

mSCOA Chart Training

Presented by Abigail Maila & Kgomotso Baloyi

6 November 2019



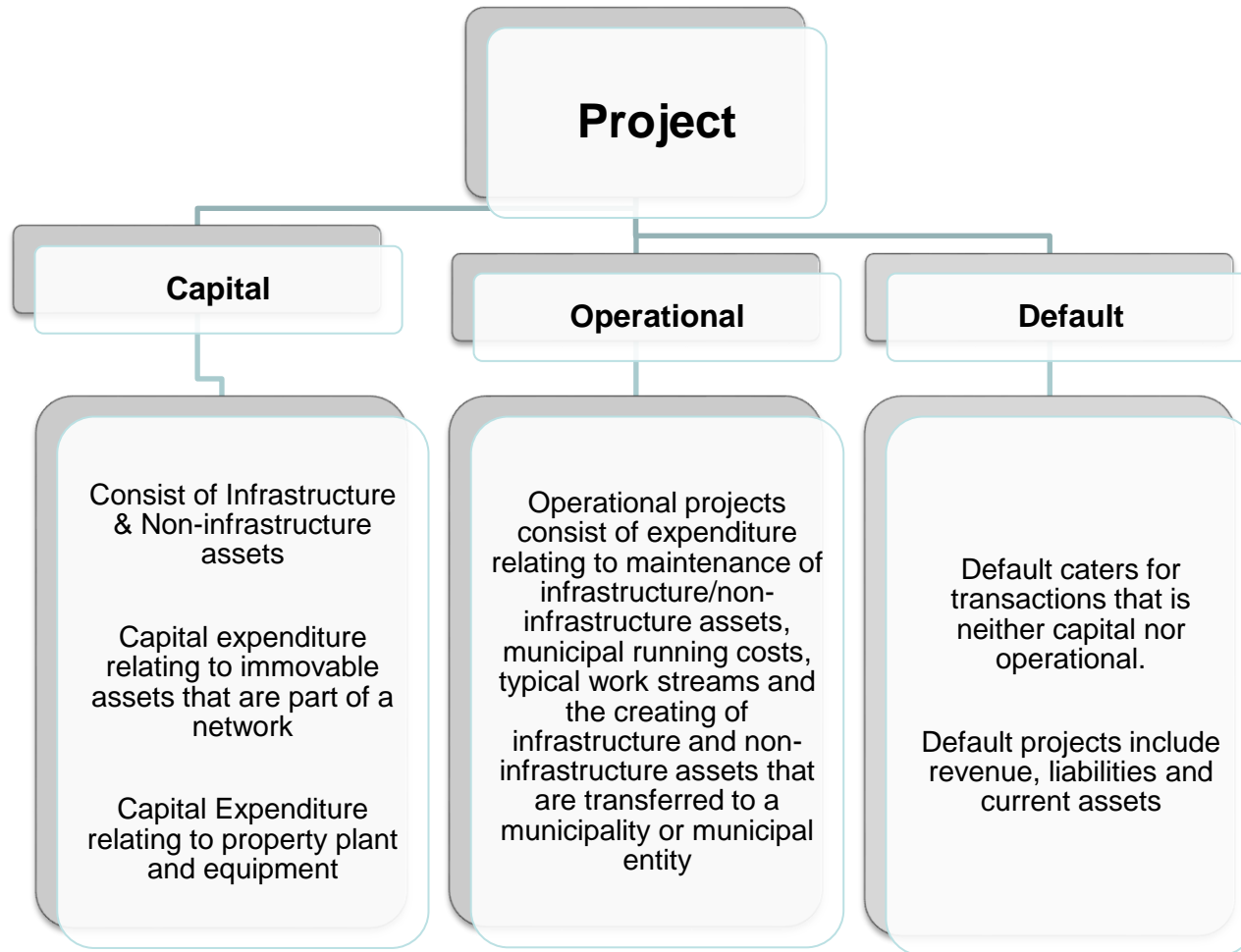
national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Purpose of Training

- **mSCOA Chart Understanding – Both Excel and the one on the Database**
 1. mSCOA chart understanding is very essential as you cannot budget and transact if you don't know how to use the chart
 2. To use the chart externally i.e. when you don't have access to the database use the following link: https://lg.treasury.gov.za/ibi_apps/bip/portal/Welcome

The project segment – decision tree



Project segment – exercise 1

Using the mSCOA tables, identify the classification for the project segment for each of the transactions:

- A project named Construction of new water reservoir called “Municipal Reservoir” for R 1.2m has been approved in terms of the municipal IDP
- Revenue from the sale of electricity to households in urban areas to the value of R 1.5m
- Expenditure of R 20 000 for water usage related to technical services office building
- Purchase of new municipal grader to the value of R 400 000

Project segment – solution exercise 1

- A project named Construction of new water reservoir called Municipal Reservoir for R 1,2m has been approved in terms of the municipal IDP
 - Capital: Infrastructure – New – Water Supply Infrastructure – Reservoirs (1)
- Revenue from the sale of electricity to households in urban areas to the value of R 1.5m
 - Default transactions – Revenue (2)
- Payment of R 20 000 for water usage related to technical services office building
 - Operational: Municipal Running Costs (3)
- Purchase of new municipal grader to the value of R 400 000
 - Capital: Non-infrastructure - New: Machinery and Equipment (4)

Function segment (2)

- Classifies the transaction according to function or service delivery objective, provides for the standardisation of function or service delivery objective and identifies core and non-core functions
- This does not replicate the current vote structure, but indicate what function is being performed

Community and Social Services	Other
Energy Sources	Planning and Development
Environmental Protection	Public Safety
Executive and Council	Road Transport
Finance and Administration	Sport and Recreation
Health	Waste Management
Housing	Waste Water Management
Internal Audit	Water Management

Function segment – exercise 1

- A local municipality plans to upgrade the facilities on one of its aged care facilities
- The district municipality is budgeting for emergency fire fighters in case of an outbreak of veld fires during the winter season.
- The municipality is budgeting for a project manager to manage roads infrastructure projects – Determine what type of Infrastructure

Function segment – solution to exercise 1

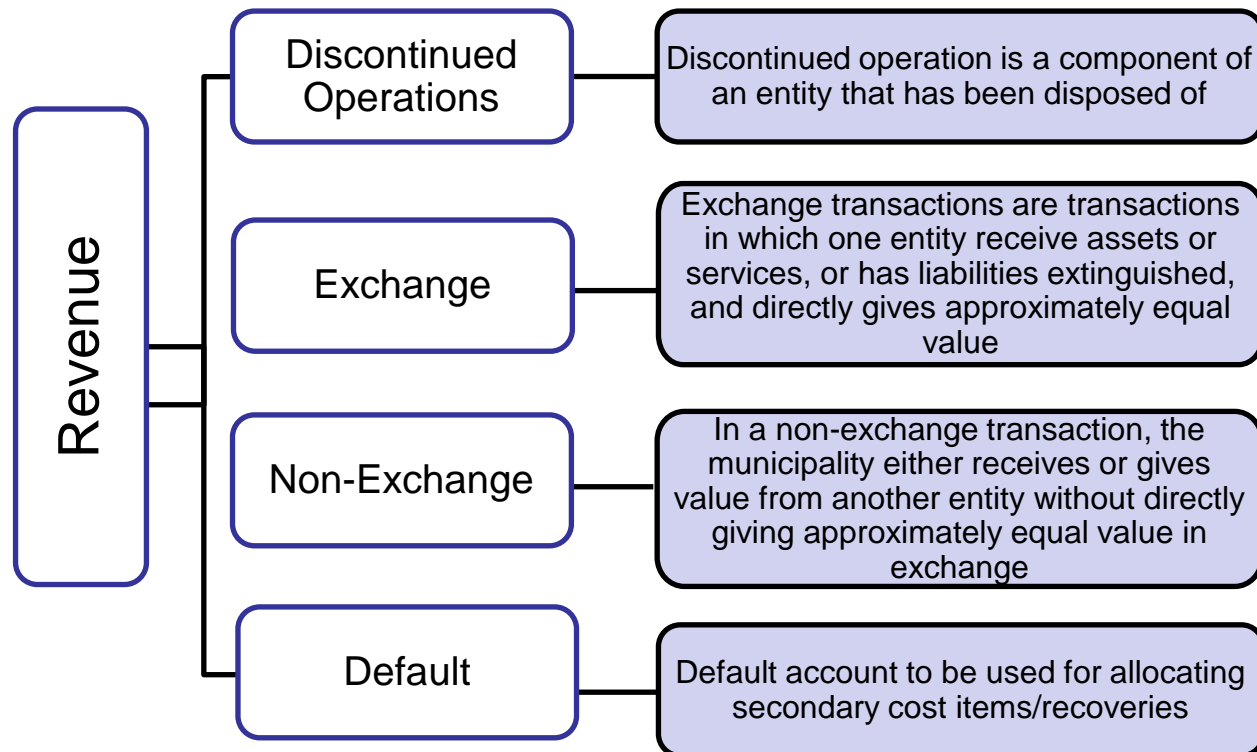
- A local municipality plans to upgrade the facilities on one of its own Aged Care Facilities
 - Community and Social Services: Core Function – Aged Care (5)
- The district municipality is budgeting for emergency fire fighters in case of an outbreak of veld fires during the winter season.
 - Public Safety – Core Function: Fire Fighting and Protection (6)
- The municipality is budgeting for a project manager to manage infrastructure projects – Determine what type of Infrastructure
 - Road Transport: Core Function – Roads (7)

Item segment (3)

The “Item” can relate to any of the following according to the nature of the transaction:

- Revenue
- Expenditure
- Gains & losses
- Asset
- Liability
- Net Asset

Revenue Segment



Item segment – revenue: exercise 1

- In the City of Cape Town , Mrs. Cole receives R100 from Mr. Xang in respect to sale of tender documents. Mrs Cole prepares a receipt to be handed to Mr. Xang
- A Municipality receives the Third tranche of the Equitable share for the 2018/19 financial year to the value of R1 000 000.
- Mr John Howard paid R1 500 on his electricity account, relating to fines on illegal electricity connection to his property
- The municipality receives R 60 000 from the Provincial Tourism Authority as a subsidy for a festival taking place at the end of the month
- The municipality received R 15 000 agency fee / services from the processing of motor vehicle registration documents

How would you **classify the revenue transactions?**

Item segment – revenue: solution to exercise 1

- In the City of Cape Town , Mrs. Cole receives R100 from Mr. Xang in respect to sale of tender documents. Mrs Cole prepares a receipt to be handed to Mr. Xang
 - Exchange Revenue: Sales of Goods and Rendering of Services - Sale of Goods: Publications - Tender Documents (8)
- A Municipality receives the Third tranche of the Equitable share for the 2018/19 financial year to the value of R1 000 000.
 - Non-exchange Revenue: Transfers and Subsidies: Operational: Monetary Allocations :National Revenue Fund: Equitable share
- Mr John Howard paid R1 500 on his electricity account, relating to fines on illegal electricity connection to his property
 - Non-exchange Revenue: Fines, Penalties and Forfeits - Fines: Illegal Connections (9)
- The municipality receives R 60 000 (cash) from the KZN Provincial Tourism Authority as a subsidy for a festival taking place at the end of the month
 - Non-exchange Revenue: Transfers and Subsidies - Operational: Monetary Allocations - Departmental Agencies and Accounts: Provincial Departmental Agencies – [Provincial - KZN] Tourism Authority (10)
- The municipality received R 15 000 from the processing of motor vehicle registration documents – consider if entity is acting as agent or principal (could be exchange if agent)
 - Exchange Revenue: Agency Services –[Provincial – KZN] Provincial Department of Public Works and Roads – Roads Ordinance – Vehicle Registration

Item Segment - Assets

- The Batho Pele Municipality included a Project in their IDP to build a new tarred road in Ward 1 that would be entirely funded by Municipal Infrastructure Grant. The municipality will outsource the construction of the road. The road is expected to be completed in the next financial year at an estimated cost of R1.5 million.
- **Item Asset: Non-current Assets: Construction Work in Progress: Acquisitions: Outsourced**
- Amounts will be extracted using Project segment and IA Construction Work in Progress

Item segment - Expenditure

Expenditure

Bad Debts Written Off

Bulk Purchases

Contracted Services

Depreciation & Amortisation

Employee Related Cost

Interest, Dividends and Rent on Land

Inventory Consumed

Remuneration of Councillors

Operating Leases

Operational Cost

Transfers and Subsidies

Income Tax

Discontinued Operations

Share of Surplus/ Deficit attributable to Associate

Share of Surplus/ Deficit attributable to Joint Venture

Share of Surplus/ Deficit attributable to Minorities

Default

Surplus / Deficit

Item segment expenditure – exercise 1

- ABC Consultants rendered accounting assistance to the municipality during the annual financial statements preparation process. What is the expenditure classification for this transaction?
- Mr Jacobs, a municipal employee, travelled to Johannesburg to attend the IMFO Conference. He incurred flight costs of R 3 000 and car hire of R 500.
- A flood disaster occurred during the month of May, and the municipality purchased food hampers for donation to the affected families costing R 50 000
- Eskom provides 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:

Item segment expenditure – solution exercise 1

- ABC Consultants rendered accounting assistance to the municipality during the annual financial statements preparation process. What is the expenditure classification for this transaction? (Determine if function should have been performed by the municipality)
- If technical/limited assistance (special skills required):
Expenditure: Contracted Services - Consultants and Professional Services: Business and Advisory - Accountants and Auditors {12}
- If function should have been performed by the municipality, but limited resources are available:
Expenditure: Contracted services – Outsourced services – Business and Advisory – Business and financial management (13)
- Mr Jacobs, a municipal employee, travelled to Johannesburg to attend the CIGFARO Conference. He incurred flight costs of R 3 000 and car hire of R 500.
- *Flight costs*: Expenditure: Operational Cost - Travel and Subsistence: Domestic - Transport with Operator: Public Transport - Air Transport (14)
- *Car Hire*: Expenditure: Operational Cost - Travel and Subsistence: Domestic - Transport without Operator: Car Rental (15)

- Eskom provides 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
 - Operational: Revenue: General Revenue: Equitable Share
- Please note we have realized that the validation rule does not allow and will thus be amended to allow for Municipalities to transact against these lines.

Item segment expenditure – solution exercise 1 (continue)

- A flood disaster occurred during the month of May, and the municipality purchased food hampers for donation to the affected families costing R 50 000
- Expenditure: Transfers and Subsidies - Operational: Allocations In-kind - Households: Social Assistance - Poverty Relief / social Relief (16)

Item segment liabilities

- Liabilities - Present obligation of the municipality arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits or service potential
- A liability shall be classified as current when it satisfies any of the following criteria: it is expected to be settled in the entity's normal operating cycle:
 - it is held primarily for the purpose of being traded;
 - it is due to be settled within twelve months after the reporting date; or
 - it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date
- All other liabilities shall be classified as non-current

Item segment - gains and losses (1)

Gains

- Gains represent other items that meet the definition of revenue and may, or may not arise in the course of the operating activities of the municipality.
- Gains represent an increases in economic benefit or service potential.

Losses

- Losses represent other items that meet the definition of expenses and may, or may not, arise in the course of the operating activities of the entity.
- Losses represent a decrease in economic benefits or service potential

Item segment - gains and losses (2)

Gains & Losses

Discontin
ued
Operatio
ns and
Disposal
s of Non-
current
Assets

Dispos
al of
Fixed
and
Intangi
ble
Assets

Fair
Value
Adjustm
ent

Foreig
n
Excha
nge

Impairm
ent
Loss

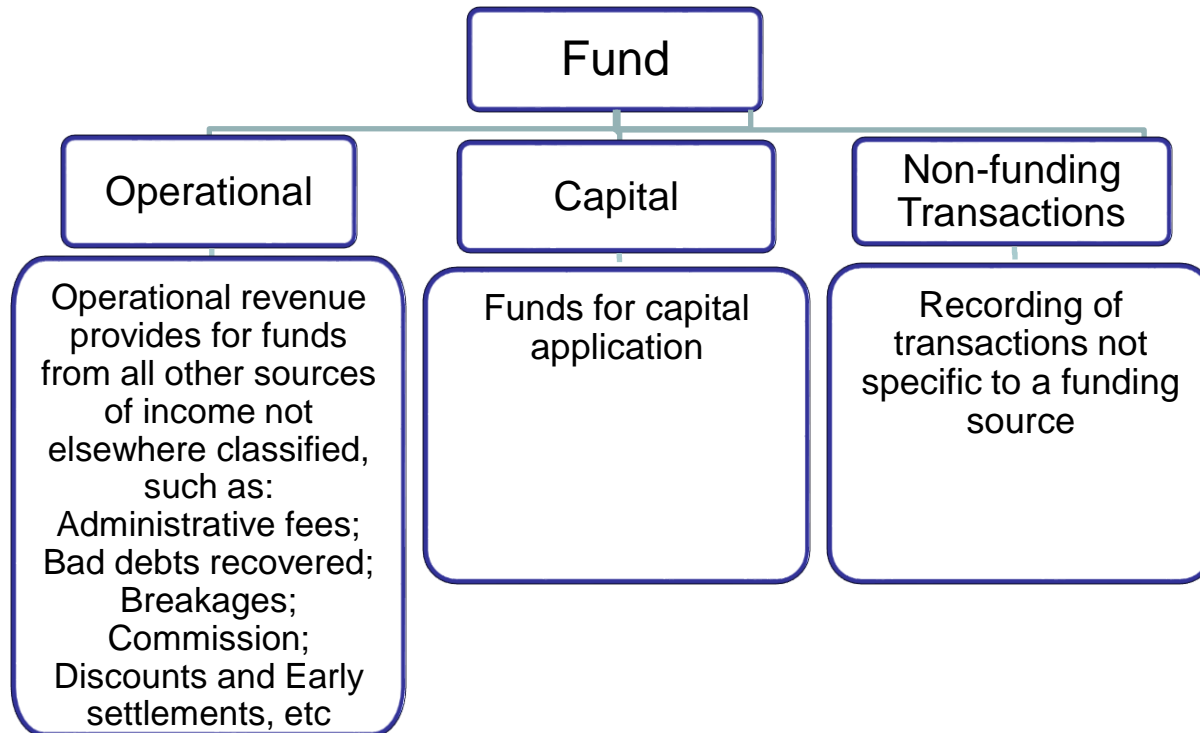
Reversa
l of
Impairm
ent Loss

Invento
ry

Water
Losses

Fund Segment (1)

- Identifies the various sources of funding to finance both capital and operational expenditure
- Used to determine the source of funding against which a payment is allocated and the source of revenue against which income is received



Fund Segment (2)

- The use of FUND in Funding segment is key. Non-funding transactions are NOT considered.
- The municipality must not use non-funding segment on Balance sheet items as the information will not pull through on the cash flow and Grants.
- When representing the figures in our reports, both the capital and operational portions are consolidated.
- Item Expenditure and Item Asset (work-in-progress) are considered.

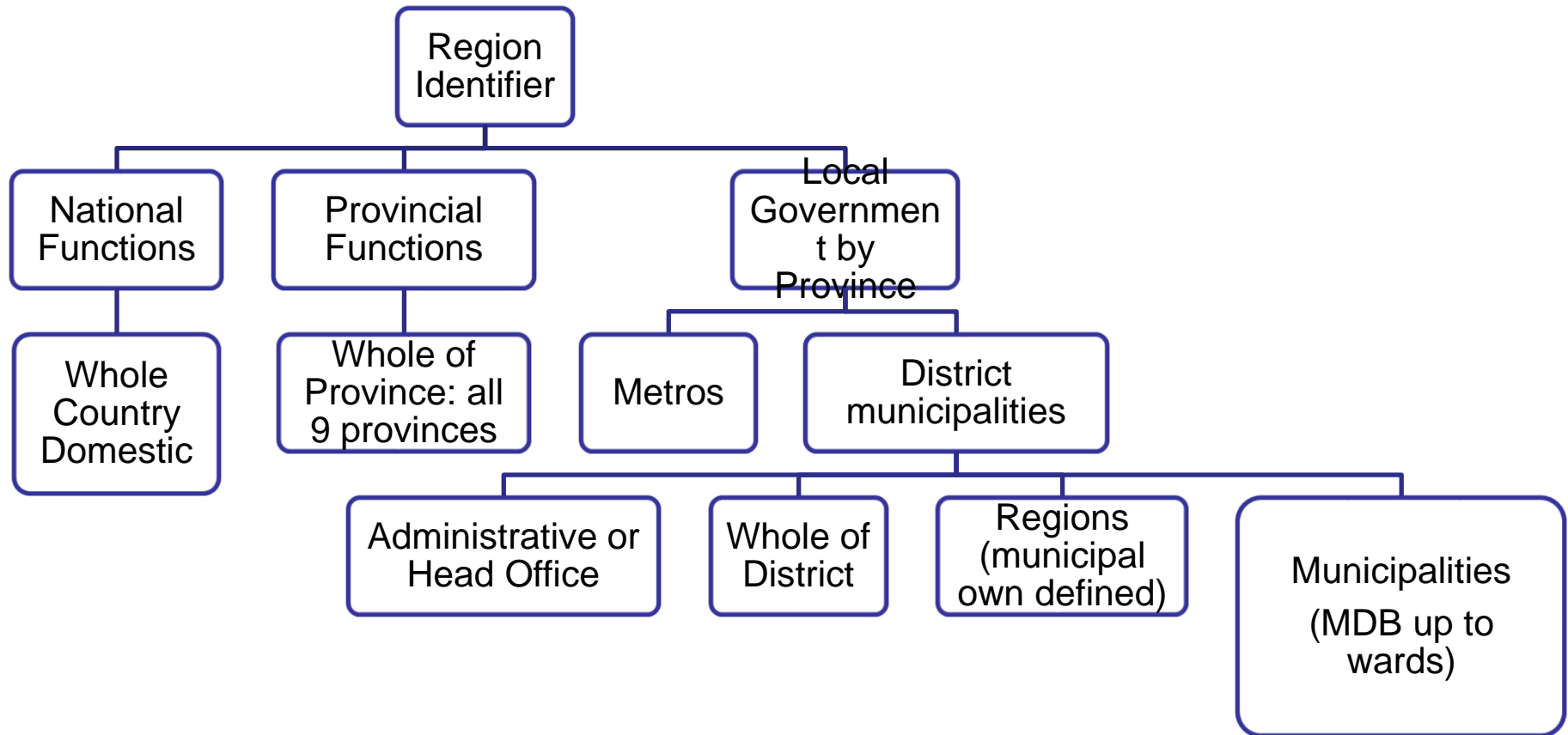
Fund segment – exercise 1

- Project: Repair two potholes – funding source is property rates
- Upgrade of Sport Stadium – Funding source is Municipal Infrastructure Grant
- Road maintenance – Funding source is property rates
- Community hall building maintenance – funding source is equitable share

Fund segment – solution to exercise 1

- Project WC P101 Repair two potholes – funding source is property rates
 - Operational: Revenue: General Revenue: Taxes - Property Rates: Levies (17)
- Upgrade of Sport Stadium – Funding source is Municipal Infrastructure Grant
 - Capital: Transfers and Subsidies: Monetary Allocations: National Government: Municipal Infrastructure Grant [Schedule 5B] (18)
- Road maintenance – Funding source is property rates
 - Operational: Revenue: General Revenue: Taxes - Property Rates: Levies (19)
- Community hall building maintenance – funding source is equitable share
 - Operational: Revenue: General Revenue - Equitable Share (20)

Regional segment (1)



Regional Segment (2)

- Look at City of Joburg Regions
 - Look at Ekurhuleni
 - Look at Limpopo Province
-
- Check differences and advice municipalities to submit their regional identifiers in Preparation for GRAP 18 when it becomes effective in the next financial year.

Costing segment (2)

Costing

Charges

Recoveries

Default

Example of A Combination of segments

- The district Municipality enters into a contract to construct VIP toilets for a Local municipality and transfers it at the end of the construction using the MWIG .- also explain how to recognise as well in both the books.

District Books:

- Project: Operational: Infrastructure: New: Sanitation Infrastructure: Toilet facilities
- Function: Waste water management: core function: Public toilets
- Item Expense: Contracted services: Contractors: Sewerage services
- Fund: Operational: Transfers and subsidies: Monetary allocations: National Government: Municipal Water Infrastructure Grant
- Costing: Default
- Regional: Regional Identifier: Local Government by Province: District Municipalities: Municipalities: Ward:

Example of A Combination of segments

Local Municipalities books:

- Project: Capital: Infrastructure: New: Sanitation Infrastructure: Toilet facilities
- Function: Waste water management: core function: Public toilets
- Item Asset: Non-Current Asset: Toilet Facilities: VIP toilets
- Fund: Capital: Transfers and subsidies: Allocations in kind: District Municipality: Municipal Water Infrastructure Grant
- Costing: Default
- Regional: Regional Identifier: Local Government by Province: District Municipalities: Municipalities: Whole of Municipality

THANK YOU



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA