mSCOA: LOCAL GOVERNMENT ACCOUNTING CYCLE: OVERSIGHT ROLE OF COUNCILLORS

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1. What is mSCOA?

- mSCOA is a Municipal Standard Chart of Accounts
- mSCOA is a multi-dimensional recording and reporting system across seven segments
  - Function or sub-function (GFS votes structure)
  - Item (asset, liability, revenue, expenditure, etcetera)
  - Funding source (rates, services charges, grants, loans, etcetera)
  - Project (capital, operating, repair & maintenance, programme, etcetera)
  - Costing (activity based recoveries, internal billing & departmental charges)
  - Regional indicator (jurisdictional area, town, suburb, ward, etcetera)
  - Municipal Standard Classification (own cost centres votes structure)
- mSCOA is regulated through the mSCOA Regulations
- mSCOA is compulsory as from 1 July 2017
2. mSCOA Circular 1

- What mSCOA is.
- Benefits of mSCOA.
- Who must implement mSCOA (all municipalities)
- How to implement mSCOA
  - Piloting municipalities (19 local, 2 district and 8 metropolitan municipalities over 2015/2016 and 2016/2017 financial years)
  - Non-piloting municipalities (remaining municipalities as from the 2017/2018 financial year)
  - Submission of mSCOA Project Plan to the Treasuries and to the Municipal Council
  - Funding the implementation of mSCOA (Software systems developmental costs to be borne by service providers. Equitable share, MSIG and FMG may be used for implementation purposes)
- How to get familiar with mSCOA (visit NT website)

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3. mSCOA Circular 2

- mSCOA reading material
- mSCOA training / skills programme
- Structuring the municipality’s mSCOA Project Plan
  - Piloting and non-piloting municipalities
  - Submission of mSCOA Project Plan to NT & PT & Council
- mSCOA project work streams
  - Technical (mSCOA runs on SQL database and a municipality’s financial system needs to be compatible)
  - Pilot and vendor management (ICT compatibility requirements, implementation risks, etcetera)
  - LG database development and reporting (NT develop LG database. Municipality’s financial system reports must integrate with NT’s LG database)
  - Transition and change management (Well informed administration to avoid change resistance)
  - Training (Understanding mSCOA. Implementing mSCOA Regulations)
4. Lessons Learnt

- Need to table mSCOA Regulations at Council
- Need to table mSCOA Project Plan at Council
- Need to have mSCOA Project Implementation and ITC Risk Register in place (no or late billing will lead to no payments and cash flow problems, no orders through SCM system will lead to no service delivery, non-compatible mSCOA payroll system will lead to payment of salaries out of time, etcetera)
- Current financial systems SCOA but not mSCOA compliant. Although system vendors are developing their financial systems mSCOA compliant, it still needs to be implemented.
- Need to appoint in-house mSCOA champion otherwise will lead to a lack of direction
- Need to appoint mSCOA Steering Committee and Project Management Team
- Need to establish mSCOA Project Management Office
- Deal with resistance to change (change management)
- Need to engage with provincial mSCOA forums otherwise will lead to a lack of common understanding
5. Oversight Role of Councillors

- **Council** must take note of the promulgated mSCOA Regulations and of the mSCOA Project Implementation Plan and avail sufficient resources for the implementation of the project.
- **Executive Mayor** must provide political guidance over the fiscal and financial affairs, budget process and priorities of the municipality (mSCOA is a serious budget reform issue).
- **Executive Mayor** must monitor and oversee the Municipal Manager and Chief Financial Officer in exercising their responsibilities in terms of the MFMA (MFMA legislation directs the mSCOA Regulations).
- **Executive Mayor** needs to oversee the implementation of the mSCOA Project Implementation Plan and the related Risks Register.
- **Executive Mayor** needs to oversee and ensure that the current financial system becomes mSCOA compliant, that an in-house mSCOA Champion is appointed by the Municipal Manager, that the mSCOA Steering Committee and Project Management Team is in place, that a mSCOA Project Management Office has been established by the Municipal Manager.
- In the case of an Executive Mayoral Committee the **MMC of Finance** should assist the Executive Mayor in fulfilling his / her oversight role.
- When ever there is any reference to an **Executive Mayor** the same will apply to a Council with an Executive Committee system and a **Mayor** as chairperson of the **Executive Committee**.
QUESTIONS