
Your Ref:

Our Ref:

Enquiries: KN Dolphin

Date: 3 June 2015

The Deputy Director General
National Treasury
Private Bag X 1115
Pretoria
0001

ATTENTION: YASMIN COOVADIA

BUILT ENVIRONMENT PERFORMANCE PLAN (BEPP) 2015/2016

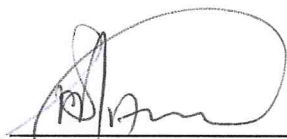
Please note that the above-mentioned BEPP was submitted and approved by the Mayoral Committee on 29 May 2015.

The BEPP will be submitted, together with the IDP and the Budget to Council on 25 June 2015 for approval.

The reason why the BEPP, IDP and Budget has thus far not been approved by Council is because of the fact that the mSCOA implementation process has made sticking to the approved IDP/Budget Process Plan impossible. We therefore had to submit a submission to Council on 28 April 2015 in order to gain approval to deviate from the approved IDP/Budget Process Plan. (A copy of the submission to Council is attached hereto as **Appendix A** and a copy of the execution letter is attached hereto as **Appendix B**).

I trust you will find the above-mentioned in order.

Kind regards



S MAZIBUKO
CITY MANAGER



**THE SPEAKER (COUNCIL ITEM)
MANGAUNG METROPOLITAN MUNICIPALITY**

PROGRESS REPORT ON THE IMPLEMENTATION OF THE STANDARD CHART OF ACCOUNTS (SCOA)

PURPOSE

The purpose of the submission is to inform the Executive Mayor of the pending inability of the Metro to submit the draft MTREF 2015/16 - 2017/18 budgets for tabling to Council on 26 March 2015, as per the approved IDP/Budget Process Plan.

BACKGROUND

The Executive Mayor tabled a report for noting in Council on item 4.15 (27 June 2014 - Volume 3 pages 566 - 585), informing Council about the Municipal Regulations on Standard Chart of Accounts (SCOA). The report furthermore mandated the Accounting Officer and Chief Financial Officer to develop the SCOA implementation plan to ensure that municipality will be ready to comply with the regulations on the 1st July 2017.

Subsequent to the Council meeting of the 7th July 2014, the municipality was designated as a pilot site for the SCOA implementation by National Treasury at the SCOA Integrated Consultative Forum (ICF) meeting held on the 1st August 2014. In terms of legislation the SCOA implementation date is set as 1 July 2017. However the designated pilot sites are required to implement the same as of 1 July 2015. We were thus given less than ten months in which to prepare and ready ourselves to implement the same.

A follow-up report titled "Progress Report on the Implementation of the Standard Chart of Accounts (SCOA)" was tabled for noting in Council on 2 December 2014, under item 146. Notice was already given of the possible delay/impact on the approved process plan.

REASONS FOR NON-COMPLIANCE

The main reason for non-compliance to the time-lines other than the situation as highlighted in the Background paragraph above, can be attributed to the following:

(a) Budgetary Options

Following the National Treasury directive that pilot municipalities must prepare and table an mSCOA compliant Budget, we opted to table the budget in the new format, instead of the current format. Preparing an mSCOA compliant budget was based on the following rationale;

1. Avoiding double handling of the budget. That is, preparing the budget in the old format for tabling and doing the same in the mSCOA format after tabling the draft budget. The choice was informed by the difference in the budget platform of the two format and
2. That the prescribed mSCOA chart of accounts then, Version 5.1 was fixed and in terms of our Project Implementation Plan, we will be on track to meet the budget tabling timelines.

(b) mSCOA chart of accounts version changes

Subsequent to the choice option taken above, National Treasury's mSCOA Technical Team , released Version 5.2 of the standard charts of accounts in second week in December 2014. The new release of the standard chart of accounts was a different product from Version 5.1 and it resulted in:

1. The system developer having to re-write and/or redesign the system programme due to the many changes brought about by the newly released version template;
2. This then put the project's activities back by almost two weeks due to the need by the system's vendors to understand the changes and to enable briefing to the municipality's lead consultants.
3. The lead consultants were only able to start with the mapping of the current budget detail/data in January 2015, before embarking on the process of designing the budget structure template.
4. We could thus not start with the process of requesting the budget data input from the user directorates, as the format of the mSCOA compliant template was an unknown factor;
5. The resultant budget structure template was made available to the municipality towards the end of January 2015, which was custom build for the vendor system integration than for the internal municipal use for budgeting;
6. The budget structure template had to be changed to customise it for local use, in the main the standard item descriptions were long and had to be shortened. This exercise had to be manually done for the entire 252 budget cost centres of the municipality, before we could engage with the departments to submit their budget inputs;
7. The Budget Office also needed time to familiarise themselves with the new budget format before distributing the same to the departments and to develop new budget guidelines and
8. Notice was given at the last mSCOA ICF held on the 24-25 February 2015 that a National Treasury will be releasing Version 5.3 of the standard chart of accounts in March, after receiving inputs and representations from municipalities for enhancements.

PROPOSED WAY FORWARD

Based on the developments above, it is evident that we will not be able to make the first round of the MFMA compliance requirements for tabling the draft budget during March. In order not to disrupt the Council's processes of engaging the communities and other stakeholders on the new budget for the MTREF period 2015/16 to 2017/18, management has decided to change its budgeting option. That is, instead of preparing an mSCOA compliant budget for tabling, we will now use the current budgeting format for tabling. We have since established that the other pilot sites, namely Ekurhuleni and Buffalo City Metropolitan Municipalities have since opted to table their draft budget in the current budget format.




RECOMMENDATIONS

It is recommended that:

1. Council should note the delay around readiness of the municipality to prepare an mSCOA compliant budget and the remedial measures taken to ensure compliance;
2. That the tabling date of the Draft Budget for noting be changed from the approved date of the 26 March 2015 to a later date in April 2015;
3. The Accounting Office and the Chief Financial Officer commits themselves to submit an mSCOA compliant budget for final approval in June 2015 provided that no additional changes are made to the mSCOA templates and
4. The National Treasury, Provincial Treasury and the Auditor General be informed about the inability of the municipality to submit the budget according to the approved IDP/Budget Process Plan.

Prepared By: 
E.M. Mohlako (Chief Financial Officer)

2015/3/11
Date

Recommended By: 
S. Mazibuko (Accounting Officer)

2015/03/13
Date

Approved / Not Approved:
T. Manyoni (Executive Mayor)

.....
Date

PROPOSED TIMELINES FOR THE BUDGET PROCESS FOR 2015/16 – mSCOA FORMAT

Schedule Key Deliverable	Start Date	End Date
All Directorates		
Training Workshops for directorates on the new budget structure	16/03/2015	18/03/2015
Submit inputs on operational budget	11/03/2015	20/03/2015
Unbundling of key opex. Elements for mSCOA compliancy		
1. Overtime costs > unbundle into Structured & Unstructured overtime	16/03/2015	20/03/2015
2. Conference & delegation costs > breakdown costs into Travelling & Subsistence costs 23 sub-items	16/03/2015	20/03/2015
3. Repairs & Maintenance cost> breakdown costs into Inventory, Contracted Services, Consultant Fees & Operational Costs.	16/03/2015	20/03/2015
4. Consultant Fees, Contractors & Outsources Service > Unbundle budgets cost category per service types	16/03/2015	20/03/2015
Revise Salary Budget inputs	11/03/2015	17/03/2015
Final Capital Budget submission	11/03/2015	17/03/2015
Table A10: Consolidated Basic Service Deliver Measurements (FBS)	11/03/2015	23/03/2015
Supporting Table SA7: Measureable Performance Objectives	12/03/2015	23/03/2015
Supporting Table SA9: Social, Economic and Demographic Statistics and Assumptions	12/03/2015	23/03/2015
Supporting Table SA24: Summary of Personnel Numbers	12/03/2015	23/03/2015
Submission of Proposed New Policies and Amendments to existing Policies		
Solid Waste and Fleet Management (dependency for all)		
Centralised Fleet Tariffs Guidelines	10/03/2015	12/03/2015
Rental – Internal Vehicles (3 year forecast)	10/03/2015	12/03/2015
Fuel Cost charge (3 year forecast)	10/03/2015	12/03/2015
Revenue Management		
Services Tariffs and Revenue Forecast (3 years forecast)	11/03/2015	18/03/2015
Unbundling of Services Revenue per tariff sources (3 years forecast)		
Services Tariffs Resolution	16/03/2015	18/03/2015
Revenue Foregone (3 year forecast)- (Equitable Share apportionment per service)	11/03/2015	18/03/2015
Grants and Subsidies (3 year forecast)- (Equitable Share apportionment per service)	11/03/2015	18/03/2015
Debtors estimates per Service at year-end (3 year forecast)	11/03/2015	19/03/2015
Table A10: Consolidated Basic Service Deliver Measurements (FBS)	11/03/2015	20/03/2015
Supporting Table SA11: Property Rates Summary	11/03/2015	20/03/2015
Supporting Table SA12(a): Property Rates by category	11/03/2015	20/03/2015
Supporting Table SA12(b): Property Rates by category	11/03/2015	20/03/2015
Supporting Table SA13(a): Services Tariffs by category	11/03/2015	20/03/2015
Supporting Table SA13(b): Services Tariffs by category - Explanatory	11/03/2015	20/03/2015
Supporting Table SA14: Household Bills	11/03/2015	20/03/2015
Asset Management (dependency capital budget)		
Finance Lease Costs (3 year forecast)	11/03/2015	19/03/2015
Finance Lease Capital Redemption (3 year forecast)	11/03/2015	19/03/2015
Finance Lease Projected Loan Balance, Leased Assets at year-end (3 year forecast)	11/03/2015	19/03/2015
Insurance per cost centre (3 year forecast)	11/03/2015	13/03/2015
Depreciation Provision per Cost Centre and Category/Class (3 year forecast)	17/03/2015	20/03/2015
Unbundling of Fixed Assets per Cost Centre (3 year forecast)		
Self Insurance Reserves (3 year forecast)	11/03/2015	20/03/2015
Table - A9: Consolidated Asset Management (3 year forecast)	17/03/2015	20/03/2015
Revaluation Reserve (3 year forecast)	11/03/2015	20/03/2015
Office of the Chief Financial Officer		
Interest on External Loans (3 year forecast)	12/03/2015	18/03/2015
Interest on External Loans - Split per vote (Engineering and Planning)	12/03/2015	18/03/2015
Capital Redemption (3 year forecast)	12/03/2015	18/03/2015
Loans terms and conditions	12/03/2015	18/03/2015
External Loans draw down split (3 year forecast)	12/03/2015	18/03/2015
Financial Accounting and Reporting		
Traffic Fines projections (3 year forecast)	11/03/2015	17/03/2015
Debt Impairment per Service and Traffic Fines (3 year forecast)	11/03/2015	17/03/2015
Interest on Shareholders' Loan (3 year forecast)	11/03/2015	17/03/2015
Shareholders' Loan Redemption (3 year forecast)	11/03/2015	17/03/2015
Interest on Inter-company Account (3 year forecast)	11/03/2015	17/03/2015
Projected Balance - Inter-company Loan Account at year-end (3 year forecast)	11/03/2015	17/03/2015
Projected Balance - Shareholders' Loan Account at year-end (3 year forecast)	11/03/2015	17/03/2015
Agree and confirm inter-company transactions with Centlec	16/03/2015	17/03/2015

Current Portion of Long Term Loans (3 year forecast)	11/03/2015	18/03/2015
Provision for rehabilitation of landfill sites & quarries(3 year forecast)	11/03/2015	19/03/2015
Provision for Defined Benefit Obligations (3 year forecast)	11/03/2015	19/03/2015
Freshco Liability (3 year forecast)	11/03/2015	19/03/2015
Centlec's Budget Submission		
Submission – Opex & Capex Workbook	11/03/2015	19/03/2015
Services Tariffs and Revenue Forecast (3 years forecast)	11/03/2015	19/03/2015
Services Tariffs & other budget related resolution	11/03/2015	19/03/2015
Agree and confirm inter-company transactions with MMM	16/03/2015	18/03/2015
Revenue Foregone (3 year forecast)	11/03/2015	24/03/2015
Submission of Proposed New Policies and Amendments to existing Policies	11/03/2015	24/03/2015
Completed budget pack	11/03/2015	24/03/2015
GENERAL		
Consolidation of inputs & processing the budget pack	24/03/2015	12/04/2015
Prepare Balance Sheet per Cost Centre	08/04/2015	15/04/2015
Budget write-up & review of budget pack	08/04/2015	15/04/2015
Submission of budget pack	16/04/2015	16/04/2015
Tabling of the draft budget	22/04/2015	22/04/2015
Approval of the final budget	4/06/2015	4/06/2015

PROPOSED TIMELINES FOR THE BUDGET PROCESS FOR 2015/16 – CURRENT FORMAT

Schedule Key Deliverable	Start Date	End Date
All Directorates		
Submit inputs on operational budget	11/03/2015	16/03/2015
Revise Salary Budget inputs	11/03/2015	16/03/2015
Final Capital Budget submission	11/03/2015	16/03/2015
Table A10: Consolidated Basic Service Deliver Measurements (FBS)	11/03/2015	18/03/2015
Supporting Table SA7: Measureable Performance Objectives	12/03/2015	19/03/2015
Supporting Table SA9: Social, Economic and Demographic Statistics and Assumptions	12/03/2015	19/03/2015
Supporting Table SA24: Summary of Personnel Numbers	12/03/2015	19/03/2015
Submission of Proposed New Policies and Amendments to existing Policies		
Solid Waste and Fleet Management (dependency for all)		
Centralised Fleet Tariffs Guidelines	10/03/2015	12/03/2015
Rental – Internal Vehicles (3 year forecast)	10/03/2015	12/03/2015
Fuel Cost charge (3 year forecast)	10/03/2015	12/03/2015
Revenue Management		
Services Tariffs and Revenue Forecast (3 years forecast)	11/03/2015	16/03/2015
Services Tariffs Resolution	16/03/2015	17/03/2015
Revenue Foregone (3 year forecast)- (Equitable Share apportionment per service)	11/03/2015	16/03/2015
Grants and Subsidies (3 year forecast)- (Equitable Share apportionment per service)	11/03/2015	16/03/2015
Debtors estimates per Service at year-end (3 year forecast)	11/03/2015	19/03/2015
Table A10: Consolidated Basic Service Deliver Measurements (FBS)	11/03/2015	18/03/2015
Supporting Table SA11: Property Rates Summary	11/03/2015	18/03/2015
Supporting Table SA12(a): Property Rates by category	11/03/2015	18/03/2015
Supporting Table SA12(b): Property Rates by category	11/03/2015	18/03/2015
Supporting Table SA13(a): Services Tariffs by category	11/03/2015	18/03/2015
Supporting Table SA13(b): Services Tariffs by category - Explanatory	11/03/2015	18/03/2015
Supporting Table SA14: Household Bills	11/03/2015	18/03/2015
Asset Management (dependency capital budget)		
Finance Lease Costs (3 year forecast)	11/03/2015	19/03/2015
Finance Lease Capital Redemption (3 year forecast)	11/03/2015	19/03/2015
Finance Lease Projected Loan Balance, Leased Assets at year-end (3 year forecast)	11/03/2015	19/03/2015
Insurance per cost centre (3 year forecast)	11/03/2015	13/03/2015
Depreciation Provision per Cost Centre and Category/Class (3 year forecast)	17/03/2015	20/03/2015
Self Insurance Reserves (3 year forecast)	11/03/2015	20/03/2015
Table - A9: Consolidated Asset Management (3 year forecast)	17/03/2015	20/03/2015
Revaluation Reserve (3 year forecast)	17/03/2015	20/03/2015
Office of the Chief Financial Officer		
Interest on External Loans (3 year forecast)	12/03/2015	18/03/2015
Interest on External Loans - Split per vote (Engineering and Planning)	12/03/2015	18/03/2015
Capital Redemption (3 year forecast)	12/03/2015	18/03/2015
Loans terms and conditions	12/03/2015	18/03/2015
External Loans draw down split (3 year forecast)	12/03/2015	18/03/2015
Financial Accounting and Reporting		
Traffic Fines projections (3 year forecast)	11/03/2015	16/03/2015
Debt Impairment per Service and Traffic Fines (3 year forecast)	11/03/2015	16/03/2015
Interest on Shareholders' Loan (3 year forecast)	11/03/2015	17/03/2015
Shareholders' Loan Redemption (3 year forecast)	11/03/2015	17/03/2015
Interest on Inter-company Account (3 year forecast)	11/03/2015	17/03/2015
Projected Balance - Inter-company Loan Account at year-end (3 year forecast)	11/03/2015	17/03/2015
Projected Balance - Shareholders' Loan Account at year-end (3 year forecast)	11/03/2015	17/03/2015
Agree and confirm inter-company transactions with Centlec	16/03/2015	17/03/2015
Current Portion of Long Term Loans (3 year forecast)	11/03/2015	18/03/2015
Provision for rehabilitation of landfill sites & quarries(3 year forecast)	11/03/2015	19/03/2015
Provision for Defined Benefit Obligations (3 year forecast)	11/03/2015	19/03/2015
Freshco Liability (3 year forecast)	11/03/2015	19/03/2015
Centlec's Budget Submission		
Submission – Opex & Capex Workbook	11/03/2015	19/03/2015
Services Tariffs and Revenue Forecast (3 years forecast)	11/03/2015	19/03/2015
Services Tariffs & other budget related resolution	11/03/2015	19/03/2015
Agree and confirm inter-company transactions with MMM	16/03/2015	17/03/2015
Revenue Foregone (3 year forecast)	11/03/2015	19/03/2015

Submission of Proposed New Policies and Amendments to existing Policies	11/03/2015	20/03/2015
Completed budget pack	11/03/2015	20/03/2015
GENERAL		
Consolidation of inputs & processing the budget pack	24/03/2015	2/04/2015
Budget write-up & review of budget pack	17/03/2015	06/04/2015
Submission of budget pack	07/04/2015	07/04/2015
Tabling of the draft budget	10/04/2015	10/04/2015

Ref: Mr M Mothekhe
Ext: 8095/8543
Date: April 29, 2015

ORDINARY CNL 57A.10 – 28/04/2015

CHIEF FINANCIAL OFFICER

PROGRESS REPORT ON THE IMPLEMENTATION OF THE STANDARD CHART OF ACCOUNTS (SCOA)

Your report refers.

I wish to inform you that the recommendations as set out in the above-mentioned report was considered and approved by the Council on Tuesday, April 28, 2015 as follows, namely:

RESOLVED

- (a) That Council should note the delay around readiness of the Municipality to prepare an mSCOA compliant budget and the remedial measures taken to ensure compliance;
- (b) That the tabling date of the draft budget for noting be changed from the approved date of March 26, 2015 to a later date in April 2015;
- (c) That the Accounting Officer and the Chief Financial Officer commits themselves to submit an mSCOA compliant budget for final approval in June 2015 provided that no additional changes are made to the mSCOA templates and
- (d) That the National Treasury, Provincial Treasury and the Auditor General be informed about the inability of the Municipality to submit the budget according to the approved IDP/Budget Process Plan.

The matter regarding the **PROGRESS REPORT ON THE IMPLEMENTATION OF THE STANDARD CHART OF ACCOUNTS (SCOA)** is therefore conveyed for your urgent attention and execution.



.....

**CITY MANAGER
MS S MAZIBUKO**

30/04/15
.....
DATE

COPIES:

GM: STRATEGIC SUPPORT: OFFICE OF THE CITY MANAGER (MR K DOLPHIN): Copy for information.
MANAGER: COUNCIL SUPPORT (MS X QILO): Copy for information.
MS R MOUERS: Copy for information.

PROGRESS REPORT ON THE IMPLEMENTATION OF THE STANDARD CHART OF ACCOUNTS (SCOA)