

ACTIVITIES TO BE UNDERTAKEN TO MEET THE MUNICIPAL STANDARD CHART OF ACCOUNTS (mSCOA) COMPLIANCE REQUIREMENTS FOR 1 JULY 2017

1. PURPOSE

The purpose of this report is to provide the Audit Committee with a report on the activities to be undertaken to meet the mSCOA compliance requirements for 1 July 2017.

2. AUTHORITY

Buffalo City Metropolitan Municipality Council

3. LEGAL/STATUTORY REQUIREMENTS

- Constitution of the Republic of South Africa, 1996
- The MFMA Municipal Regulation on Standard Chart of Accounts issued under Government Gazette No. 37577 dated 22 April 2014

4. BACKGROUND

The Audit Committee at its meeting held on 27 March 2017 resolved that the mSCOA task team submit a map indicating what has been done and still to be done and the related dates to meet the 1st July 2017 target for the next quarterly report.

5. EXPOSITION OF FACTS

The key compliance requirements for municipalities to achieve by 1 July 2017 are as follows:

- The municipality must be able to transact across all the segments of mSCOA.
- Transactions recorded in sub-systems relating to Billing, Assets, Supply Chain Management and Payroll must be integrated into the core Financial Management System.
- The municipality must submit the 2017/18 budget data string to National Treasury.
- The Integrated Development Plan must be linked to the budget.

The following table indicates activities undertaken to achieve the minimum compliance requirements by 1 July 2017

1. Transacting across all seven segments

Activity	Progress	Completion date
Create vote structure on mSCOA v5.4 and allocate budget across all segments	Complete	30 June 2015
Submit in-year budget and transactions data string to National Treasury	Date string successfully submitted to National Treasury	November 2016
Allocate 2017/18 Draft Budget across all segments	Segments have been reviewed and the budget developed according to Project Based Budgeting principles	31 March 2017
Review GUID code allocation on each segment	The data string has been balanced at a total level to the submitted budget and some corrections made.	30 May 2017

2. Integration of sub-systems

Identification of systems which are impacted by mSCOA	The Functional Assessment Teams identified thirteen systems which are impacted by mSCOA	November 2016
Identification of systems which must integrate by 1 July 2017	The Functional Assessment Teams identified key systems required to be integrated by 1 July 2017	December 2016
Development of key systems to allow integration	Systems vendors have commenced with development and are currently 73% complete. Weekly meetings are held and progress is measured against the Integration Project Plan	30 May 2017
Testing of integration of systems	Testing of some systems has commenced	30 May 2017

3. Submission of data string to National Treasury

Submit test data string and IDP data file to National Treasury	Test data files have been submitted	30 November 2016
Submit 2017/18 Draft budget data string to National Treasury	The data string has been successfully submitted	31 March 2017
Submit 2017/18 final budget data string		30 May 2017

4. Link IDP to budget

Develop budget module to accommodate IDP information	The budget module has been developed to link the IDP to the budget and IDP information has been populated on the budget module.	31 March 2017
Review of IDP information on the budget module to ensure agreement to the IDP		30 May 2017

6. CHALLENGES

The following challenges have been experienced

Challenge	Remedial Action
Development, Integration and implementation of the budget module not complete	<ul style="list-style-type: none"> • Budget officials have been trained on the budget module • The 201718 budget has been populated on the module and the Data String submitted to National Treasury
Procurement of a Full Asset Life-cycle Management System	<ul style="list-style-type: none"> • The responses to the expression of interest are being assessed • An application for the extension of the contract with the existing service provider has been prepared and submitted for approval.
Inadequate/slow IT Network and IT Hardware.	<ul style="list-style-type: none"> • A process to connect sites with the fibre optic network has commenced.

Challenge	Remedial Action
	<p>Offices in the CBD are complete and offices in KWT/Bhisho are currently being connected.</p> <p>Network equipment is currently being installed and tested.</p>
Delays in receiving information on progress of integration of systems	<ul style="list-style-type: none"> • A project schedule and project plan has been received from the Financial Management System service provider • Weekly tele-conferencing calls with service providers has been implemented.
Roll-out of e-procure to departments	<ul style="list-style-type: none"> • Contractual issues to be resolved • Plan for roll-out of e-procure to be developed and implemented • Alternative solutions to be investigated

7. STAFF IMPLICATIONS

There are no staff implications.

8. FINANCIAL IMPLICATIONS

It is anticipated that there will be considerable financial implications related to the technical and administrative resources required. The current and contractual costs associated with all the systems currently employed at BCMM have been identified. The systems which currently do not integrate and which are required to integrate with the financial management system have been identified, however, the costs associated with integrating these systems can only be determined when the relevant system providers have been fully engaged. The Functional Assessment Teams have engaged with System Vendors regarding the cost of additional functionality required to meet mSCOA

requirements, however not all the system vendors have responded. The costs obtained to date are as follows:

Additional functionality	R3 226 660
Implementation and Training	R1 684 163
Integration costs	R1 597 528
Total	R6 508 351

In addition to the above costs BCMM is in the process of procuring a Full Asset Life-Cycle Management System and an Electricity Pre-paid Vending System.

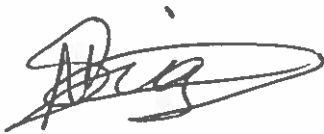
9. PARTIES CONSULTED

mSCOA Task Team

10. RECOMMENDATION

It is recommended that:

10.1 The Audit Committee **CONSIDERS and NOTES** the report.



NTSIKELELO SIGCAU
ACTING CHIEF FINANCIAL OFFICER

mSCOA Task Team