“A prosperous Mpumalanga Western Gateway City for a cohesive developed community”
The primary objective is to achieve an acceptable level of uniformity and quality from the collection of Local Government (Municipality and Municipal Entities) information. This will require a classification framework specific to Local Government.
mSCOA BECAME LAW.....

LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003:
MUNICIPAL REGULATIONS ON STANDARD CHART OF ACCOUNTS

The Minister of Finance has, in terms of section 168 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), and acting with the concurrence of the Minister of Cooperative Governance and Traditional Affairs, made the regulations as set out in the Annexure.

22 APRIL 2014 No. 37577
WHY mSCOA IS LAW?

• 278 different municipal ‘charts of accounts’ (mSCOA)
  • Aggregation of budget and other information extremely difficult with inconsistent use of account labels and definitions across municipalities
• Quality of municipal information is compromised due to lack of uniform classifications for revenue and expenditure items (posting level)
• Lack of consistent information across the IDP, Budget, SDBIP, IYM, AFS and annual report
WHY mSCOA IS LAW cont......

• Compromises monitoring and oversight by Councils, DCoG, treasuries, legislatures and regulators

• Contributing factor to weak audit opinions

• In many instances ownership and management of the ‘chart of account’ resides with the vendors; no ownership by management of the municipality

• COA information not easily obtainable in a useful format
mSCOA IMPLEMENTATION PHASES

• **Phase 1** – Initial research (National Treasury)
  Research conducted October 2009

• **Phase 2** – Stakeholder involvement
  Information sessions and meeting with pilot municipalities

• **Phase 3** – Interaction with specific stakeholders
  Pre-mSCOA Regulations

• **Phase 4** – Change management and piloting (*Current Phase*)
mSCOA FUNCTION SEGMENT

• **Core Functions** - provides for the matters in terms of sections 156 (1) of the Constitution. These are functions performed by local government constitutionally assigned to local government in terms of Part B of Schedule 4 and Part B of Schedule 5.

• **Non-core Function** - refers to the functions performed by local government that are constitutionally assigned to provincial government in terms of section 156(4) of the Constitution. Local Government are compensated for delivering the service on behalf of provincial government and receive management fees from the provincial department.

• **Any activity that is not a core function is a non-core function and is equal to an irregular expenditure.**
mSCOA MUNICIPAL REALITIES

• Organisational restructuring

• Legislation – amendment of council policies

• Regulations on appointment and conditions of employment of senior managers – Sec 4 Staff establishment which warrants an organizational restructuring / re-design.
mSCOA MUNICIPAL REALITIES cont......

- IDP
- Budget
- Three year Budget
- SDBIP
- In-year Reporting
- Monitoring
- Annual Financial Statements
- Annual Report

Standard Chart of Accounts (SCOA)
mSCOA SEGMENTS

“Against which function/sub-function should the transaction be recorded?”

“Against which source of funding should the transaction be allocated?”

“What is being bought or money received for?”

“To which project does the expenditure contribute?”

“To which cost centre does the transaction get allocated?”

“In which region does the service get delivered?”

“Should the cost be reallocated to functions rendering services”

Municipal Standard Classification

Function

Fund

Item

Project

Costing

Regional
DELAYS ON IMPLEMENTATION OF mSCOA FOR VICTOR KHANYE MUNICIPALITY

- **mSCOA nomination**: 2013/09/02
- **Acceptance of mSCOA as pilot**: 2013/10/07
- **mSCOA Council Resolution**: 2014/10/31
- **HOD Finance Meeting**: 2015/01/08
- **Rescinding of mSCOA Council Resolution**: 2015/01/13
- **MOU received**: 2015/01/13
- **MOU sent to Council Attorneys**: 2015/01/29
- **MOU sent to Legal Officer for comments**: 2015/01/13
- **MOU signed**: 2015/02/20

**Timeline:**
- **Acceptance of mSCOA as pilot**: 2013/10/07
- **mSCOA Council Resolution**: 2014/10/31
- **Rescinding of mSCOA Council Resolution**: 2015/01/13
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- **MOU sent to Legal Officer for comments**: 2015/01/13
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- **HOD Finance Meeting**: 2015/01/08
### Victor Khanye Local Municipality mSCOA Rollout

**Overall Status:**
- Holistically, project is on status R – High Risk
- All phases, except WP01, WP02, WP03, WP04 was identified to be a high risk.

**Overall Risks and Issues:**
- HR Payroll activating the project
- IT assessment are required to identify shortcomings
- Billing, assets, inventory, ledger
- Budgets – New format pressure

<table>
<thead>
<tr>
<th>Workstream</th>
<th>Status</th>
<th>Reason for status</th>
<th>Action</th>
<th>Date</th>
<th>Responsible (SP)</th>
<th>Responsible (Municipality)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work Package01 : Commissioning of a Project</td>
<td>G</td>
<td>Steering committee has been commissioned.</td>
<td>- SC requires the buy in from all HOD and MM</td>
<td>March 2015</td>
<td>Hugo van Aarde</td>
<td>BSS Riba</td>
</tr>
</tbody>
</table>
| Work Package03: Standardized Chart of Accounts | A      | Verification in progress | - Income statement  
- Balance sheet  
- Function | December 2015 | Veruscha Wait / Pierre Kruger | Carlo Barnard/ Fanele Maphanga |
| Work Package04: Data Cleansing | A      | Data Cleansing in progress on HR payroll, debtors and vendors/creditors | - Debtors data cleansing  
- Vendors/creditors  
- HR Payroll | May 2015 | Zelda van Eck | Erick Mqwathi/Hilton Sibanyoni/ Carlo Barnard |
| Work Package05: HR / Payroll | A      | HR/Payroll – Setup in progress/payroll runs, training and handholding to be initiated | - Payroll Parallel run 5.6 and V6 for Mar/Apr15 | July 2015 | Eddie van Schalkwyk | Carlo Barnard/ Thoko Mahlangu/ Thabo Mashabela/ Rudi du Toit |

**Legend**
- 0% - not started
- 50% - In Progress
- 100% - Completed
- G – On Schedule (Monitor)
- A – Low to Medium Risk (Regular reviews)
- R - High Risk (Urgent attention)
## Victor Khanye Local Municipality mSCOA Rollout

### Overall Status:
- Holistically, project is on status **R – High Risk**
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### Overall Risks and Issues:
- HR Payroll activating the project
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### Workstream Status

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<tr>
<td>Work Package06: IMS (IDP, SDBIP and budget)</td>
<td>R</td>
<td>Planning - TB restructuring completed, conversion from old format to project format has been initiated.</td>
<td>- Completion of new budget formats</td>
<td>August 2015</td>
<td>Veruscha Wait / Gansen Naidoo</td>
<td>Vusi Magqaza/ Fanele Maphamga</td>
</tr>
<tr>
<td>Work Package07.1: Billing</td>
<td>A</td>
<td>Setup in progress, parallel billing run to follow</td>
<td>- Client to provide information on tariffs and type of use</td>
<td>July 2015</td>
<td>Melanie Pretorius</td>
<td>Erick Mqwathi</td>
</tr>
<tr>
<td>Work Package07.2: Ledger/Assets/Inventory/SCM</td>
<td>R</td>
<td>Opening balances for take-on to be finalised. Asset take-on in progress. Inventory take-on not started. SCM setup in progress.</td>
<td>- Import script SCM / assets / inventory and ledger</td>
<td>September 2015</td>
<td>Hugo van Aarde</td>
<td>Carlo Barnard/Mkhosini Madinane/ Hilton Sibanyoni</td>
</tr>
<tr>
<td>Work Package08: Real Estate/Land Use/Grant Management/Risk Management</td>
<td>R</td>
<td>Low Priority</td>
<td>- Pending</td>
<td>June 2015</td>
<td>Zelda van Eck</td>
<td>Joseph Yengwayo/ Jabulani Buthezi/ Doctor Skhosana</td>
</tr>
<tr>
<td>Work Package09: EDMS</td>
<td>A</td>
<td>EDMS is on schedule</td>
<td>Move to EMS platform</td>
<td>June 2015</td>
<td>Chris Moodley</td>
<td>Rudi du Toit</td>
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### Legend
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APPROACH TO IMPLEMENTATION

• As per MFMA Circular 74 pilot municipalities should implement the mSCOA classification framework with the 2015/2016 budget;
• Transactions should be processed in mSCOA from 1 July 2015;
• Late signing of MOU delayed the implementation of mSCOA since April 2014;
• Municipality must catch up with a back log of 10 months;
• Implementation started vigorously in March 2015;
• Indicates that the project plan had to be adjusted accordingly;
• Adjusted date for implementation 1 September 2015;
• Re-structure existing votes into mSCOA votes before transacting on 1 July 2015;
• Transactions to be processed to mSCOA votes;
APPORACH TO IMPLEMENTATION (cont)

• 2015/2016 budget to be aligned to mSCOA votes in order to transact;
• Opening balances to be transferred to mSCOA system on 1 September 2015;
• Transactions since 1 July 2015 to be converted into projects;
• Transactions to be processed as accurately into new mSCOA votes to ensure accuracy of reporting;
• Virement Policy should be in place to cater for the transfer or re-allocation of budgeted amounts;
• Interfaces between Sebata Version 6 and:
  • Asset Management System;
  • Caseware (AFS);
Approach to Implementation (Cont.)

Currently
- 6 May 2015

Transact
- 1 Jul 2015

AFS mSCOA
- 30 Jun 2016

AFS mSCOA
- 30 Jun 2017

AFS mSCOA
- 30 Jun 2018

Comparatives
1st mSCOA AFS incl comparatives

Budget approval
- 28 May 2015

Implement
- 1 Sept 2015

Comparatives
CHALLENGES

• Council not properly informed of mSCOA;
• Amalgamation with another municipality;
• Buy-in from other departments;
• Seen as a finance project;
• Upgrade of ICT infrastructure;
• Limited budget;
• Time frames;
• Organisational re-structuring or re-design;
• Existing contracts with external service providers;
• Don’t know where to start with mSCOA or what to do;
WAY FORWARD

• Provide a summarised presentation to Council before tabling an item for adoption;
• Ensure that you are a master on mSCOA before amalgamation;
• mSCOA should be a standing item on MANCO meetings and each HOD should provide feedback on the progress made on SCOA;
• Empower HOD’s and line manners by giving them responsibilities;
• ICT should be upgraded by using the MSIG grant and from the operational budget;
• mSCOA should have been budgeted for as per MFMA Circular 70 and 72;
• Adhere to deadlines as per the project plan;
WAY FORWARD (Cont.)

• Obtain the services of experts to ensure the organisational structure is aligned to mSCOA;
• Before renewal of any existing contracts review what the complete ERP mSCOA system is offering;
• Ask for advise from Pilot Municipalities, System Service Providers, Provincial and National Treasury;
MAJOR RISKS

• There are not service providers that can state they are mSCOA compliant (Refer to par 6.3 in MFMA Circular 75);

• Service providers not indicating the full cost of implementation (beware of hidden costs):
  • Sebata offers a complete ERP solution;
  • A number of service providers does not indicate:
    • They do not offer a complete ERP solution;
    • Their system should be integrated with various other systems;
    • Integration costs with other systems are not provided by the service provider;

• User access and custodian of data in terms of the POPI Act;

• Absence of a mSCOA project team;
CLOSING REMARKS

• mSCOA should be seen in the context of South Africa’s position in the World Markets;

• Accurate reporting will affect:
  • South Africa’s rating as agencies such as Standards & Poor and Moody’s;
  • An increase in the ratings will ensure investor confidence and it will result in positive growth of our economy;
  • This could result in steady interest rates, consumer inflation, petrol prices and many other factors;
  • South Africa’s position at the World Bank;

• mSCOA will ultimately assist with achieving some of the objectives of the National Development Plan;
This is not the end