

SCOA INTEGRATED CONSULTATIVE FORUM

MUNICIPAL REGULATIONS ON SCOA PHASE IV CHANGE MANAGEMENT AND PILOTING

Frequently Asked Question

Presented by National Treasury: Chief Directorate Local Government Budget Analysis – 26 February 2015



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Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Frequently Asked Questions: Summary to Date

Number of Queries	Status
83	O/S Position Papers Pending
262	ICF 4 - Clarification
16	ICF 4 – Changes to SCOA Tables and PSD
53	Follow-up Requests and Discussion in Progress
410	Resolved
824	Total Queries Since Regulation – 17 February 2015
316	Queries since ICF 3



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Received From:

MUNICIPALITIES:

- Knysna
- Elias Motsoaledi y
- Hesseque
- Senqu
- Sol Plaatjie
- Drakenstein
- Prince Albert
- Stellenbosch

METRO:

- City of Cape Town
- City of Tshwane
- Ekerhuleni
- Ethekeweni
- Umahlatuze

DISTRICT MUNICIPALITIES:

- Nkangala

SYSTEM VENDORS

- Business Connection
- Sebata
- VESTA
- PASTEL
- Munsoft
- Oracle
- Payday
- Quill Associates
- Rdata

PROVINCIAL TREASURIES:

- Gauteng
- Kwazulu-Natal



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Frequently Asked Question

Number	Matter	Response
18	Budget Planning	
	Risk in submitting tabled budget in current A-schedule format and “final” in revised format. Classification will differ	<ul style="list-style-type: none"> •Budget for 2015/16 to be done using SCOA classification but reported on in the existing MBRR format •Refer to Version 5.2 for links
	Budgeting for Capital Projects – componentised way?	<ul style="list-style-type: none"> •Construction WIP line item in Non-current Assets •Detail provided for in Projects •Normal capitalisation and determining components apply •Projects does not require provision for components – only consideration when completed
	How to deal with variance in budget tables due to SCOA classifications?	<ul style="list-style-type: none"> •Notes to be added to explain these variances •Prior tables not to be revised neither comparatives provided for in MBRR format •AFS – comparatives would require restatements if 2015/16 presented using SCOA classification
	Budget equation requested similar to Assets = Liabilities and Community Wealth	<ul style="list-style-type: none"> •SCOA re-emphasise budget/planning principles •Accounting equation does not change •Projects = Operational + Capital Expenditure •Fund does not equal Revenue •NB: Understand the link of SCOA Tables to the MBRR format

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22	Change Management	
	<ul style="list-style-type: none"> •Auditor-General Involvement •Accounting Standards Board 	Presentation on “Other Stakeholders”
	System Re-implementation	Yes
	Historical Information extraction considering new “vote numbers”	<ul style="list-style-type: none"> •Retained for Reference Purposes – Innovative thinking Illustrated by Vendors •Position Paper: Historical Information and Comparatives •Reporting Formats: Implementation Considerations
	Limited Reporting to National Treasury	The responsibility for submitting returns will remain with the municipality – the existing method maybe modernised
	Detail and Rigid Classification – who carries the audit risk?	Accuracy of classification remains and internal control function support by system functionality
	Reliance on System Providers	<ul style="list-style-type: none"> •Piloting is voluntary and at the discretion of the municipality •Vendor Evaluation to be done by National Treasury •Forums and interactions to support the development process
	Cumbersome to provide for the needs of individual municipalities	<ul style="list-style-type: none"> •SCOA provides for a Standard Classification •Sufficient time for municipalities to perform “gap analysis” •System uniqueness– addressed by the system developers
	Costly (no additional funding)	Economy of scale to bear returns over time

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Number	Matter	Response
	New Account Numbers	<ul style="list-style-type: none"> •National Treasury to be used for reporting purposes •Encourage use of description rather than codes
	New Definitions	<ul style="list-style-type: none"> •Defined and used by all municipalities •System developers encourage to provide for “easy reference system”
	System Parameters	Defined “once” unless SCOA classification change
	Financial Information	SCOA Classification limited to financial information Project in Progress: Considering non-financial information
	Classification – moving target	Piloting to confirm completeness of classification Vendors discretion to standardise at latest release of tables as a 2 nd phase to piloting
	Illustration of Typical Transactions	See register: <ul style="list-style-type: none"> •Salaries and Wages •Motor Vehicles Purchases •Accumulated Funds •Bulk Supplies Electricity Sales •Acquisition of Engineering Design Equipment •Billing of Electricity •Repairs and Maintenance – Park Office •High-way Refurbishment

Frequently Asked Question

Number	Matter	Response
1	Closing of Periods	
	Month and Year-end Closure	Position Paper – considering defined closing periods
10	Code Structure	
	Account Number - length	Position Paper as discussed
	Changes to Breakdowns	<ul style="list-style-type: none"> •Typical Work Streams: Property Rates Amendment Act [Yes] •Construction Contracts [Provide detail to National Treasury] •Receivables [Provide detail to National Treasury]
6	Employee Benefits	Discussion Paper to deal (amongst other matters) Current and Non-current Portion of Defined Benefit Plan
	Accrual/Provision (Changes made in account descriptions and definitions)	To be included in: <ul style="list-style-type: none"> •Leave •Bonuses •Overtime
1	Corrections	See summary of changes made to tables
3	Costing	
	Uniform Application and Tariff Setting	<ul style="list-style-type: none"> •Guideline Published to Assist Municipalities •SCOA Tables = minimum requirements
	Classification required for: <ul style="list-style-type: none"> •Internal Billing 	<ul style="list-style-type: none"> •Principle is reallocation of Cost between Functions •Expenditure = primary cost and not implicated

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2	Current Assets: Cash and Cash Equivalents	Account detail to be added
3	Current Assets: Inventory	
	Classification needed for “land and housing development”	<ul style="list-style-type: none"> •ASB in the process of research accounting •Provides details on existing classification and arrangements to assist research
	Trees and Plants (Nurseries)	Include in Consumables
	Damaged items	See Gains and Losses: Write-down Net-realizable Value
2	Current Assets: Trade and Other Receivables from Exchange Transactions	
	“Other” needed	Use of general accounts not supported
5	Current Assets: Trade and Other Receivables from Non-exchange Transactions	
	Impairment not provided	Included see Tables
	“Other” needed	Use of general accounts not supported
	Fruitless and Wasteful/Unauthorised Expenditure Recovered	Accounts added in Version 5.3
	Traffic Fines	Accounts to be added in Version 5.4 – Position Paper

Frequently Asked Question

Number	Matter	Response
7	Current Liabilities	
	Not all possibilities for “unspent” transfers and subsidies provide	<ul style="list-style-type: none"> •Checked in Version 5.2 – provide specific details •Provincial Government – to be provided by PT •District Municipalities – by DM
	Public Contributions – not provided	See detail classification for Private Enterprises, Non-profit Organisations, Households, Higher Education Institutions and Public Contributions
	Sundry Deposits	Specific accounts to be added
5	Data Loading Issues	Various Matters discussed with the System Developer
1	Exchange Revenue: Agency Services [non-posting level]	Detail to be provided for inclusion
20	Expenditure	
	Depreciation and Amortisation – Community Assets	Community Assets is “function” and not “nature”.
	Operating Grants incomplete	Changes made in Version 5.3 based on request
	Training	Project not “expenditure”

Frequently Asked Question

Number	Matter	Response
	Operational Cost incomplete	Projects rather than expenditure
	Stationery	See inventory consumables
	Not provided for “Rehabilitation of Landfill Sites”	See Operational Cost: Contributions to Provisions – Decommissioning Cost – description expanded
	Unamortised Discount	Included in Version 5.3
8	Function	
	Description too long	Noted
	Core and Non-core	Comment on “unfunded” noted
	Function alignment to “municipal own structure”	Require “exact classification” not choosing best fit
	GFS Codes	See Version 5.2
	GFS and PSD Update	To be done
	Function linked to Item	Guidance not prescriptive – update as options are identified



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6	Funding	
	All transaction to be linked?	Yes, except for non-cash flow items
	How?	Defined in Planning/Budgeting Phase Project as consideration Primary vs secondary cost considerations
	Transfers and Subsidies not complete	Checked in Version 5.2 Detail outstanding for Provincial Government/District Municipalities t
	Grants being either or capital/operating	Need to be specific according to use
1	Gains and Losses	Gains and losses – separate accounts
1	Concession Arrangements	See Work Plan
1	GUID	See Position Paper Outstanding if “breakdown allowed”
2	Housing Schemes	<ul style="list-style-type: none"> •ASB in the process of research accounting •Provides details on existing classification and arrangements to assist research
3	Impairment	Add analysis of movement in Version 5.3
	Negative Asset	Yes – difficult to indicate as such in SCOA Tables

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10	Item	
	Slow to get account added	Not regular event to add accounts Changes limited to once a year coinciding reporting cycle
	Enforcing adoption of “NT AFS”	Illustration only but provide guidance on linking to BRF
	Water Balance Reporting	Notes – Position Paper to be done
	Length of Account Numbers	See Position Paper – short codes acceptable but complete codes needed for report extraction to NT
	Default needed	Version 5.3
2	Property Rates	<ul style="list-style-type: none"> •Reference corrects to MPRA •Classification done based on Act
2	Mapping	See Position Paper on Mapping, Coding and Short Codes
1	Municipal Standard Classification	
	Importance ignored	Incorrect interpretation - Non-standardise segment
3	NERSA	
	Explain distinction made	<p>The distinction made for NERSA is based on:</p> <ol style="list-style-type: none"> 1. If the requirements could be meet – classify to NERSA refer to as an example: “Non-current Assets: Property, Plant and Equipment - Owned: Cost - Buildings: NERSA” 2. If the requirements CAN not be met – classify to All or excluding NERSA: “Non-current Assets: Property, Plant and Equipment - Owned: Cost - Machinery and Equipment: All or excl NERSA” 3. If the requirement can only be met partially – a combination of the above examples
	Representation and assistance	External Stakeholder discussed

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	DWA Requirements	Included in Version 5.1 Further engagement – water balance reporting
3	Net Assets	
	Incomplete and Accumulated Funds not provided	Position Paper: Reserves and Funds Accumulated Surplus/Deficit - provided
11	Non-current Assets	
	Community Assets	Nature used in classification
	NERSA – correction request	Change in Version 5.4
	Other	Need to be specific
	Biological vs Agriculture	Discussion included in comment to be supported by a Position Paper
	Finance Lease	Accounts included
33	Operational Expenditure: Contribution to Provisions	
	Accounts requested	Reference provided and changes made in salaries and wages to account descriptions and definitions

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Number	Matter	Response
4	PPE – Developed Land	•Separate between land and buildings – GRAP 17
5	Project	
	1 st step: Capital and Special Projects	<ul style="list-style-type: none"> •Projects = Capital and Operational Expenditure •Phasing in might be the practical approach at the time of implementation
	Typical Work Stream Projects	<ul style="list-style-type: none"> •Training: Minimum Competency Added •Item: Outsourced Service: Higher Educational Institutions – see Version 5.3
1	Property Service	Definition provided
1	PPE – Spare Parts	Included in PPE category and not separate classification
3	Regional Indicator	Indicators included in Version 5.3 as provided
5	Reporting	•AFS & BRF 2015/16 unchanged



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43	Revenue	
	Transfers and Subsidies not complete	Changes made to Version 5.2 Information awaited for Provincial Government and District Municipalities
	Contributions and Donations: Contributed Assets	In-kind various classifications provided
	Other/Sundry	Not provide for – need to be specific
	Accounts added in Version 5.3	Interest Availability charges
	Rental: Halls and Sport Facilities	See Rental from Fixed Assets
	Specific Request for changes considered to be dealt with in Billing Modules	Refuse Removal Waste Bins Basic Charges Other Charges Water Sale Conventional
	Agency Services	Provide detail to add accounts at posting level
2	Risk Management	Discussed in session with Provincial Treasurers

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11	VAT	Detail section to be included in PSD – see Work Plan
	Status VAT Indicators	Not cleared with SARS – see Work Plan
	Mixed Supplies	Further work to be done – see Work Plan Provided list containing specific detail
4	Vote Numbers	Flat/Linear Structure to supported by National Treasury
1	Website	ICF 3 documents updated see SCOA Regulation ICF 4 to be updated by end 2 nd week March



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What next?

Version 5.3:

- Changes guided by what you need!
- Finalise within the next two weeks.

Version 6:

- Discussion Papers focus on identifying insufficiencies in classifications to support extraction of reporting information
- Informed by Pilot Outcomes
- Reporting tables for comments and testing
- Focus on other stakeholder reporting



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Thank you for the requests

**See Table to be placed on Web
(SCOA Final Regulation)**



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