

# Lessons Learned mSCOA Project



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# Background

- From the very outset it must be said that this initiative will have excellent outcomes for financial management in local government;
- Initial discussions and consultations with the National Treasury commenced in 2010/11 period regarding the SCOA framework;
- In August 2012 the National Treasury (TCF) approved uMhlathuze to pilot the **costing** segment of SCOA;
- Focus/Objective was to:

*“The financial modelling initiative includes:*

- Developing costing methodologies for basic services;*
- Developing a tariff modelling tool;*
- Developing costing methodologies to inform capital programmes; and*
- Introducing financial indicators to measure performance.”*

# Background *(Contd.)*

## **Primary Outcome:**

- ✓ Cost Reflective Service Tariffs;
- ✓ Financially correct ring-fenced municipal functions;
- ✓ Improved Strategic Financial Management & Management Accounts

# Background *(Contd.)*

- Project was a success – Incorporating Costing Segment was formalized in 2012/13;
- Invitation letter from Minister of Finance to COU to pilot full classification received and accepted in September 2013;
- Major hurdle initially was one of principle – unfunded mandate!

# Planning process

- Planning commenced in October 2013;
- Mandate to service provider - **project plan with implementation costs only not development;**
- Feb 2014 - Still no funding – but correct observation by the National Treasury – *“Municipality unable to spend its own capex , why then are you asking for assistance”*;
- May 2014 – decision to go ahead after consultation with National Treasury;
- June 2014 – confirmation with service providers of:-
  - Implementation costs;
  - Their capacity with skilled resources;
  - Timeframes.
- Cost approved – Adjustment Budget 2014/15.

# Project plan milestones

- From outset – Both municipality & service provider – agree to abide by strict project methodology – In our case we used Prince 11.
- Defining the risks from both sides.
- Defining the business process and the impact mSCOA will have on such processes.
- Defining the embedded business rule with the current system to ensure related internal control is not negatively impacted on.
- Ensuring business processes and related business rules are documented.
- Ensure both business process's and changes thereto are documented and signed of by responsible business owner, project manager & project owner;

# Project plan milestones *(Contd.)*

- Configuration & some development;
- Service Provider Testing;
- User testing of business rules – “User Acceptance Testing”.
- User training on system.
- Go – live – 7 July 2015;
- Hand Holding – till end Sept 2015.



# Lessons learned

- Overall Unknowns that are difficult to mitigate:
  - Very short space of time (12 months);
  - Unknown system capability – too large to run parallel systems;
  - Not 100% sure of our SCOA classification - interpretation;
  - Change Management – Administrative “buy in”

# Lessons learned *(Contd.)*

- Adhering to Project Timeframes and Milestones;
- Capacity of stakeholders e.g. – service provider will never be up to date with knowledge of local government politics, financial management, legislative prescripts etc. i.e. simply “a no brainer” if municipality is thinking that service provider is responsible;
- Passionate and participating officials – Officials must understand functionality;
- Support from Senior Management;
- Support from National Treasury is critical;
- Monthly Executive Meetings with MM, CFO, Senior Project Team members. Flaw here is that we did not include IA, Technical Services & Chief Risk Officer;

# Lessons learned *(Contd.)*

- Too few “*Expenditure Items*”. COU – Operating Cost Items – 104 compared to equivalent mSCOA - 189 , hence initial budget very difficult. e.g. – *Advertising* 1 for COU – 8 for mSCOA;
- Retention of internal control arising from new business rules and related business processes;
- Change Requests have to be very strictly managed – whether its simple configuration issues or development matters.

# Comparison of Current Municipal Chart to mSCOA

- Producing a working paper for the classification of mSCOA (*Mapping Done in Excel*)
- **Must not be done by service provider – officials have to understand their own chart;**
- Exercise is very empowering and a good opportunity for “clean up”
- Most important Segments :
  - Function/Sub Function
  - Item - Expenditure
  - Item – Revenue
  - Project
  - Costing



# Some Improvements for NT

- Suggested Improvements for NT Going forward:
  - Look at improvement in the mSCOA text document;
  - Look at providing a current chart to mSCOA chart mapping methodology/tool;
  - Look at fast tracking the training on the chart – July 2017 is just around the corner; and
  - Look at a Budget Preparation methodology for first year of mSCOA Implementation

**THANK YOU**

**SIYABONGA**