

# Minimum compliance and Alignment with MFMA Calendar

Presented by National Treasury – 16 March 2016



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# Compliance

**When:** 1 July 2017

**Responsible for:** Municipal Councils and Boards of Municipal Entities

**Implementation Delegated to:** Chief Financial Officers  
Responsibility cannot be delegated

**NT / PT Roles:** Establishing norms and standards then enforcing it, however this time we became enabling via training, circulars, direct engagements and open door policies.  
**Note:** we are not taking responsibility as it remains with Councils and boards.

**No system can ever be compliant / It may be mSCOA enabling**



# What entails mSCOA Compliancy



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.

may not contain data which is mapped or extrapolated or which otherwise does not reflect transactions recorded or measured by the municipality or municipal entity.

The standard chart of accounts of a municipality or municipal entity-

(a) must contain the segments in the Schedule as required by regulation 4(1);

(b) must accurately record all financial transactions and data in the applicable segment; and

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

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).

**It is important to note that all the above require a data extraction loaded to the LG database portal.**



## Non Compliant

1. Non Submission of the IDP by End November 2016. (Project, Function Region)
2. Non Submission of Budget by end of March (Project, Function, Item, Fund, Region and Costing)
3. Go live on July 2017 full integration to sub-systems.

## Compliant

Data string upload to the portal by due dates and compliant to:

1. No Mapping.
2. Use of all segments.
3. Seamless integration.
4. Integrated budgeting linked directly to IDP and SDBIP.

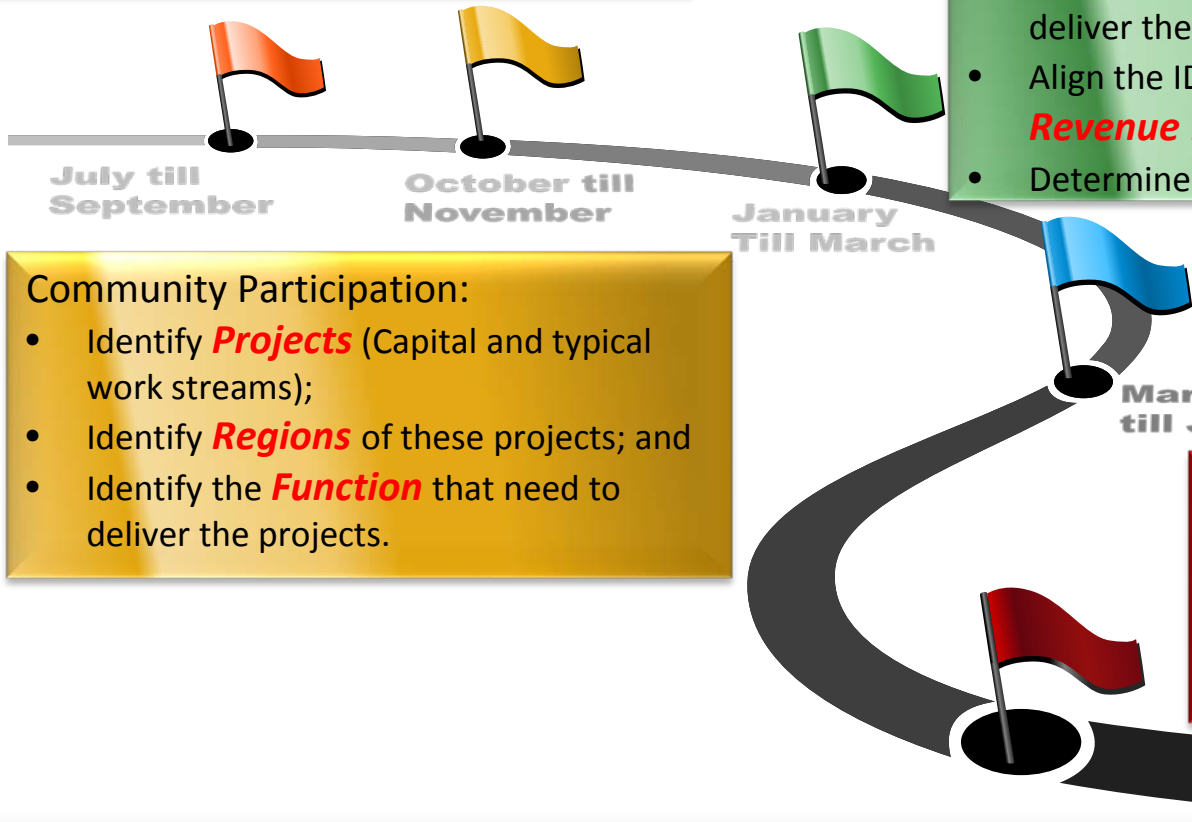
**Version 6 of the Chart must be used to budget.**

# mSCOA Aligned to MFMA Calendar: *The journey to success...*

**IDP process:**  
Needs to begins with in the prescribed period from 3 August 2016.

**Budget process:**

- Populate the Municipal running cost and Maintenance & repair **Projects**;
- **Functions** will need to link the required **Items** to deliver the Projects;
- Align the IDP with available resources (**Funding & Revenue Items**); and
- Determine the **Costing** module and finalize tariffs.



**Community Participation:**

- Identify **Projects** (Capital and typical work streams);
- Identify **Regions** of these projects; and
- Identify the **Function** that need to deliver the projects.

**Finalization of the chart**

- Budget Approval process
- Create SDBIP based on Budget.

**Implementing the new chart of accounts and carry over of the legacy items opening balances. Note restatements for 2018/19 year.**



# IDP aligned to Project

## Capital

### Note:

Region and Function

### Choose

Infrastructure  
or  
Non-Infrastructure

And  
**New** or Renewal

### Identify the Type

Electricity  
Information and Communication  
Rail

#### Road Infrastructure

Sanitation  
Etc....

### Definition:

Roads, Pavements, Bridges and Storm Water as per Version 5.4 divided in Roads Infrastructure and Storm water Infrastructure as per CIDMS in Version 5.5. Projects relating to the renewal of existing road infrastructure assets.

### You will also need to identify the asset type

I.E.:

- Capital Spares
- Road Furniture
- Road Structures
- Roads

## Operational

### Note:

Region and Function

### Choose

- Maintenance
- Municipal Running Cost
- **Typical Work streams**
- Etc..

### Identify the type

The list are exhaustive and contains every thing from Aids Day through to Water saving initiatives. The list cater for community upliftment programs I.E.:  
Capacity Building Training and Development/  
ABET and Life Long Learning Programmes

## Default

### Not Applicable

Default projects are only used for costing transactions and may therefore **not be used as an escape route when planning the IDP**

## Budget Process plan structure



# Budget By Project

## Capital

### Note:

All Segments combined.

## IDP

The IDP lists are extensive and far exceeds available resources. **Functions** should therefore cost the **projects**.

## Identify the Items and Funding

Detailed elements (**Items**) that will make up the project will need to be considered as well as preliminary **funding** sources identified on projects.

## Operational

### Note:

All segments combined.

## Choose

- Maintenance
- Municipal Running Cost
- Typical Work streams
- Etc..

## Budget process:

- Populate the Municipal running cost and Maintenance & repair **Projects**;
- **Functions** will need to link the required **Items** to deliver the Projects;
- Align the IDP with available resources (**Funding & Revenue Items**); and
- Determine the **Costing** module and finalize tariffs.

## Retrofit

As historical budgets were not aligned with the Project driven requirements it will require system solutions to achieve the new to old retrofit.

If Old = AFS and New = AFS  
then Old = New

Taking cognizance of Reclassification

## Cost drivers and Budgeting tools:

- Organogram Budgeting;
- Billing historical trends and new developments;
- Asset maintenance plans;
- Building rentals;
- Fleet costs;
- Loans, bonds and repayments;
- Grants and subsidies;
- Costing allocations;
- Long term forecasting and tariff modelling tools; and
- Etc....

**All require a system solution that build these elements from Project centric approaches while considering historical data.**

“mSCOA project since inception brought system solutions along to ensure functionality.”



# QUESTIONS?



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA