

NATIONAL CIGFARO *m*SCOA WORKSHOP 2020

Practical examples on the use of the chart from the
Frequently Asked Questions(FAQ) database

Presented by National Treasury Ria von Ronge 10 November 2020



national treasury

Objective of the session

- Annual chart changes
- To illustrate the correct use of the *m*SCOA chart through FAQ's received in the past year
- Focussing on *m*SCOA Segments

Annual Chart Changes

- Due to errors in the chart, changes in GRAP standards and when new regulations are issued, it is necessary to make changes to the chart accordingly.
- Municipalities, system vendors and PTs log their request for a chart change to the FAQ Database on the MFMA website: <http://mscoafaq.treasury.gov.za/>
- Once a request is received, NTs FAQ committee considers the request and if the FAQ committee considers it a possible chart change, then the request is referred to NTs Technical Committee for further consideration.
- If NTs Technical Committee considers the request as a possible chart change, then the matter is referred to NTs Steering Committee for approval.
- The changes agreed on are effected on the chart ANNUALLY and an explanation of why a request was not accommodated are posted on the FAQ database.
- Before a FAQ query is logged, the person logging the query must use the mSCOA chart tree to ensure the chart does not already make provision for the request.
- The query should also be detailed in order for the FAQ committee to understand what the issue is.
- Take note: If a GUID is retired by NT the financial system still have to keep the information relating to this GUID for historical reference. It must not be deleted but simply should not be used in the following budget process.

FAQ's received

- *m*SCOA Segments
- Grants use
- Cash flow
- GRAP 11 implementation
- MBRR schedules

Item Revenue

- **8954:** Interest is received by the municipality on amounts paid and held by attorneys while the municipality waits for the property to be transferred to the municipality. Where on the item revenue chart should the interest received be recorded?

Please add Interest received on attorney trust accounts to the item revenue chart.

- Exchange Revenue(IR-002)
+ Agency Services(IR-002-001)
- Interest, Dividend and Rent on Land(IR-002-002)
- Interest(IR-002-002-001)
+ Receivables(IR-002-002-001-001)
- Current and Non-current Assets(IR-002-002-001-002)
Bank Accounts(IR-002-002-001-002-001)
Financial Assets(IR-002-002-001-002-002)
Short Term Investments and Call Accounts(IR-002-002-001-002-003)

Solution: Interest received on attorney trust accounts should be allocated to the Financial Assets level

Item Revenue

- **10002** Need guidance on what REVENUE item segment to use for 1. Wayleave application fees (This is a non-refundable, once-off fee per application, payable in advance to process the wayleave, for officials to consider municipal services, future planning, to meet with the applicant, to workshop the application, to coordinate with all departments & Directorates internally.), 2. Wayleave execution charges (This is a non-refundable charge payable in advance for the estimated time to be consumed by Municipal officials to liaise with the applicant, to do site inspections, to supervise, liaising with subcontractors, locating services, attend project meetings, give feedback, communication general etc. The applicant must provide a construction time schedule (programme) indicating the planned commencement and completion dates. This will then be used as basis for fee calculation.)

Solution: Item Revenue : Exchange revenue: Sales of Goods and rendering of services : Application Fees for Land usage item to be used for this purpose



Item Revenue/ Liabilities / Funding

- **9988:** The mSCOA GRID, for Provincial Government Transfers and Subsidies, National Treasury provide for: Provincial Government:Western Cape:Infrastructure:Specify (Add grant description) AND Provincial Government:Western Cape:Capacity Building and Other:Specify (Add grant description). Municipalities must then select from Capital OR Operating PLUS Infrastructure or Capacity Building AND then must create their own Specification. May we suggest that for Western Cape in the next version of the GRID, National Treasury rather remove the own specification and provide lines per Provincial Vote. For example: Infrastructure: Provincial Treasury (Vote 3) Infrastructure: Community Safety (Vote 4) Capacity Building: Transport & Public Works (Vote 10) and finally a line for Provincial Government: Other When municipalities then compile their budgets on the system and align the mSCOA GUID's, they merely have to look at Capital or Operating and assign by Provincial vote.

+ Infrastructure(IR-003-005-002-002-009-009-012)

+ Capacity Building and Other(IR-003-005-002-002-009-009-013)

Solution: The current structure for provincial grants will not be changed as it is standard for all provinces to ensure consolidation using the type of grants i.e. infrastructure and capacity building

Item Expenditure

- **9991:**Where can I locate danger allowance under item expenditure because I could not find it under employee related costs. The bargaining council has agreed on the payment of it.

Parent Level Description:	Service Related Benefits
Parent SCOAIID:	4aeac4ef-8a3a-4254-9acf-e89acfd024b0
SCOAIID:	00897d04-2beb-4dd8-9f03-138685c5a333
Account Number:	IE0050020010050090020000000000000000
Level Description:	Acting and Post Related Allowances
LGDB Import Level?:	Yes
Posting Allowed?:	Yes
Breakdown Allowed?:	No
Has Children:	No
Definition of SCA Code:	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 of 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

Solution: See the posting level above. A comprehensive explanation was provided in Circular 9 Annexure A

Item CWIP Accumulated Impairment

- **8968:**The mSCOA chart does not accommodate impairment of work in progress on assets, as required by GRAP. Please amend the chart to include the above mentioned

[illegible]

Solution: mSCOA Chart V6.3 and V6.4 include accumulated impairment of CWIP

Item Assets

- **8952:** "Please upload the following on the FAQ for V6.4:1. In note 17 of our AFS we have Capitalized Restoration Costs which is the Non-current Assets - Refuse tip-sites financed by way of a provision. Currently there is no option on V6.3 for Landfill-site

- Capital(PC)	
- Infrastructure(PC-001)	
+ Existing(PC-001-001)	
- New(PC-001-002)	
+ Electrical Infrastructure(PC-001-002-001)	
- Solid Waste Infrastructure(PC-001-002-002)	
Landfill Sites(PC-001-002-002-001)	
Waste Transfer Stations(PC-001-002-002-002)	
Waste Processing Facilities(PC-001-002-002-003)	
Waste Drop-off Points(PC-001-002-002-004)	
Waste Separation Facilities(PC-001-002-002-005)	
Electricity Generation Facilities(PC-001-002-002-006)	

- Solid Waste Infrastructure(IA-002-015-001-006)
- Cost(IA-002-015-001-006-001)
Opening Balance(IA-002-015-001-006-001-001)
Acquisitions(IA-002-015-001-006-001-002)
Decommissioning, Restoration and Similar Liabilities(IA-002-015-001-006-001-003)
Correction of Error(IA-002-015-001-006-001-004)
Change in Accounting Policy(IA-002-015-001-006-001-005)
Disposals(IA-002-015-001-006-001-006)

Resolution : In Version 6.4 Landfill sites are under Solid waste infrastructure (See Project Chart)
In the Asset chart under Solid waste infrastructure assets we have the following posting level that must be used
“Restoration and Similar Liabilities”

Item Assets

- 8953:"There is no breakdown for Buildings under Property, plant and equipment for Impairment loss and Reversal of Impairment loss. Can the following lines be added on V6.4 please : Gains and Losses: Impairment Loss - Property, Plant and Equipment – Buildings Gains and Losses: Reversal of Impairment Loss - Property, Plant and Equipment - Buildings"

Item Segment	
Account Number Prefix	
Item: Gains & Losses (IZ)	
Submit	
Search Tree	

+ Foreign Exchange(IZ-004)
- Impairment Loss(IZ-005)
Biological or Cultivated Assets(IZ-005-001)
Heritage Assets(IZ-005-002)
Intangible Assets(IZ-005-003)
Investment Property(IZ-005-004)
- Property, Plant and Equipment(IZ-005-005)
Other Assets(IZ-005-005-001)

Buildings are included under Other Assets (See Project Chart) and categorized as follows on the chart:

Operational Buildings

Municipal Offices, Pay/Enquiry Points, Building Plan Offices, Workshops, Yards, Stores, Laboratories, Training Centers, Manufacturing Plant, Depots, Capital Spares.

On the Gains and Losses Chart you therefore have to use:

Reversal of Impairment Loss: Property Plant and Equipment: Other

Revenue : Transfers and Subsidies Revenue Accounts

- **9981:** Transfers and Subsidies Revenue Accounts - have accounts not matching to Unspent Transfers and Subsidies and vice versa.

**Revenue for Transfers and Subsidies,
Item Liability – Unspent Transfers and Subsidies and
Funding will be aligned as a standard practise going forward**

Project Segment

➤ **9990:** Please could you indicate from a project segment perspective when we will use the “Capital Spares” GUID.

— Water Supply Infrastructure(PC-001-002-004)
Dams and Weirs(PC-001-002-004-001)
Boreholes(PC-001-002-004-002)
Reservoirs(PC-001-002-004-003)
Pump Station(PC-001-002-004-004)
Water Treatment Works(PC-001-002-004-005)
Bulk Mains(PC-001-002-004-006)
Distribution(PC-001-002-004-007)
Distribution Points(PC-001-002-004-008)
PRV Stations(PC-001-002-004-009)
Capital Spares(PC-001-002-004-010)

Solution: On all Infrastructure and Non Infrastructure projects there could be a need to buy Capital spares e.g. Replacing of Water pump for a Reservoir. Breakdown allowed will provide you an option to indicate to which Project you are referring to.

Item Change segment validation rules

- **8888:** Segment Validation in Free Basic Services Electricity. The validation does not allow for Expenditure Items to be used with the Project: Cost of Free Basic Services: Electricity. The challenge comes when Eskom supplies pre-paid electricity to a specific community within the municipal boundary and the municipality has to refund Eskom for the free portion of electricity supplied. Eskom produces an invoice to the municipality for those sales. The municipality pays Eskom from: -Expenditure: Operational Cost: Indigent Relief -Fund: Operational: Revenue: General Revenue: Equitable Share This transaction is not part of municipal running cost but must be included in the municipality's reporting on free basic services. The municipality therefore need to use the project: Operational: Typical Work Streams :Cost of Free Basic Services: Electricity (50 kwh per household per month) The validation however will not allow these transactions and we ask for an exception to the rule for these payments to Eskom.

Electrification(PO-003-054)

Solution: Municipalities must use Typical Work Streams :Electrification(PO-0030054) **with** Expenditure: Operation cost: Indigent Relief

IGRAP 18

- **8965:** Item : Our municipality have early adopted IGRAP 18, but unfortunately, no provision has been made for some of the accounting entries relating to this standard within mSCOA. The major concern was linked to the expense item relating to land procurement for housing purposes, where it was deemed that the municipality does not control the land. Please advise of an existing appropriate expenditure item, and/or create an appropriate expenditure item. It would be advisable to assess the overall implications of IGRAP18, to also identify other item segmentation discrepancies

Solution (As reviewed by OAG) Land purchased for housing development is capitalised to

Item: Assets: Non Current Assets: Investment properties.

The development of the project will include subdividing of the property, inline with number of units to be developed, is development, managed and controlled by the municipality it will remain in

Investment Properties for the municipality until it will be transferred to Inventory: Land to be transferred to private beneficiaries. This is the way that the properties will be written out of the books of the municipality.



Withdrawals and Deposits

8942: Current Liabilities - movement account refer to "deposits" and "withdraws". How should it be used?

— Electricity Bulk Purchase(IL-001-006-008)
Opening Balance(IL-001-006-008-001)
Deposits(IL-001-006-008-002)
Withdrawals(IL-001-006-008-003)

Solution: In Item liabilities : Deposits means an increase in liabilities and Withdrawals reduce Liabilities

MBRR schedule differences

- **9999:** Overtime in SA1 lies in 2 different A1 Schedule codes 2004 and 2009. Please align this to ensure Overtime lies in 2004 for reporting purposes. This must be corrected in 6.4

Solution: Refer to Schedule Committee

The mapping should be corrected-

All Overtime line items should be linked to “2004” and removed from “2009”

THANK YOU



For additional information on national and provincial budgets, please visit our new budget data portal: <https://vulekamali.gov.za>

www.municipalmoney.gov.za
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