| **MINUTES** | | | |
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| **SUBJECT / TITLE:** | **Reporting Reference Group Meeting** | | |
| **DATE / TIME:** | 24 August 2018:  09:00 to 15:00 | **LOCATION:** | Budget Council Chamber, 40 Church Square, Pretoria |

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| **ITEM NO.** | **TOPIC** | **LEAD** |
| **1** | * 1. **Opening and Welcoming** | Chairperson  Elsabe Rossouw |
| * The chairperson welcomed all attendees to the meeting and a round of introductions were done; * The chair outlined the agenda for the meeting. The Agenda was approved. | |
| * 1. **Adoption of Minutes of Previous Meeting** | All |
| * The minutes of the previous meeting on 18 May 2018 was adopted; * An attendance register was circulated to be signed by all the attendees. | |
| **2** | **DISCUSSION ITEMS** | |
| * 1. **Snap shot of submissions of data strings per vendor** | Ronnie Page |
| * Ronnie did a presentation on: * stage 1 and stage 2 errors and outstanding submissions per: * per Vendor for 2017/18 data strings: ORGB, M11 and M12 and ORGB, PROR and M01 data strings for the 2018/19 financial year; and * per Provincial treasury for 2018/19 ORGB, PROR and M01 data strings. * upload log status of the *M01 data strings* for *2018/19:* * 152 Municipalities were indicated as having outstanding submissions and 47 Municipalities were indicated as having stage 1 errors; and * summary per province for phase 2 segment usage (correct and errors), phase 1 errors and outstanding submissions. * Data strings may not be resubmitted to replace an error data string and must be corrected in the next open period. | |
| * 1. **Testing of data strings – moving beyond submission compliance** | Ronnie Page |
| * Ronnie did a presentation on: * Segment Use Test Tool for municipalities. An example of Travel and Subsistence (Expenditure:Operational Cost:Travel and Subsistence:Foreign:Daily Allowance) illustrated data analysis that can be done by using this tool; and * The NT Wizard tool that tests transacting across all *m*SCOA Segments was briefly discussed and illustrated by a two (2) dimensional example. * Donovan (WC PT)discussed the information type that is available and the direction the data analysis is moving towards; * Elsabé (NT) instructed the Provincial Treasuries and *m*SCOA advisors to make use of the Wizard tool information prior to visiting a municipality. This will give the guidance and training needs of the municipality before the planned visit. The wizard tool is resource intensive and cannot be used on an ‘as and when’ basis; * Andries (BCX) mentioned his concern that not all project, e.g. certain typical workstreams are Project in the true sense of the *m*SCOA Projects; * Stephan (CQS) mentioned that interrogation of everything will lead to discovery of many discrepancies with no achievement as the result; and * Elsabé (NT) stated that the focus of this quarter is on the Item segment. | |
| * 1. **Feedback on progress on working groups:** * **Dashboard** * **AFS Population Template** | Brain Shepherd  Willem Voigt |
| * + 1. *Dashboard* * Brian (*m*SCOA Advisor) did a presentation with focus on the on the structure of the indicators, implementation, reporting and the progress of the development phase; indicators development and progress presented the reported on the progress made on the dashboard and gave the background on the dashboard: * As part of the background and introduction on the presentation it was mentioned that: * it is linked to In-year reporting; * National Treasury requires that the municipal manager must approve (sign of) the data prior to submission of the data to National Treasury; * the primary objective is to assist the Municipal Manager to upload credible financial data in the prescribed format to the LG Upload portal; * the secondary objective is to ensure that senior management, through financial and performance indicators, is aware of early warning signs of the financial and operational position of the municipality; and * the dashboard will be on a multitier structure that will cater for the use by the Public, Council, senior management, and managers directly involved in service delivery. * The layout and presentation of the indicator: * is not prescribed in the development phase; * the design of the indicator is based on trends and ratios between different financial years; * the dashboard must have a multi-tier structure that will be used by the Public, Council, Senior management, and managers involved in service delivery. * Implementation: The development of indicators will be phased in, based on for (4) categories: * IDP and Budgeting; * Reporting Cycle; * Performance Cycle; and * Publication of Minimum Indicators. * Reporting: * Information must be downloaded from third party systems; * The downloaded data must be updated prior to the upload of *m*SCOA data strings to LG Upload portal; * The financial system must contain the LG Data base validations to validate the data prior submission to into the prescribed schedules for transportation to the LG data base; and * The Municipal Manager must approve the minimum indicators linked to the prescribed schedules prior to the upload to the LG portal. * Brian discussed the progress of the dashboard development with reference to the following: * A working group was established, and meetings were held; * The concept document was compiled and awaiting review; and * Agreement reached on the origin of the data, i.e. to extract from the *m*SCOA chart and to make provision for a default indicator; * The presentation included illustration of various types of graphical reports. * Andries (BCX) mentioned that municipalities cannot be forced to use the tool; * Stephan (CQS) comments on the dashboard were; * Although the objective is to visualise the data being submitted to NT that it should may be a tool the Municipalities also use on a daily basis; * How will the dashboards data be refresh and will it only be refreshed at submission date? * The municipalities already have a lot of ratios that are used as indicators of health. Schedule C, tab SC2, includes already ratios legislated as part of the budget formats. He mentioned that the dashboards should include these; * Users, especially metros, use ratios extensively and it is also important indicators for international stakeholders; * He asked what the purpose of the framework will be; and * The indicators should be led by National Treasuries objectives and measurement criteria to fit into a national structure. * Nadia (Munsoft) raised a concern regarding some municipalities that are doing a manual A-Schedule first and then try to do it via the system. Nadia requested help in this regard from National Treasury and the Provincial Treasuries; * Donovan (WC PT) asked if Ronnie’s presentation can be part of the dashboard. Elsabé (NT) answered that the schedules are obtainable from the system and it is a question of whether it is being used; * Elsabé (NT) asked how it is possible to know if an A-schedule was done on the system. Donovan (WC PT) proposed to make use of A-schedules that are working; * Elsabé (NT) asked the vendors if they can generate sample A-schedules from the system; * Andries (BCX) commented that it could pose a problem if vendors know how to generate A-Schedules from the system in terms of data duplication; * Alwyn (Munsoft) suggested that National Treasury and Provincial Treasuries do spot checks and exclude the vendors from this task; * Christiaan Pieterse (CoCT) remarked that comparison reporting is already available for sorting out the differences on which Elsabé (NT) commented that it does not give information on how the data was prepared; * Stephan (CQS) comment on the above was that ratio and trend analysis must be used and aligned to NT and that *m*SCOA must also focus to help the business of the municipalities. The industry trends are already defined, different trends for different types of municipalities; * Elsabé (NT) commented that C-Schedules have to be taken to council and NT requires that the municipal manager must be accountable and responsible and must know what C-schedule was taken to parliament- if it is the ‘real’ C-Schedule that was taken to parliament; * Elsabé (NT) expanded on the topic of ‘Trends’ and referred to an example. The conclusion is that ‘ratios’ are very general. She cautioned that the specification for the Dashboard must be as common as possible and that must cover as wide range as possible; and * Madenia (CoCT) requested that the framework be sent to her. Brian asked her if she wanted to be a member of the Dashboard group. Madenia agreed to be a member.   + 1. *AFS Population Template* * Willem (NT) did a presentation on the population of the AFS statements on the topics below: * National Treasury formed a work group to deal with the topic as well as with the MBRR; * Materiality framework: Municipalities must assess both the qualitative and the quantitative * National Treasury completed the Statement of Financial Performance / Position, Movement in Asset and Liabilities and Appropriation Statement. * The Cash Flow Statement and the notes are outstanding; * An example of the statement of financial performance and the document of ‘Notes’ to the AFS were shown; * Progress on the AFS development; * MBRR: Discussed the list of proposed amendments on MBRR. The specimen will only be changed when proposed amendments are finalised. Internal consultation will be finalised in the week; * The budget tables and the AFS specimen will use the same wording as in the *m*SCOA chart; * The planned meeting dates and content description for the working group was announced. * Stephan(CQS) had the following comments and questions: * What is the objective of this project? In a previous meeting was mentioned that it will only be used as a tool to assist municipalities, it will be guidance; * Will the OAG and ASB be involved in the project? * On the draft AFS presented he asked how to deal with how to deal with a mSCOA link to AFS when it is *not* material (materiality framework). The ASB indicated that on the Statement of Financial performance entities may not present extra-ordinary items. Only two (2) main sections, Revenue and Expenditure are allowed; * Stephan suggested that on the amendments to schedule A, that bad debts written off and debt impairments should not be the same line item and mentioned that the statement of financial position is not presented as per GRAP 1. * Johanna (Sebata) agreed that that bad debts written off and debt impairments should not be the same line item; * Elsabé (NT) suggested that an additional separate line be added; * In reply to Bronwyn (KZN PT) question on interest that is pulling through differently to the cash-flow, Donovan (WC PT) asked if the ASB was consulted; * Elsabé (NT) replied that the ASB is part of the work group and will going forward be consulted as part of the working group; * N Olifant (EC PT) requested that the OAG be part of the working group; * Willem (NT) responded that meetings with other stakeholders will start within the first two (2) weeks of September 2018; * Elsabé (NT) suggested that this framework forms part of the *m*SCOA chart version 6.3 release; * Willem to circulate the framework to the AFS working group. | |
| * 1. **Status on FAQs and possible chart changes for version 6.3** | Kgomotso Baloyi (NT) |
| * Kgomotso discussed the FAQ process: * Weekly FAQ team meetings are being held; * There are outstanding change requests that was due for release in version 6.2; * The FAQ team worked back on the FAQs starting at the oldest in October 2017 to the recent FAQs; * Change requirements are presented to the technical working group and if required, to the Steering(Technical) committee; * There are several FAQs that requires consultation with the OAG; and * The final meeting draft should be available in the first week of November 2018. | |
| * 1. **Resolving the Cash Flow Challenges** | Elsabé Rossouw (NT) |
| * Elsabé (NT) did a presentation on the Annual reporting periods months 12 to15: * Period 12 is a normal month closure on the 10th working day in July. Verification closes 30 July. Close month 12 and transfer all balances at posting level to period 13; * Period 13 (mSCOA data string; ‘PAUD’) is used for adjustments and journals and closes on 31 August. Transfer all balances at posting level to period 14; * Period 14 (mSCOA data string; ‘AUDA’) is used to do the adjustments, approved by AGSA. The period must be closed after completion of the adjustments. Transfer all balances at posting level to period 15; and * Period 15 (mSCOA data string; ‘RAUD’) is used to do adjustments, approved by Council. Transfer the adjustments into the current year once and close the period when adjustments are completed. * As a result of the big variation in interpretation and practical application of these four (4) periods, no conclusion was made, and National Treasury requested the vendors to submit their understanding of these periods to LGBA. | |
| * 1. **Integration of 3rd party systems** | Donovan Stuurman (WC PT) |
| * Donovan (WC PT) did a presentation on feedback of the survey done at municipalities:   The purpose of the request was to conclude on “planned” activities and *not* “current” activities, questions were wrongly interpreted and incorrectly answered by several municipalities. The survey focused for instance on:   * What systems are the municipalities using across the 15 business processes to be mSCOA compliant? * What is the Implementation Status of the system? * What is the Planned Completion date? * Was Sign-off done on completed implementations?   Some municipalities did not fully apply their minds to the mSCOA solution and third-party integration and not managing it efficiently; and  The Sign-off survey gave very poor results.   * Donovan requested the vendors not to complete the survey document for the municipalities; * He used an example to explain how the document must be completed by selecting the municipality and using the drop-down menus and the related graphs; * Municipalities are not managing the implementation. This report assists the vendors to know the status and enable the vendors to help them where it is needed; * Elsabé (NT) recommended that the Provincial Treasuries and LGBA must complete this report at the municipalities on a three-monthly basis; * B Nqadolo (EC PT) requested more clarity on the completion of the report. | |
| * 1. **General Discussion** | All |
| Munsoft requested NT to consider a testing environment for vendors to test data according to the NT validations. This can prevent unnecessary errors and minimise the time- consuming error handling process. This is important in the light of the fact that in the near future the municipalities will be allowed to submit information only once;Resolutions to issues raised by Vendors at June 2018 meeting were briefly discussed;  * The focus area is on data analysis | |
| 1. **Summary of Resolutions**  * Circulate the dashboard framework for the Vendors to indicate the mSCOA data source from the mSCOA chart; * It was agreed that vendors should not be involved and have knowledge on the system generation of the A-schedules. It is unclear on how to determine if an A-Schedule was system generated and if the municipality gave the council the authentic C-schedule or not. Conducting spot checks at the municipalities by NT and the PT’s was put forward as a resolution; * Circular must be send to Municipalities in November indicating the mandatory indicators that their financial system must produce; * Provide guidance for future encryption of the data strings; * Provide guidance on the challenges raised on rounding off; * Add a separate line in the chart to resolve the problem of one (1) line item for both debt written off and debt impairment; * As a result of the big variation in interpretation and practical application of periods 12 to 15, no consensus was reached. It was decided to establish a working group for further discussions to be able to resolve this issue; * National Treasury requested the vendors to submit their understanding of periods 12 to 15 to LGBA; * Provide guidance on period 15, based on discussion with the AG; * It was decided to select a working group to discuss the possibility of a testing environment for vendors; * ASB is part of the work group and will going forward be consulted as part of the working group; and * NT and PT’s to assist to Munsoft with municipalities that do manual A-Schedules. | Cornéll Botha |
| **3** | **Closure of meeting** | Chairperson |
| • Elsabé thanked all the meeting attendees and closed the meeting officially. | |