

mSCOA functional and technical compliance requirements

**mSCOA – ICF – Durban
1 -2 December 2014**

Presented by National Treasury: Chief Directorate Local Government Budget Analysis



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

The SCOA Regulation – *Chapter 1*

Object of these Regulations

2. The object of these Regulations is to provide for a **national standard for the uniform recording and classification of municipal budget and financial information at a transaction level** by prescribing a standard chart of accounts for municipalities and municipal entities which—
 - (a) is **aligned** to the **budget formats and accounting standards** prescribed for municipalities and municipal entities and with the standard charts of accounts for **national and provincial government**; and
 - (b) enables **uniform information sets** recorded in terms of national norms and standards across the whole of government for the purposes of national policy coordination and reporting, benchmarking and performance measurement in the local government sphere.

Application of these Regulations

3. These Regulations apply to **all municipalities and municipal entities.**

The SCOA Regulation – *Chapter 2*

CHAPTER 2 ((Continue...)) - STANDARD CHART OF ACCOUNTS FOR MUNICIPALITIES AND MUNICIPAL ENTITIES

- (2) The **financial and business applications or systems** used by a municipality or municipal entity must—
 - (a) provide for the **hosting of the general ledger** structured in accordance with the **classification framework** determined in terms of regulation 4(2);
 - (b) be capable of **accommodating and operating the standard chart of accounts**;
 - (c) provide a **portal allowing for free access**, for information purposes, to the general ledger of the municipality or municipal entity, by any person authorised by the Director-General or the Accounting officer of the municipality.
- (3) Each municipality and municipal entity must have, or have access to, **computer hardware with sufficient capacity to run the software** which complies with the requirements in sub-regulation (2).

The SCOA Regulation – *Chapter 3*

CHAPTER 3 - MINIMUM BUSINESS PROCESS AND SYSTEM REQUIREMENTS

Minimum business process requirements

6. (1) The **Minister** may, by notice in the **Gazette**, determine minimum business process requirements for municipalities and municipal entities to enable implementation of regulations 4 and 5.
- (2) Each municipality and municipal entity **must implement** the minimum business process requirements by the date determined in the notice referred to in sub-regulation (1).

Minimum system requirements

- 7.(1) The **Minister** may, by notice in the **Gazette**, determine the minimum system requirements for municipalities and municipal entities to enable implementation of regulations 4 and 5.
- (2) Each municipality and municipal entity **must implement** the minimum system requirements by the date determined in the notice referred to in sub-regulation

1.

The SCOA Regulation – *Chapter 6 (1)*

CHAPTER 6 - GENERAL

Access by National Treasury

- 14.(1) All municipalities and municipal entities must ensure that—
- (a) the business and financial applications used by them incorporate a **portal** allowing for free **access to their general ledgers** for information purposes to any person authorised by the Director-General ; and
 - (b) such access is provided.
- (2) The accounting officer of a municipality and a municipal entity must ensure that its system providers cooperate with the National Treasury to implement the necessary **programme amendments** to provide the standard of access required by the National Treasury.
- (3) The National Treasury may **use any of the information** to which it has access in terms of this regulation for the purposes of—
- (a) preparing national accounts for the whole of government;
 - (b) development of consolidated accounts for the local government sphere;
 - (c) verifying the correctness of municipal financial and business information;
 - (d) assessment of municipal financial performance and benchmarking; and
 - (e) fulfilling any obligations in terms of legislation.

The SCOA Regulation – *Chapter 6 (3)*

CHAPTER 6 - GENERAL

Short title and commencement

16. These Regulations are called the Standard Chart of Accounts for Local Government Regulations, 2013, and take effect on **1 July 2017**.

What constituents mSCOA compliance

- Embedded in the transactional level across the 7 segments of latest version of SCOA to the minimum regulated transaction levels.
 - Enable the extraction reports from the GL within the core financial application. (core function)
- Minimum statutory reporting requirements such as
 - municipal budgeting reporting;
 - in year reporting;
 - annual financial statement (financial position and financial performance)

What constituents mSCOA compliance

- NT must have free access to data
 - How – IT system dependent – Portal or Cloud
- Posting and non posting design
 - The principle is that once an mSCOA segment is posting level, no further breakdown is allowed
 - Use of GUID – Linked to mSCOA segment description
- The IT system must accommodate 9 segments
 - This will be fixed for 10 years

What constituents mSCOA compliance

- Validation rules to be embedded in system
 - Validation rules to be defined
 - Eg. If the project is infrastructure, and only choose infrastructure related items from mSCOA item segment.
- Main system and third party integration at GL level across all 7 segments
 - Electronic verification at least once a month
 - What constituents 3rd party – Fixed assets register, HR, SCM etc.
- As a minimum the system must accommodate a budget capturing at all 7 mSCOA segments.

mSCOA changes

- The changes will be managed in the following way
 - All updates will be managed via the mSCOA Technical committee.
 - Update to the master chart will be issued via a circular and vendors are expected to update within 48hrs of update; we consider this routine changes e.g. name changes, additions and deletions
 - Any major change i.e. addition and deletion of segments vendors will be provided with 6 months notice. Changes to be effective at the beginning of financi

mSCOA reporting

Code	Segment
C	Costing
F	Fund
FX	Function
IA	Item Segment: Assets, Liabilities and Net Assets
IE	Item Segment: Expenditure
IZ	Item Segment: Gains and Losses
IR	Item Segment: Revenue
P	Project
R	Regional Indicator

mSCOA reporting

- System should be able to draw reports on any combination of the segments and at different levels.
- The reports will be used for populating any statutory or management reporting requirements.
- In the Provincial and National sphere of government this is referred to as sort criteria in terms of segments and totals and subtotals at differing levels.

mSCOA reporting – BAS report

SELECTION CRITERIA : TYPE

DETAIL

-----	-----
FUND	ALL
RESPONSIBILITY	ALL
REGIONAL IDENTIFIER	ALL
OBJECTIVE	ALL
INFRASTRUCTURE	ALL
ASSETS	ALL
PROJECT	ALL
ITEM	ALL

SORT CRITERIA : F R M O S A P I

TOTALS : F0008 O0005 I0002 I0003

mSCOA reporting

- [BAS budget report](#)
- [BAS TB](#)

Questions

