

mSCOA Workshop: Technical Work Stream

22 September 2016 – Breakaway 1 – VAT PRACTITIONERS



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Program

Workshop	Content
Breakaway 1	<ul style="list-style-type: none">VAT



Program

Workshop	Content
Breakaway 4	<ul style="list-style-type: none">• Changes Version 5.5 to 6R (Final for 2017/18)• Status FAQ DB• PSD – Design Principles<ul style="list-style-type: none">• Specific Focus – Fund Segment• Position Papers:<ul style="list-style-type: none">• Internal Audit• Restatements, Historical Information and Errors

Costing Segment

Change	Posting Level and Breakdown	Principle/ Application	Definition	Account
If Breakdown is not required principle changed to “N/a” for consistency throughout mSCOA. Detail is discussed in Design Principles within the PSD		Yes		Various
Definitions revised for “recoveries”.			Yes	Various
Departmental Charges/Recoveries – account added for Internally Manufactured Materials				

Changes to PSD:

1. Design Principles following update of comments received – applicable to all sections of the PSD.
2. Comments received to update and clarify content of the PSD (ASB/Invictus/Guest)
3. In-progress

Function Segment

Change	Posting Level and Breakdown	Principle/ Application	Definition	Account
VAT Indicators added/changed. [Discussed in Breakaway 1]	All Posting Level			
If Breakdown is not required principle changed to “N/a” for consistency throughout mSCOA.		Yes		Various
Function description changed – Electricity to “Energy Sources”.				
Definitions Revised/Updated for: <ul style="list-style-type: none"> Libraries and Archives Museums and Art Galleries Markets Recreational Facilities (added Swimming Pools) Disaster Management 			Yes	
Sub-sub-functions removed for Swimming Pools – see above				Deleted

Function Segment

Change	Posting Level and Breakdown	Principle/ Application	Definition	Account
Removed breakdown required as information is not standardised and this not relevant for LG DB purposes. Level 5 changed to be the posting level	Breakdown optional			All
Removed Sub-functions duplication in Public Safety for “Police Forces, Traffic and Street Parking”. [Included in Roads]				Deleted
Sub-functions added for Health (Norms and Standards Gazetted by the Minister of Health – Core for District Municipalities) for: <ul style="list-style-type: none"> • Food Control • Health Surveillance of Premises • Surveillance and Prevention of Communicable Diseases, excluding Immunizations 	No	Yes	Yes	Added

Function Segment

Change	Posting Level and Breakdown	Principle/ Application	Definition	Account
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Changes to PSD:

1. Design Principles following update of comments received – applicable to all sections of the PSD.
2. Comments received to update and clarify content of the PSD (ASB and comments/clarification from Public Finance)
3. Major changes.

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Regional Segment

Change	Posting Level and Breakdown	Principle/ Application	Definition	Account
Regional Indicators updated from: <ul style="list-style-type: none"> FAQ DB Information received following specific request to municipalities from emails/FAQ DB 	√	√	√	√
Indicators added for District Municipalities for Local Municipalities	√	√	√	√
Minor fixes for consistency purposes (including correction on posting levels)				
Changes to PSD: None				

Funding Segment

Change	Comment
Distinction included between “Operational and Capital”. Account added within Capital Section for “Transfer of Funds from Operational (i.e. Internal Sources or Own Revenue).	
Equitable Share	Removed detail and changed to a posting-level
Interest, Dividends and Rent on Land	<ul style="list-style-type: none"> Added Rent on Land to agree with the classification principle applied in the Revenue Segment Added Dividends to the description
Interest categories changed to: <ul style="list-style-type: none"> Current and Non-current Assets Receivables 	Changed from: <ul style="list-style-type: none"> External Investments Outstanding Debtors
Rent from Fixed Assets	Changed the description from “Rental of Facilities and Equipment.
Added: <ul style="list-style-type: none"> Operational Revenue Sales of Goods and Rendering of Services 	

Funding Segment (Continue)

Change	Comment
Transfers and Subsidies: <ul style="list-style-type: none">Reviewed all definitions and posting levels (including breakdown required)Checked table to other segment for consistency/completenessUpdates from FAQ DP impacted on all classifications	
District Municipalities	Changes made as per requests received
Provincial Government	Changes made as per requests received
<ul style="list-style-type: none">Departmental Agencies and AccountsForeign Government and International OrganisationsHouseholdsNon-profit InstitutionsPrivate EnterprisePublic CorporationHigher Educational Institutions	Compared and made changes in alignment with SCOA Departments [SCOA COR 4.17.02 6 April 2016]

Funding Segment (Continue)

Change	Comment
Borrowing (Current and Non-current) <ul style="list-style-type: none">• Reviewed all definitions and posting levels (including breakdown required)• Checked table to other segment for consistency/completeness• Updates from FAQ DB impacted on all classifications• Added further classification to align to LG DB Return Formats• Within the “classification for institutions” added accounts with guid that the municipality need to change in the account description by adding the account number.	

Project Segment

Change	Impact
ASB:	Impacting on PSD more than mSCOA Tables
CIDMS:	Significant Impact on the Classification Structure and Level of Detail
Capital Projects: Infrastructure/Non-Infrastructure	Rehabilitation and Refurbishment replaced with Renewal Definition: Expenditure on an existing asset that returns the service potential of the asset or expected useful life of the asset to that which it had originally.
	Upgrade and Additions replaced with Upgrades Definition: The replacement of an asset or addition/replacement of an asset component, which materially improves the original service potential of the asset.
Terminology changes to align CIDMS	Electrical Infrastructure Solid Waste Infrastructure Rail Infrastructure Water Supply Infrastructure Sanitation Infrastructure

Project Segment (Continue)

Change	Impact
Classification for “Roads, Pavements, Bridges and Storm Water removed and replaced	Roads Infrastructure Storm Water Infrastructure
Airports removed	Refer to Community Assets
Level of detail	Add Level 4 Asset Group from CIDMS
Removed “Transfers”	No further distinction required.
Classifications added:	<ul style="list-style-type: none"> Coastal Infrastructure Information and Communication Infrastructure
NON-INFRASTRUCTURE	
Removed Buildings and Other Structures	Replaced with: <ul style="list-style-type: none"> Community Assets Other Assets
Level of detail	Add Level 4 Asset Group from CIDMS

Project Segment (Continue)

Change	Impact
MAINTENANCE	Change as per the above discussion for CIDMS
Planned and Unplanned Maintenance replaced/expanded	<p>Preventative Maintenance [Definition: Maintenance carried out at predetermined intervals, or corresponding to prescribed criteria, and intended to reduce the probability of failure or the performance degradation of an item. Preventative maintenance is planned or carried out on opportunity.]</p> <ul style="list-style-type: none">• Interval Based• Condition Based <p>Corrective Maintenance [Definition: Maintenance carried out after a failure has occurred and intended to restore an item to a state in which it can perform its required function. Corrective maintenance can be planned or unplanned.]</p> <ul style="list-style-type: none">• Planned• Emergency
Level of detail	Add Level 5 Asset Type from CIDMS

Project Segment (Continue)

Change	Impact
TYPICAL WORK STREAMS	
Environmental	Added two further sub-projects at the request of municipalities: <ul style="list-style-type: none">• Nurseries• Biodiversity and Climate Control
Health and Welfare	Added: <ul style="list-style-type: none">• Municipal Health Service

Project Segment (Continue)

Change	Impact
PSD: Major Changes	In-progress
Definitions, Posting Levels, Application and Breakdown Required	Significant changes made following the impact of the above discussion.

Item Segment: Liabilities

Change	Progress
ASB:	Considered except for changes to be made in PSD
CIDMS	Not applicable
NERSA:	Not applicable
PSD:	In-progress
Bank Overdraft <ul style="list-style-type: none">• Short-term Borrowings• Current Portion of Non-current Borrowings• Borrowings	Added “Specify” with “guid”. Municipalities need to change the description according to their account number and financial institution.

Item Segment: Liabilities

Change	Progress
Consumer Deposits	Added: <ul style="list-style-type: none">• Way leave• Refuse
Financial Liabilities	Combined in Current and Non-current under single group.
Annuity and Bullet Loans	Changed description and definition.
Financial Institutions	Added in Current and Non-current Borrowings.
Provision and Impairment	<ul style="list-style-type: none">• Changed in Current and Non-current Borrowings “Leave Accrual to Leave”.• Change Landfill Sites to be Posting Level within Decommissioning, Restoration and Similar Liabilities and added a Posting Level for Unspecified.• Added “movement analysis”.
Control, Interface and Clearing Accounts	<ul style="list-style-type: none">• Employee Deductions• Goods Received/Invoices Received• Prepaid Electricity• Cash and Bank• Licensing and Registration• Inventory Stores

Item Segment: Liabilities

Change	Progress
Trade and Other Payables from Exchange Transactions	Added: <ul style="list-style-type: none">• Goods/Invoices Received• Prepaid Electricity• Cash and Bank• Licensing and Regulation• Inventory Stores• Fair Value Adjustment
Transfers and Subsidies – Unspent/Payables	<ul style="list-style-type: none">• Updates to accounts, definitions and posting levels for payables and unspent.• Major Changes: Unspent to be used also for receivables as these are essentially the same account. Classification depends on Credit or Debit Balance at the end of a reporting period. System Requirements to accommodate this principle.• Movement on Balances added.
Defined Benefit Obligations	Movement analysis added
Affiliates, Related Parties and Associated Companies	Added accounts “specify” – municipalities to change the description

Item Segment: Assets

Change	Progress
ASB:	Comments considered except those impacting on PSD.
CIDMS	Major Changes to Non-current Assets
PSD: Changes – comments received.	Not started.
Transfers and Subsidies	See note included in Liabilities on Transfers and Subsidies Receivables
Inventory	Changes to Water Balance Reporting. (Discussion see Position Paper on Water Balance Reporting)
Trade and Other Receivables from Exchange Transactions	<ul style="list-style-type: none">• Movement Analysis• Re-ordered Accounts

Item Segment: Assets

Change	Progress
Cash and Cash Equivalents: <ul style="list-style-type: none"> • Cash and Bank • Call Deposits and Investments • Investments 	Added “Specify” with “guid”. Municipalities need to change the description according to their account number and financial institution.
Financial Assets	Grouped together.
Current Portion of Non-current Receivables	Accounts added: <ul style="list-style-type: none"> • Employee Benefits • Associates • Joint Ventures • Subsidiaries • Public Organisations • Operating Lease
Receivables Non-exchange Transactions	<ul style="list-style-type: none"> • Property Rates categories compared to Revenue and updated. • Re-order accounts and impairment
Heritage Assets and Property, Plant and Equipment	Aligned to CIDMS Framework
Construction Work-in-progress	<ul style="list-style-type: none"> • Borrowing Cost Added • Movement Analysis (Consider Impact on Budget)

Item Segment: Net Assets

Change	Progress
ASB:	Terminology Change: Non-controlling Interest Definition Change: Revaluation Reserve
CIDMS	Not applicable
PSD: Changes – comments received.	Not started.
OTHER CHANGES:	Added: <ul style="list-style-type: none">• Investment in Associate• Capitalisation Reserve Description <ul style="list-style-type: none">• Transfers to/from Accumulated Surplus

Item Segment: Revenue

Change	Progress
ASB:	Comments received after finalising the table
CIDMS	Rental of Facilities
PSD: Changes – comments received.	Not started.
TRANSFERS AND SUBSIDIES	Completed
NERSA:	Changes to be made - improvement
Rental from Fixed Assets	Description Changed
Accounts Added/Changes	<ul style="list-style-type: none"> • Aviation Fuel • Material and Equipment – Recoveries from Contractors • Electricity Sales – Revised According to Revised • Water – Flat Rate • Licenses (Taxi Ranks and Market Porters)

Item Segment: Revenue

Change	Progress
Definitions changed for:	<ul style="list-style-type: none">• Agency Services• Receivables Housing• Inspection Fees• Animal Housing• Facilities• Health Services• Penalties• Transfers and Subsidies• Fires Services• Illegal Connections• Surcharges and Taxes - Taxes

Item Segment: Expenditure

Change	Progress
ASB:	Changes made
CIDMS:	Depreciation and Amortisation / Operating Leases
PSD:	In-progress
NERSA:	Not applicable
Accounts Added:	<ul style="list-style-type: none"> • Custom Duties • Travel Charges and Visa's • Seating Allowance for Traditional Leaders • Hire Charges • Remuneration to Section 79 Committee Members • Atmospheric Emission Licence • Fines and Penalties: <ul style="list-style-type: none"> • Road Traffic and Other Fines • Breach of Contract • SARS • Witness Fees • Environmental Levy • Supplier Development Programme • Entrance Fees • Outsourced Services – Water Tankers

Item Segment: Expenditure

Change	Progress
Accounts Changes:	
Decommission, Restoration and Similar Liabilities:	<ul style="list-style-type: none"> • Landfill Sites • Non-specific
Transfers and Subsidies:	<ul style="list-style-type: none"> • Updates as per FAQ DB Requests • District Municipalities according to “receipts • Definition • Other Types updated
Employee Related Cost – Senior Managers	<ul style="list-style-type: none"> • Designation replaced with replication with “guid”. • Default designations included for Municipal Manager and Chief Financial Officer • If more options are need – make a request through the FAQ DB
Board Members of Entities	<ul style="list-style-type: none"> • Accounts added as “specify” – municipalities to change description
Remuneration of Councillors	<ul style="list-style-type: none"> • Accounts included for: <ul style="list-style-type: none"> • Speaker • Chief Whip • Executive Mayor • Deputy Mayor • Executive Committee

Item Segment: Gains and Losses

Change	Progress
ASB:	No comments
CIDMS	Impairment Gains and Losses on Disposal
PSD: Changes – comments received.	Not started.
Transfers and Subsidies	Not applicable
NERSA:	Not applicable