide for all designations.

Remuneration to councillors consist of “allowances and service related benefits”, “basic salary” and “social contributions”. Speaker/ Chief Whip/ Executive Mayor (Or Mayor)/ Deputy Executive Mayor (Or Mayor) / Executive Committee (Or Mayoral Committee)/ Total for All Other Councillors/ Section 79 committee chairperson: Designations as set-up in *mSCOA* Tables Version 6.8.

**Allowances and Service Related Benefits:** Allowances as determined by the Remuneration of Public Office Bearers Act, 1998 (Act No 20 of 1998). Salary of full-time councillors consisting off Executive Mayor or Mayor, Speakers, Deputy Executive Major or Deputy Mayor, Members of the Executive Committee or Mayoral Committee, Whip and Chairperson of a sub-council.

**Office-bearer Allowance:** An office-bearer allowance as determined by the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) including a 3G card allowance.

**Out of pocket Expenses:** A reimbursement for reasonable and actual out of pocket expenses incurred during the execution of official and ceremonial duties as determined by the Remuneration of Public Office Bearers Act, 1998 (Act No 20 of 1998).

**Travelling Allowance:** An allowance as determined by the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) based on selection of options and additional allowances.

**Use of Personal Facilities:** An allowance as determined by the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) of a monthly amount in respect of a full-time councillor who does not have the use of council owned facilities.

**Market Related Non-Pensionable Allowance:** An allowance paid to attract and retain a suitably qualified and competent person where the approved pay range is not sufficient to attract and retain such a person, and is paid in addition to the total remuneration package.

**Basic Salary:** Salary as determined by the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998). Salary of full-time councillors consisting off Executive Mayor or Mayor, Speakers, Deputy Executive Major or Deputy Mayor, Members of the Executive Committee or Mayoral Committee, Whip and Chairperson of a sub-council.

**Cell phone Allowance:** An allowance as determined by the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) of a fixed monthly amount.

**Housing Allowance:** A fixed housing allowances as determined by the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) of a monthly amount provided that such an allowance is not payable where the municipal council makes housing available to the councillor concerned.

**In-kind Benefits:** In-kind benefits provides for the inclusion of the benefit determined at the fair value thereof.

**Motor Vehicle Allowance:** This is the motor vehicle allowance paid to councillors to acquire a personal motor vehicle.

**Social Contributions:** Payments, actual or imputed, by municipalities to social insurance schemes to obtain entitlement to social benefits for their employees, including pensions and other retirement benefits.

**Pension Fund Contributions:** Contributions to be made by the municipal council to the pension fund are determined as a percentage of the member's salary as determined by the Act, the Act being the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998)

**Medial Aid Benefits:** Contributions to be made by the municipal council to the medical aid fund are determined as a 2/3 of the membership fee limited to an amount as determined by the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998)

## Operating Leases

An operating lease is a lease other than a finance lease. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Land use portion of a building finance lease must be recorded under Rental of Land.

The posting level detail for this group of account is based on the fixed, intangible and infrastructure classifications as listed in design principles 5 and 6.

Operating Leases

- Biological Assets
- Computer Equipment
- Furniture and Office Equipment
- Heritage Assets
- Infrastructure:
  - *Electrical*
  - *Roads*
  - *Solid Waste Disposal*
  - *Rails Infrastructure*
  - *Water supply*
  - *Sanitation Infrastructure*
  - *Storm Water Infrastructure*
  - *Network and Communication Infrastructure*
  - *Coastal Infrastructure*
- Intangible Assets
- Investment Properties
- Machinery and Equipment
- Transport Assets
- Land
- Libraries
- Zoo, Marine and Non-biological Assets
- Community Assets
- Other Assets

## Operational Cost

An operating expense is a day-to-day expense such as sales and administration, or research and development, accounting expenses, license fees, advertising, office expenses, utilities such as telephone, insurance, property management, and travel and vehicle expenses.

The following are provided for within the group of accounts for Operational Cost:

**Definitions:**

**Achievements and Awards:** Cost incurred in giving awards in reconnection of achievements.

**Advertising, Publicity and Marketing:** Communication intended to inform potential customers about products and services. Advertising media includes television, radio, movies, magazines, newspapers, video games, internet, billboards, etc.

- **Auctions:** Cost incurred in publishing advertisements for auctions to dispose of obsolete assets in compliance with procurement and asset management policies.

- **Bursaries (Non-employees):** Cost incurred in the publishing of notices in a local or national newspaper for students not employed by the municipality to apply for bursaries offered by the municipality.
- **Corporate and Municipal Activities:** Costs incurred relating to the promotion and selling of products or services related to the activities of the municipality by any media, for example TV, radio and newspapers. Included in this account would be draft and final budget adverts, council meeting and public participation, notice and town planning on sub-divisions, rezoning town development etc.
- **Customer/ Client Information:** Advertising to encourage payment of municipal accounts, client and customer payment and service centres or special discounts for settlement of accounts in arrears.
- **Gifts and Promotional Items:** Costs incurred in providing gifts without charge to the recipient (an individual or entity) or for the promotion of an event carrying the municipality, the states' or projects slogan. Gifts must be of a gratuitous nature and be a token of appreciation. Promotional items should serve the purpose of promoting the image of the municipality, project or state. This item includes tracksuits, T-shirts and other promotional items.
- **Municipal Newsletters:** Cost incurred for printing and distribution of municipal newsletters.
- **Signs:** Cost incurred in placing poster, signs and boards for municipal activities.
- **Staff Recruitment:** Cost incurred in the publishing of notices in a local or national newspaper for recruiting potential candidates to apply for vacancies on the establishment. Also, included in this item are advertisements to recruit interns.
- **Tenders:** Cost incurred in publishing tender requests for the attention and information of potential providers of goods and service in compliance with procurement policies made to newspapers and other agencies for the placement and design of advertisements for tenders.
- **Custom Duties:** Custom duties paid for exhibiting overseas on south African produce imported.

**Assets less than the Capitalisation Threshold:** Plant and equipment procured at less than the asset threshold to be expensed under this item. Capitalisation Threshold is the value above which assets are treated as capital assets and entered into an asset register from which reporting in the financial statements (specifically the Statement of Financial Position) is extracted.

**External Audit Fees:** 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.

**Bank Charges, Facility and Card Fees:** The item includes all charges and levies imposed by a financial institution or other provider of financial services for the benefit of using a current account or bank charge card/ credit card, deposit or investment or financing account excluding interest charged on overdue accounts or bank overdrafts.

- **Bank Accounts:** Bank charges and card fees payable to financial institutions.

- **Third Parties:** Bank charges incurred by third party service providers by whom financial transactions are managed on behalf of municipalities, for example third party vending of pre-paid electricity includes both cash handling and debit/ credit card bank charges. These costs need to be recorded separately in the municipalities records so as to manage and report accordingly.
- **Fleet and Other Credit/ Debit Cards:** Bank charges and services charged on credit/ debit/ fleet/ charged cards.
- **Investments:** Charges levied for the administration of investments held by institutions administrated under the Bank Act, for example First National Bank, ABSA, Nedbank, etc. All charges levied are allocated to this account, except for interest paid on bank overdrafts.
- **Lease Payments:** Bank charges and services fees charged on finance agreements with banks, etc.
- **Long and Short-Term Loans and Borrowings:** Bank Fees and other administrative levies charged by financial institutions on providing long and short term loans, borrowings and bonds on property to the municipality.

**Bargaining Council:** Agency shop fees payable to the South African Local Government Bargaining Council determined by the Collective Agreement as a percentage of the employee's monthly salary up to a specified maximum ceiling contribution.

**Bond Issue Amortisation Costs:** Capitalise and defer over period of bond.

**Brokers Fees:** Fees paid for the utilisation of Insurance Brokers.

**Bursaries (Employees):** Bursaries include payments made to provide direct support to employees for studying at universities or other tertiary institutions, where all the conditions and terms have been complied with in terms of the contract with the bursary holder.

**Cash Discount:** Discount given to customers for early payment of amounts owing by them also referred to as "settlement discount".

**Cleaning Services:** Cleaning cost for car valet services and laundry incurred by the municipality if these services are not outsourced.

- **Laundry Services:** Dry cleaning and laundry services for items other than those that forms part of the building which will be allocated to owned and leasehold expenditure.
- **Car Valet and Washing Services:** Car valet and washing services for municipal vehicles.

**Commission:** Commission is a form of payment to an agent for services rendered.

- **Third Party Vendors:** The commission payable to external bodies for the collection of income via for example "easy pay" or other pre-paid systems.
- **Prepaid Electricity:** Commission paid to Vendors for selling "Prepaid Electricity" to consumers.

**Cost relating to the Sale of Houses:** Cost incurred relating to the selling of municipal property such as houses, erven and buildings.

**Courier and Delivery Services:** Costs incurred in the use of courier services for transporting documents/ parcels from one to a specified destination. Examples - DoceX, XPS, DHL, etc.

**Communication:** Expenditure incurred for the usages of telephones, faxes, telegraphs and telex for communication purposes, including costs for teleconferences. Communication by telephones and faxes includes the sending of messages electronically for example the sending of a message, image or document via a fax machine or a telephone or cell phone. Telex is a communications system using tele-printers that communicate via telephone lines. Teleconference is a meeting via telecommunications equipment: a meeting held among people in different places by means of telecommunications equipment. Includes all costs for the usage of telecommunication equipment, including rentals.

- **Cellular Expenditure :** Monthly service provider subscription fees, call costs, itemised billing, CLI, 3G and other operating expenses for cellular phones and reimbursements of cellular expenditure should be allocated to this item.
- **Licences (Radio and Television):** Annual payment made to the SABC and other licensing authorities (SAMRO) for a permit to view television programs and to listen to the radio or "music license's". Annual payment made to obtain a television and radio licence including ICASA Radio licences, alarm systems, etc.
- **Postage/ Stamps/ Franking Machines:** Postage is the amount payable for the carrying of the article by post, including any special charge or additional fee payable for special services supplied in relation to the carrying of the article. Stamps is the officially issued postage label, often adhesive, attesting that payment has been rendered for mail delivery. Franking Machine is the machine which prints a franked impression on an envelope to record the amount of postage paid. Advance payment is made to the Post Office based on the average usage of the franking machine. Excluded are courier services for delivering of documents and articles, for example by DHL Speed Services and XPS.
- **Radio and TV Transmissions:** Costs incurred in broadcasting a message to the public are included in the account for example television and radio communication. Acquisitions of radio transmissions include all costs relating to the use of electromagnetic waves for communication i.e. narrowcasting has traditionally been understood as the dissemination of information (usually by radio or television) to a narrow audience, not to the general population. In the context of out-of-home television, this term often refers to the display of content on large Plasma or LCD screens run over a broadcast network.
- **Rent Private Bag and Postal Box:** Costs incurred in the renting of post boxes and private bags from the Post Office or Post Net usually on an annual basis. This is usually an annual payment.
- **Satellite Signals:** Cost include monthly subscription for Mnet and DSTV.

- **SMS Bulk Message Service:** Subscriptions fees or bundle charges for sending bulk or customised SMS messages.
- **Telephone, Fax, Telegraph and Telex:** Payments for the usages of telephones, faxes, telegraphs and telex for communication purposes, including costs for teleconferences. Communication by telephones and faxes includes the sending of messages electronically for example the sending of a message, image or document via a fax machine or a telephone or cell phone. Included in this item are the monthly charges for routers on the current Telkom PABX systems. Telex is a communications system using tele-printers that communicate via telephone lines. Teleconference is a meeting via telecommunications equipment: a meeting held among people in different places by means of telecommunications equipment. Payments include all costs for the usage of telecommunication equipment, including rentals. Telecommunication equipment includes phones, faxes, telegraphs and telex excluding cellular phones.
- **Telemetric Systems:** Payments related to the measurement of water levels alarm systems used at reservoirs and water lines,
- **Telephone Installation:** Expenditure incurred for the installation of telephone systems excluding any capital outlays. This is usually of a once off nature.

**Contribution to Provisions:** Provisions need to be reviewed at each reporting date and adjusted to reflect the current best estimate. Where discounting is used, the carrying amount of a provision increase in each period to reflect the passage of time. This increase is recognised in interest charges.

- **Alien Vegetation:** Provision to be made for the management of alien vegetation in terms of environmental requirements.
- **Decommissioning, Restoration and Similar Liabilities:** Decommission, dismantling and or restoration cost refers to the liability for the legal obligation associated with the retirement of a tangible long-lived asset that a company is required to settle as a result of an existing or enacted law, statute, ordinance or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppels. An asset retirement cost represents the amount capitalised when the liability is recognised for the long-lived asset that gives rise to the legal obligation.
- **Landfill Sites:** The initial estimates of the costs of rehabilitation of landfill sites are included in the cost of the asset. The contra entry is recorded in this account. The obligation to incur such costs arises either when the entity acquires the asset, or as a result of using the asset over a certain period, except when the asset is used to produce inventory during the period. This account would also provide for the discounting interest on the present obligation recognised in the surplus or deficit for the period.
- **Non-specific:** Decommission, restoration and similar liabilities applicable to assets other than landfill sites.

**Copy Right Fees:** Payment of copyright fees and royalty's payable to music companies for the right to play music at public events, etc.



**Deeds:** Fees payable to the Registrar of Deeds for extraction of information on ownership of property. Not search fees but copies of title deeds.

**Drivers Licences and Permits:** Payment of drivers' licence costs for an incumbent whose job requires a drivers licence and costs are carried by his/ her employer. The driver of the motor vehicle is required to be licensed in terms of the National Road Traffic Act, 1996. Including retesting fees.

**Dumping Fees (District Council):** District fees for dumping including the dumping fees and fixed cost.

**Eskom Connection Fees:** Once-off payment to Eskom for new substations (Non-Capitalised Cost).

**Electricity Compliance Certificate:** Section 14 of the National Building Regulations and Building Standards Amendment Act, 1995 require any person licensed or authorised by a local authority to carry out the installation, alteration or repair of any electrical wiring connected or of which connection is desired with the electrical supply or distribution works of such local authority or any statutory body, shall, at the request of the owner of a building of which the erection has been completed or of any person having an interest therein (or of the local authority) issue a certificate if he is satisfied that the electrical wiring and other electrical installations in such building are in accordance with the provisions of all applicable laws. All costs incurred should be allocated to this item even if procured from an external service provider.

**Entertainment:** Entertainment expenditure incurred by members of the Senior Management Service (SMS) as well as the Mayor and his/ her office bearers in performance of their duties. Such expenditure includes, but is not limited to: (a) Luncheon meetings held with colleagues, foreign delegations and/ or other individuals in and outside the municipality; and (b) purchase of dinner during authorised overtime. This item does not include, but is not limited to, spending on: (a) Gifts (including flowers) to individuals; (b) Private entertainment; (c) Cost of meals claimed by individuals when away from home on official duty.

- **Mayor:** Entertainment expenditure incurred for entertainment expenses by the Mayor and Deputy Mayor as determined by the council's policy.
- **Total for all other Councillors:** Entertainment expenditure incurred for entertainment expenses by the Councillors as determined by the council's policy.
- **Senior Management:** Entertainment expenditure incurred for entertainment expenses by the Senior Manager as determined by the council's policy.
- **Deputy Executive Mayor:** Entertainment expenditure incurred for entertainment expenses by the Deputy Mayor as determined by the council's policy.
- **Speaker:** Entertainment expenditure incurred for entertainment expenses by the Speaker as determined by the council's policy.
- **Chief Whip:** Entertainment expenditure incurred for entertainment expenses by the Chief Whip as determined by the council's policy.

- **Executive Committee:** Entertainment expenditure incurred for entertainment expenses by the Executive Committee as determined by the council's policy.
- **Deputy Executive Mayor:** Entertainment expenditure incurred for entertainment expenses by the Deputy Mayor as determined by the council's policy.
- **Sec 79 Committee Chairperson:** Entertainment expenditure incurred for entertainment expenses by the Sec 79 Committee Chairperson as determined by the council's policy.

**External Computer Service:** Expenses incurred from computer services provided by external/outsourced service providers.

- **Data Lines:** Communication lines at the municipal control centre and server room and other remote offices where data lines are operational.
- **GPS Licence Fees:** Licence fees paid for GPS licensing (GIS Information).
- **Information Services:** Any other computer services provided by external service providers.
- **Internet Charge:** Costs incurred for internet connectivity to other service providers other than SITA, for example MWEB, World online, IAfrica, etc.
- **Mainframe Time:** Costs incurred for the use of the mainframe computer facilities and data centres.
- **Network Extensions:** Costs incurred for moving, adding or replacing network extensions and cables as required.
- **Remote Server Access:** Costs incurred for utilising remote server access.
- **Recovery Centre Hosting Charges:** Costs incurred for making use of recovery centre hosting.
- **Software Licences:** Costs incurred to obtain a document granting permission for the use of computer programs to ensure that the operators of materials and resources are acknowledged and rewarded for their work, as well as ensuring that the materials are used legally and without risk of prosecution.
- **Specialised Computer Service:** Services provided by contractors to promote the effective utilisation of information technology to enhance the efficiency at the municipality.
- **System Adviser:** Costs incurred for the provision of technical, functional and business advice and support regarding information technology. This account has been retired on version 6.8 and moved to the consultants and Professional Services, under Contracted Services.
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- **System Development:** System development costs incurred for services rendered with regard to developing and establishing network operating systems.
- **Wireless Network:** Services provided for setting up and maintaining wireless networks.

**Firearm Handling Fees:** Costs incurred by officials wearing firearms for protection purposes, for example flight carrier fees.

**Freight Services:** Costs incurred for the transport of goods in bulk by truck, train, ship or aircraft.

**Full Time Union Representative:** Compensation paid to "full time union representative" not included in compensation of employees.

**Honoraria (Voluntarily Workers):** Payment given to a person (professional or voluntary assistance) for services for which fees are not legally or traditionally required. This gratuity is usually not equal to the economic value of the service provided. Motivational speakers delivering a resume at a training session without charging the department at the normal hourly rates. Payments made equal to market rates should be classified as "Consultants, contractors and special services" under the type of consultant/ contractor delivering the service. Example of this would include services rendered by volunteer during the municipal elections.

**Insurance Underwriting:** Allocation to be used for the classification of insurance related costs including self-insurance funds.

- **Insurance Aggregation:** Insurance aggregation is a process of finding multiple insurance quotes at once, so the buyer can make an accurate comparison of insurance policies based on identical information given to each company.
- **Claims paid to Third Parties:** Claims paid to third parties.
- **Insurance Brokers Fees:** Insurance Brokers Fees expenses
- **Insurance Claims:** Costs paid towards claims incurred for damages to municipal property and assets, for example material, subcontractor costs, etc. [Self-insured - pay-outs]
- **Excess Payments:** An excess payment, also known as a deductible, is a fixed contribution that must be paid each time a car is repaired with the charges billed to an automotive insurance policy. Normally this payment is made directly to the accident repair "garage" when the car is collected. If the accident was the other driver's fault, and this fault is accepted by the third party's insurer, then the vehicle owner may be able to reclaim the excess payment from the other person's insurance company. If the insurance company settles a claim in terms of the insurance contract a fixed agreed amount as determined by the agreement with the insurer are usually deducted from the settlement payment either paid by the municipality when making replacements.
- **Risk Management Programs:** Risk Management Program expenses.
- **Premiums:** Monthly premiums paid towards short term insurance either transfers made to the general insurance fund or self-insurance fund.

**Land Alienation Costs:** Various land related costs.

**Learnerships and Internships:** Learnerships are introduced in the Skills Development Act, 1998. Section 18(2) are learnerships provided for unemployed people. The cost elements included in this

category comprise: 1) Additional staff required to oversee and manage learnerships. 2) Cost of supervision and mentorship (e.g. an additional consolidated increment for every mentor). 3) Off-the-job education and training costs (including transport and fees for training provider). 4) Assessment costs for each learner. 5) Recruitment costs. 6) Range of allowances to be paid for these learners. 7) Office set-up costs for these learners (including office equipment, computers, stationery, phone and fax facilities).

**Levies Paid - Water Resource Management Charges:** The payment of charges raised by the Department of Water Affairs based on a specified cent value per KI on Bulk Water purchased and include Catchment Management Areas Levy, Water Research Levy and Trans Caledon Tunnel Authority (TCTA) charges.

**Licences:** Expenses incurred for obtaining "licences" such as driver's licences, motor vehicle licence and registrations, public driver permits, etc.

- **Licence Agency Fees:** Expenses incurred for making use of "Licence Agency" for collecting drivers' licences, motor vehicle licence registrations, etc. from the municipality.
- **Motor Vehicle Licence and Registrations:** Expenses incurred in obtaining motor vehicle licence and registration renewals or new issues.
- **Performing Arts:** SAMRO licences for playing music.
- **Liquor Licences (entities):** Payment of liquor licence fees
- **Aerodrome Licenses:** Licences Application for Aerodrome Licence - Amendment/Renewal

**Management Fee:** Expenses paid to an entity/ department charging a management fee for rendering various services, for example housing scheme administration, property management services, running of municipal services, including body corporate levies.

**Municipal Services:** Costs incurred relating to electricity, power, water, sewerage, waste removal and property rates required for municipal occupied buildings. Included in this account will be prepaid electricity bought for satellite offices of the municipality.

**Personnel Agency Fees [Personnel Recruitment Costs]:** Costs incurred for service rendered by agencies/ entities that specialises in recruiting candidates across sectors and disciplines as well as the administration and support of candidates for the municipality. The agency/ entity typically recruits for permanent appointment.

**Registration Fees:** Registration fees may refer to payments made in relation to image registration (part of computer or vision), printing registration (part of printing visible colour), FCC registration programme for telephone equipment. Also, registration fees payable for attending events, seminars and conferences.

- **Professional and Regulatory Bodies:** Registration fees paid to register with professional and regulatory bodies excluding the annual membership or subscription fees. Usually these bodies levy a "once-off" registration fees for enrolling new members.
- **Seminars, Conferences, Workshops and Events:** Registration fees paid for attending workshops and seminars. This item would exclude accommodation and travel cost to attend and be included in Travel and Subsistence.
- **National:** *Fees paid for the attendance of National congresses/ seminars/ symposiums and workshops. Excludes accommodation and transport which must be allocated to travelling and subsistence.*
- **International:** *Fees paid for the attendance of International congresses/ seminars/ symposiums and workshops. Excludes accommodation and transport which must be allocated to travelling and subsistence.*

**System Access and Information Fees:** Cost incurred to get access to data information used for research and analysis purposes and systems for example, ITC, Home Affairs system, AKTEX system, Statistics SA or SARS data information. Also, monies payable to the deeds trading account to obtain deeds registration certificates. This is for WAN access to users of this information database and not the software use license fee. The information provided is not seen as an intangible asset of the entity and constitutes the payment for a good or service current payments. This information could be in the form of a DVD, CD or another hardcopy format or directly online.

**Travel Agency and Visa's:** Cost incurred for services rendered by Travel Agency including cost for acquiring visa's. Fees for the administration and management of travel arrangements of employees. It is important to note that any transaction administration fee payable to a service provider is excluded from the scope of the agency fee account. In addition, a fee payable to a car rental service provider in respect of traffic fines should not form part of expenditure but should be recovered from the employee receiving the traffic fine. Included in this account as visa costs for officials and councillors travelling abroad.

**Office Decorations:** Cost incurred in procuring office decorations such as flowers, small ornaments, paintings, plants, table cloths, etc. of low value and thus not capitalised.

**Printing, Publications and Books:** Printing, publications and books, not inventory related and including development of photos, subscriptions to newspapers, magazines and periodic, law amendments and updates, accounting and tax handbooks only used for limited period and then gets updated. This item includes reference and library books.

**Professional Bodies, Membership and Subscription:** Where an employee or official are required to pay fees to an independent institution in order to fulfil the role as required by their employment contract or the position they have been appointed in and fees payable to maintain occupation where maintenance of standards is required for public safety, (for example auditors with IRBA). Other

examples of items to be included are SAICA, CIA, SAIGO, Institute of Mechanical Engineers, MASA, etc. Excluded from this item are course registration fees which is allocated under training expense.

**Remuneration to Ward Committees:** The reimbursement for out of pocket expenses to ward committee members in respect of participation by ward committee members in the activities of the ward committees in terms of Sec 73. 5(c) of the Structures act No 117 of 1998.]

**Resettlement Cost:** Cost paid for re-imbursing an employee if transferred from one city to another. This would include transport of household, own transport, temporary accommodation, etc.

**Rewards Incentives:** Expenditure incurred as a reward for "whistle-blowers" associated with forensic auditing and the fraud hotline.

**Road Worthy Test:** "Roadworthy", in relation to a vehicle, means a vehicle which complies with the relevant provisions of the Road Traffic Act (Act) otherwise in a fit condition to be operated on a public road; A roadworthy certificate, is a certificate issued in terms of section 64 of this Act requiring the examination of motor vehicle and issue of roadworthy certificate and roadworthy certificate disc. Upon receipt of an application referred to in section 63, an appropriately graded examiner of vehicles shall test and examine the motor vehicle concerned in the manner and in respect of the features as prescribed.

**Skills Development Fund Levy:** Employers must pay 1 per cent of their employers pay to the skills development levy.

**Search Fees:** Cost incurred in extracting documents from CIPRO, AKTEX, NCA, etc.

**Servitudes and Land Surveys:** Cost incurred for conducting land surveys and obtaining servitudes to allow land use arrangements.

**Signage:** The purchasing and erection of all street name signs and name boards.

**Storage of Files (Archiving):** Cost incurred for archiving of files and documents to be kept in terms of the MFMA.

**Storage of Assets and Goods:** Cost incurred for storage of furniture and equipment or any other movable assets or goods.

**Small Differences Tolerances:** Small losses on cashier deposits and petty cash floats.

**Taking over Contractual Obligations:** Taking over of study loan incurred by an employee for full time study before appointed by the municipality. In return the employee agrees to work for the department for a specified period of time in the event the term of service is not completed a pro-rata refund could be claimed from the employee depending on the agreement with the municipality.

**Toll Gate Fees:** Toll gates fees paid to SANRAL for making use of National Roads

**Transport Provided as Part of Departmental Activities:** Expenses associated with transport provided by the municipality for transporting people during the execution of its mandate. Expenditure



includes transport to public events, transport of scholars, patients and corps, illegal immigrant's deportation, excursions and children vagrants.

**Events:** The conveyance of school children and the public to venues in celebration of special events such as Heritage Day, etc.

**Funerals:** Transport provided to employees to attend funerals of family members and other officials.

**Patients and Corpses:** The conveyance, by means of a motor vehicle, of a patient to any place where he is to receive medical treatment from a person authorised to administer such treatment in terms of any law relating to the medical profession, or from any place where he has received such treatment; and the conveyance of any coffin or corpse, "excluding the conveyance of coffins for the purpose of supplementing stock;" Costs incurred for transporting patients from one hospital facility to another and corps from hospitals to mortuaries. Excluding transport of patients by ambulance and corpses.

**Municipal Activities:** Transport cost relating to municipal employees, for example for working overtime.

**Travel and Subsistence:** Travel and subsistence includes all domestic and foreign travel related expenditure paid for employees and non-employees. This item in specific covers expenditure on accommodation cost, food and beverage, incidental cost, and car rental paid for official travelling purposes. Departmental policies apply when these expenditures are incurred.

- **Domestic:** Travel and subsistence expenditure for local trips within the borders of South Africa.
- **Accommodation:** *If an employee must take an official journey the employer shall meet reasonable actual accommodation costs, if any. Accommodation includes a room, building or space where someone may stay or live. This item includes the accommodation cost either directly paid by the department or reimbursed to the employee.*
- **Daily Allowance:** *Special daily allowance (smaller tariff) to compensate for incidental expenses where actual expenses are claimed meaning that the actual accommodation and meals cost are paid to a travel agency, or hotel or the claimant be re-imbursed. Those expenses are allocated to the specific items provided for in the chart. Fixed daily subsistence allowance (bigger tariff) is payable in circumstances where actual expenses are not claimed for example a person would stay with family and no accommodation or meals are paid to a third party. Also under this item provision is made for daily allowances payable to camping personnel. The separation allowance should also be allocated to daily allowance.*
- **Food and Beverage (Served):** *Actual purchases of food and beverages served over the counter (take aways) or in a restaurant.*
- **Incidental Cost:** *Requisitions of minor, casual or sub-ordinate nature, for example telephone cost, toll fees, parking fees, making of photocopies when on an official trip.*
- **Transport without Operator:** *Transport expenditure without an operator for local trips within the borders of South Africa. This category includes car rental and Km allowances.*

- Car Rental: Car hire costs incurred on behalf of an employee required to travel to various locations within South Africa in performing his official duties. Examples of services providers are AVIS, Imperial, Budget, etc.
- Own Transport: If an employee must use private transport to carry out his/her duties, the employer may: 1) provide an allowance to cover reasonable actual costs, and/or compensate the employee according to tariffs prescribed.
- **Transport with Operator:** *Transport expenditure with an operator for local trips within the borders of South Africa. This category includes chauffer and shuttle services, air tickets, train tickets, taxi and boat transport.*
- Other Transport Provider: A motor vehicle is obtained from a private rental firm together with a driver. Example is a chauffeur driven vehicle such as Unity car hire.
- Public Transport: Transport with operator implies public transport for example air, railways, road and water with an operator. (bus with a driver)
- Air Transport: Scheduled freight and passenger services, departing from national and international airports within the boundaries of South Africa. Travelling to Cape Town for portfolio committee meetings, SCOPA hearings and any other official business making use of air travel. Include are the airport taxes, luggage handling fees, VAT and cost of the ticket. Excluded is the travel agency fees.
- Railway Transport: Scheduled freight and passenger services using trains, departing from railway networks within the boundaries of South Africa.
- Road Transport: Scheduled freight and passenger services, for example bus services and unscheduled taxi and shuttle services within the South African Boundaries.
- Water Transport: Scheduled freight and passenger services by boat or ship, departing and arriving and South African harbours and ports.
- **Foreign:** If an employee must take an official journey outside the borders of SA, the employer shall meet reasonable actual expenditure.
- **Accommodation:** *If an employee must take an official journey outside the borders of SA, the employer shall meet reasonable actual accommodation costs, if any. Accommodation includes a room, building or space where someone may stay or live. This item includes the accommodation cost either directly paid by the department or reimbursed to the employee.*
- **Daily Allowance:** *Special daily allowance (smaller tariff) to compensate for incidental expenses where actual expenses are claimed meaning that the actual accommodation and meals cost are paid to a travel agency, or hotel or the claimant be re-imburse. Those expenses are allocated to the specific items provided for in the chart. Fixed daily subsistence allowance (bigger tariff) is payable in circumstances where actual expenses are not claimed for example a person would stay with family and no accommodation or meals are paid to a third party. Also under this item provision is made for daily allowances payable to camping personnel. The separation allowance should also be allocated to daily allowance.*



- **Food and Beverage:** Actual purchases of food and beverages served over the counter (take always) or in a restaurant.
- **Incidental Cost:** Acquisitions of minor, casual or sub-ordinate nature, for example telephone cost, toll fees, parking fees, making of photocopies.
- **Transport without Operator:** Transport expenditure without an operator for foreign trips outside the borders of South Africa. This item includes car rental in a foreign country.
  - Car Rental: Car hire costs incurred on behalf of an employee required to travel to various locations on official journeys outside South Africa.
- **Transport with Operator:** Transport expenditure with an operator for foreign trips outside the borders of South Africa. This category includes chauffeur and shuttle services, air tickets, train tickets, taxi and boat transport.
  - Other Transport Providers: A motor vehicle is obtained outside the borders of SA, from a private rental firm together with a driver. Example is a chauffeur driven vehicle.
  - Public Transport: Public transport provided to or in foreign countries to government officials such as air tickets, taxis, boats, trains on official foreign trips.
  - Air Transport: Scheduled freight and passenger services, departing from national and international airports outside the boundaries of South Africa. Travelling outside South Africa for official business making use of air travel. Include are the airport taxes, luggage handling fees, VAT and cost of the ticket. Excluded is travel agency fees.
  - Railway Transport: Scheduled freight and passenger services, departing from railway and underground networks outside the boundaries of South Africa.
  - Road Transport: Scheduled freight and passenger services, for example bus services and unscheduled taxi and shuttle services outside the South African boundaries.
  - Water Transport: Scheduled freight and passenger services, departing and arriving at harbours and ports outside the South African boundaries.
- **Non-employees:** Travel and subsistence cost paid to an individual not in the employment of the municipality. Examples include re-imbursing a candidate attending an interview. This item excludes transport provided for municipal activities.

**Uniform and Protective Clothing:** Uniform and Protective clothing purchased for issue to employees.

**Vehicle Tracking:** This is used to record all payments associated with vehicle tracking; including the initial payment of the installation of the tracking device as well as the associated monthly tracking fees.

**Warrantees and Guarantees:** Warrantees and guarantees form part of the elements of cost at initial purchase price of an asset which should be capitalised. However, once the warrantee has expired and need to re-new such warrantee the cost should be expensed against this item.

**Wet Fuel:** Payment for fuel supplied by vendor (Topping up) when hiring fleet, plant or equipment (externally).

**Workmen's Compensation Fund:** Contribution made to the workmen's compensation fund.

**Intercompany/ Parent-subsidiary Transactions:** Expenses due to exchange transactions between municipalities and their subsidiary municipal entities.

**Indigent Relief:** Monthly payments to Eskom to re-imburse their portion of the free basic electricity provided to indigents.

**Samples and Specimens:** Purchase of samples for testing, as an example food for health and safety testing.

**Parking Fees:** Parking space for staff and visitors.

**Seating Allowance for Traditional Leaders:** Traditional leaders forming part of the Council is paid a seating allowance for attending meetings.

**Hire Charges:** Hire charges for venues, equipment, machinery, etc. for short periods of time.

**Remuneration to Section 79 Committee Members:** According to section 79 of the Municipal Structures Act, 1998, a municipal council may establish one or more committees necessary for the effective and efficient performance of its functions or the exercise of any of its powers. The council appoints the members of these committees, and may dissolve the committee or remove a member at any time. The council must determine the functions of a section 79 committee and may determine its procedures and delegate powers and duties to them. The functions of the committee should flow immediately from the terms of reference drawn up for the committee in terms of section 53 of the Municipal Systems Act, 2000. The council may delegate powers to the committee in terms of section 59 of the Municipal Systems Act, 2000 and appoints its chairperson. Section 79 committees may co-opt advisory members who are not Councillors, provided they have the authorisation of the council.

**Atmospheric Emission Licence:** This is paid in terms of the National Environmental Management Air Quality Act, 2004 for our crematoria that emit smoke into the atmosphere.

**Fines and Penalties:** This group of accounts provides for the payment by municipalities of fines and penalties levied in terms of legislation.

- **Road Traffic and Other Fines:** Fines and penalties levied in terms of road traffic ordinances.
- **Breach of Contract:** Penalties incurred as imposed in terms of contract breach.
- **SARS:** Penalties levied by SARS for late submission of VAT Returns, etc.

**Witness Fees:** In terms of the Commission for Conciliation, Mediation and Arbitration rule 38, a witness subpoenaed in any proceedings in the Commission must be paid a witness fee in accordance with the tariff of allowances published by notice in the Government Gazette in terms of section 142(7) of the Amended Labour Relations Act, 1995. Rule 38 states that the witness fee must be paid by (a) the party who requested the Commission to issue the subpoena; or (b) the Commission, if the issue of the

subpoena was not requested by a party or if the Commission waives the requirement to pay witness fees in terms of section 142(7)(c).

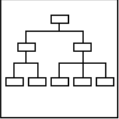
**Environmental Levy:** Environmental levy paid to SARS for electricity generated by the municipality.

**Supplier Development Programme:** The aim of the Supplier Development Programme is to encourage/ promote the growth of informal traders and retailers by providing trade credit that is accessible and has minimal risk for the municipality, especially to micro enterprises. The Supplier Development Programme is a pilot project (6 months) of which the Small Enterprise Finance Agency (SOF) Ltd commonly known as SEFA is currently testing. If the programme is successful, the SEFA will be prepared to provide a 100 per cent guarantee of all credit facilities that are made available to informal traders and retailers. Associated with the credit facility is a 5 per cent per annum facilitation fee that is charged on the outstanding balance at the end of every month. The COT has agreed to pay this 5 per cent credit facility fee.

**Entrance Fees:** Entrance fees paid for attending events, exhibitions, shows, golf days, etc.

**Repayment of Forfeited Deposits:** Deposits repaid after forfeited and Council decision.

**Permits:** A permit issued by a government authority giving permission to proceed with some action

	<p><b><i>Why does mSCOA provide for an account “Assets less than Capitalisation Threshold”, if this in principle is not provided for in the Standards of GRAP?</i></b></p>
	<p>Some municipalities did implement “thresholds” determined within the municipality’s materiality/ significance framework. If the municipality opted to adopt a capitalisation threshold it is their responsibility to substantiate compliance to the Standards of GRAP and ensure that this policy is not resulting in a material misrepresentation of any class of Property, Plant or Equipment.</p>

## Transfers and Subsidies

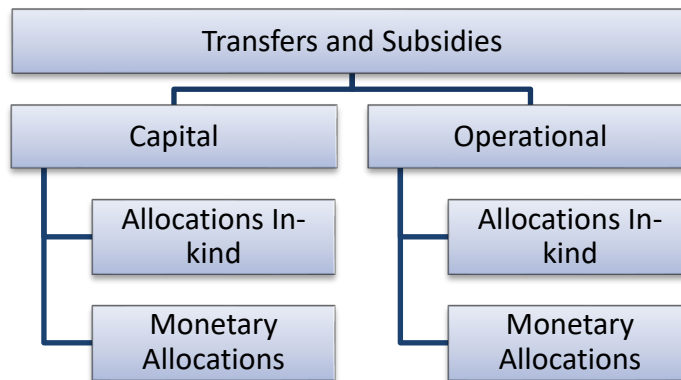
Transfers and subsidies include all unrequited payments made by the municipality to another institution, businesses, and individuals; it does not constitute final expenditure by the municipality.

A payment is unrequited provided that the municipality does not receive anything directly in return for the transfer to the other party.

Subsidies are unrequited payments that municipalities' make to public corporations and private enterprises, these payments usually have a direct policy outcome, either by subsidising the price of goods and services or by influencing the level of production.

Donations and Public Contributions had a separate classification pre-*m*SCOA. This type of contributions made to various institutions and organisations are incorporated in the classification for "Transfers and Subsidies".

The diagram below summarises the high-level structure provide for in *m*SCOA for recording "transfers and subsidies":



The following group of accounts are set-up within the above classifications:

Transfers and Subsidies

- Departmental Agencies and Accounts
- District Municipalities
- Foreign Government and International Organisations
- Households
- Non-profit Institutions
- Private Enterprise
- Provincial Government
- Public Corporations
- Higher Educational Institution
- Municipal Entities

Careful consideration need to be given to the entities provided at a posting-level for capturing transaction detail. If the lists provided are not sufficient these additions need to be submitted to National Treasury (*m*SCOA Technical Committee) through submitting requests on the *m*SCOA Frequently Asked Questions (FAQ) Database.

***Posting Level Detail required to be provided by the municipality to National Treasury for setting up posting level accounts***

***Provincial Government***

The provincial treasuries in consultation with the departments within the province had to provide to the National Treasury the detail of transfers and subsidies made by municipalities, for inclusion in *mSCOA* to define posting level accounts. This has proven to be a challenge due to the Municipal calendar and the National Treasury have since retired the initial accounts and left it to the Provincial Treasuries to devise their own structures for Provincial grant reporting.

***Donations, contributions and transfers are made during the year not necessarily known in advance to enable a request to National Treasury to provide the required posting level accounts. How would this be addressed in the mSCOA classification?***

An account labelled as “unspecified” has been added in *mSCOA* Version 5.4 to assist municipalities to be able to transact if the need does arise. These accounts provide for breakdown allowed for the municipality to set-up “posting level” accounts as may be needed. The municipality need to consider in defining the posting level detail, the frequency of payments to the organisation, the value/ significance of these payments and if this would be done annually.

The above-mentioned options are available for the following categories:

- Foreign Government and International Organisations
- Households
- Non-profit Institutions
- Private Enterprises
- Public Corporations
- Higher Educational Institutions

***Capital***

Capital transfers and subsidies generally refers to contributions either in-kind or in monetary value of a capital nature or intended to be used towards capital expenditure of the receiving entity

#### Capital: Allocations In-kind

This group of accounts for “Capital: Allocations In-kind” provides for allocations made in-kind to other entities recognised at fair value or cost. By implications no consideration is received in return for the in-kind contributions made by the municipality from the beneficiary.

***What would be typical examples of transfers made in-kind of a capital nature?***

The municipality donate computers not-in-use to a local school. The transaction will be recognised in expenditure at the carrying value based on the Property, Plant and Equipment Register.

Redundant components from upgrading water, electricity or waste water networks may be given at no consideration to other municipalities in need of parts.

#### Capital: Monetary Allocations

This group of accounts for “Capital: Monetary Allocations” provides for allocation made in “R-value” to other entities recognised.

***What would be typical examples of transfers in R-value of a capital nature?***

The municipality donating money to a local school for improving sports grounds.

The municipality making a contribution towards the erecting of fences at an open space used by the SPCA for animal care in the community.

#### *Operational*

Transfers and Subsidies include all unrequited payments made by the municipality to another institution, businesses and individuals; it does not constitute final expenditure by the municipality. This category provides for operational transfers made by a municipality to another entity.

#### Operational: Allocations In-kind

This group of accounts for “Operational: Allocations In-kind” provides for allocations made in-kind to other entities recognised at fair value or cost. By implication no consideration is received in return for the in-kind contributions made by the municipality to the beneficiary.

***What would be typical examples of transfers in-kind of an operational nature?***

The municipality providing animal food and medication to the local SPCA.

The municipality providing blankets, food parcels, cloths and water to the community after a fire in the settlement.

**Operational: Monetary Allocations**

This group of accounts for “Operational: Monetary Allocations” provides for allocations made in “R-value” to other entities recognised.

***What would be typical examples of transfers in monetary value of an operational nature?***

The municipality making an annual contribution to the operational expenditure of the local SPCA.

The municipality give a donation to the local school for the child-feeding scheme.

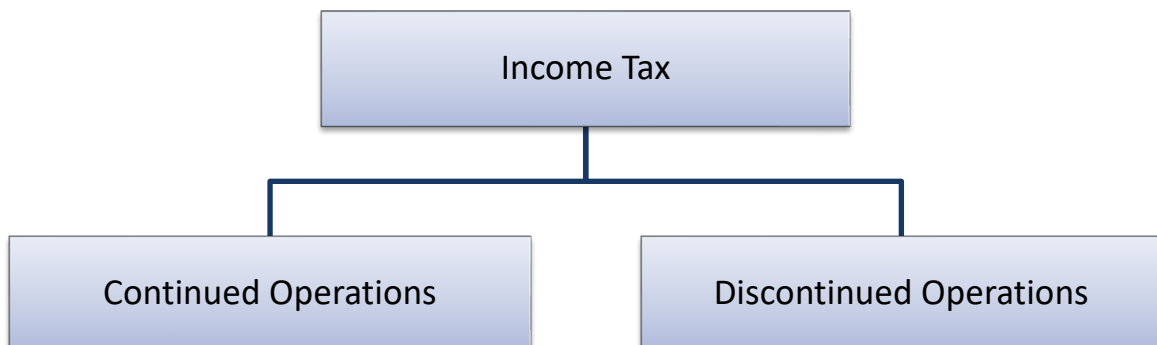
**Statutory Payments other than Income Taxes**

This account should record the amounts of all other taxes assessed, except income taxes. Such taxes may include "payments in-lieu of taxes", municipal and school's taxes, property taxes, property transfers taxes, commodity taxes and franchise fees.

**Income Tax**

South African normal income tax to be paid by municipalities' entities in a tax paying position.

At the highest-level distinction is made between “Continuing and Discontinued Operations”.



## Discontinued Operations

This account provides for the classification of the effects of discontinued operations and disposals of non-current assets (or disposal groups) including revenue. [GRAP 100.35(b)]

## Share of Deficit attributable to Associate

The municipality's share of the surplus or deficit of the investee recognised is classified in this account.

## Share of Deficit attributable to Joint Venture

The consolidated statement of financial performance of the municipality (the venture) includes its share of the revenue and expenses of the jointly controlled entity, recognised in this account.

## Share of Deficit attributable to Non-Controlled Entities

In accounting, non-controlling interest is the portion of a subsidiary equity that is not owned by the parent. The magnitude of the non-controlled interest in the subsidiary is generally less than 50 per cent of outstanding shares, otherwise the entity would generally cease to be a subsidiary of the parent. Non-controlled interest belongs to other investors and is reported on the consolidated statement of financial position of the owning company to reflect the claim on assets belonging to other, non-controlling shareholders. Also, non-controlled interest is reported on the consolidated statement of financial performance as a share of profit belonging to non-controlling shareholders.

## *m*SCOA Implementation

Municipalities by now, have progressively implemented the *m*SCOA.

The system developers responsible for applications commonly used by the municipalities are responsible for enhancing their software to be operated by business processes and are subject to customisation based on the unique requirements of client municipalities, with one of the primary objectives to assist municipalities in achieving compliance with the *m*SCOA classification framework.

National Treasury have provided comprehensive guidance in *m*SCOA Circular no.7 to 14 as implementation challenges have been identified.



## Annual Maintenance

There were several changes made to the item segment expenditure on the version 6.8 of the chart and the detailed changes is available on the National Treasury website at [www.treasury.gov.za](http://www.treasury.gov.za).

## Matters Pending

There were no 'matters pending' identified for the Item Expenditure Segment at the time of finalising the Project Summary Document (PSD) for Version 6.8.