

# Breakaway 2: System Vendors

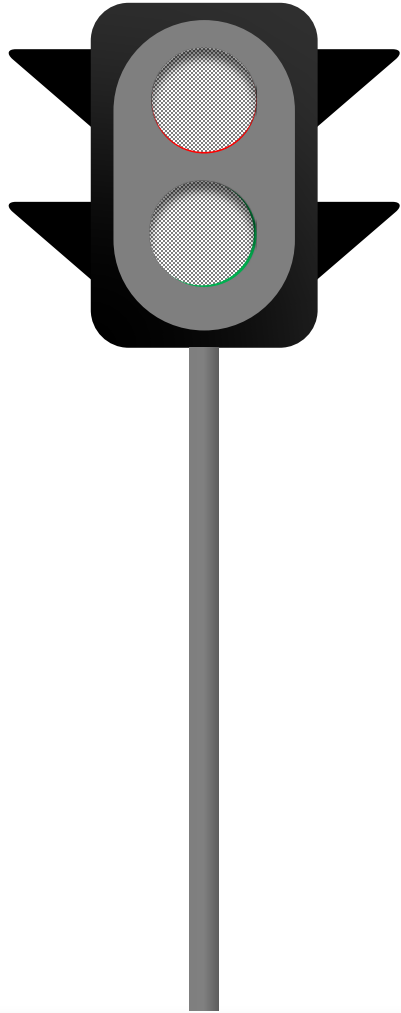
Presented by National Treasury –22 September 2016



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# Compliant and When?



## 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. Correct use of all segments.
3. Seamless integration.
4. Integrated budgeting linked directly to IDP and SDBIP.

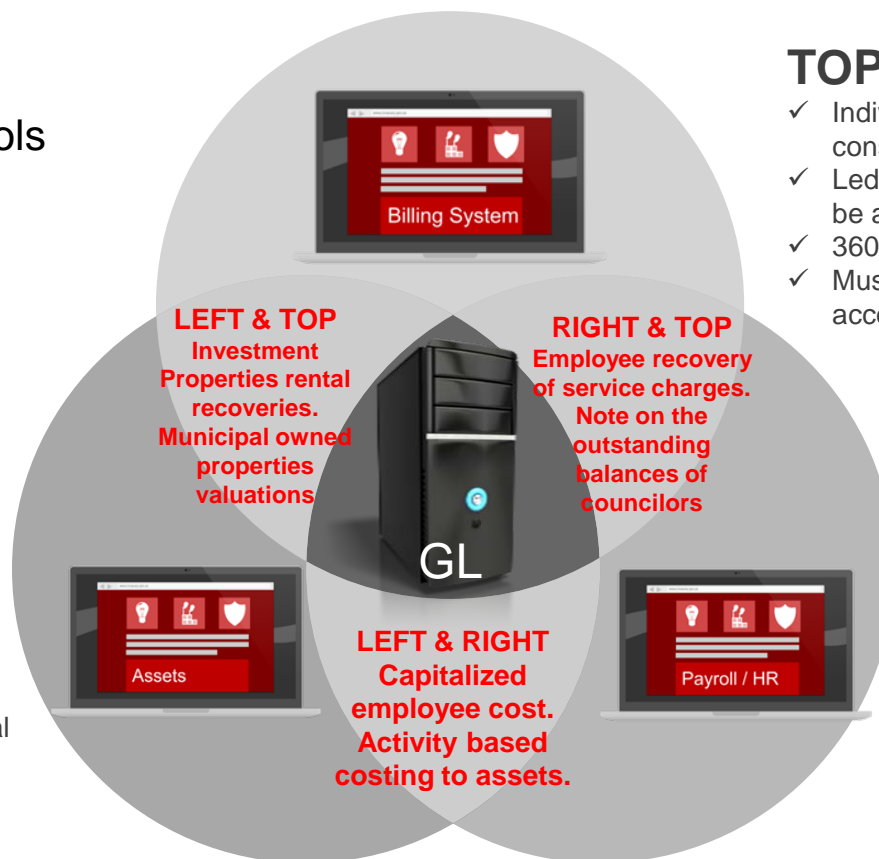
# System Integration – Integrated Systems



Internal or external BI tools may be used to achieve statutory reporting.

## LEFT SPHERE

- ✓ On consolidation level sent **transactions** and Budgets to GL.
- ✓ Seamless link to SCM modules. (**Initiator and closer**)
- ✓ Detail group accounts in GL.
- ✓ Components, GIS, Barcode and technical drawings contained here. (No Technical and financial separation)
- ✓ Life cycle management on assets. (Plan, Build, Use and dispose)



## TOP SPHERE

- ✓ Individual Debtors get consolidated to the ledger.
- ✓ Ledger consolidation must be able to extract audit lists.
- ✓ 360° drill down.
- ✓ Must balance to control account.

## RIGHT SPHERE

- ✓ Consolidated transactions and budget to GL.
- ✓ No control account.
- ✓ Has HR functions like leave and conditions of employment.

# What does this mean in terms of compliancy to integration?



If bespoke and 3<sup>rd</sup> party systems is used test integration on a data level no journals allowed.



Ensure that the sub-systems also interact with each other.



Ensure that GL has ability to drill or query subsystems.



The outcome will result in final publication of minimum system specification.

# What Segments are Required and where do they come from

**Municipal Standard Classification:** MSC is a non regulated segment and will probably still represent the MFMA vote.

**Project:** This segment is to ensure that all projects in the IDP is aligned to budgets.

**Function:** Here we align with the IMF, GFS, Constitution and Municipal Structures act to “Departments and Votes”

**Costing:** The costing segment will grow as maturity levels grow initially a allocation of cost from Administrative functions to Commercial services will suffice.



**Item:** This is the Accountants segment and is informed by GRAP, IFRS and accounting standards. All financial reporting and reconciliations happen in this segment.

**Region:** Communities need to feel and see delivery, Only through planning and physical delivery can this be communicated effectively.

**Fund:** National and Provincial Government are on Modified cash and Local government “Item are on Accrual” Here we align to Payments and receipts and in essence achieve cash flow here.

# What are Required when transacting to Segments

**Municipal Standard Classification:** MSC is a non regulated segment and will probably still represent the MFMA vote.

**Project:** Capital and Operational (Municipal Running Cost, Maintenance and Typical Work Streams

**Function:** Soon to be required segmental reporting require balance sheet transaction. I.E Creditors to bank Function is informed from primary transaction source.

**Costing:** The costing segment will grow as maturity levels grow initially a allocation of cost from Administrative functions to Commercial services will suffice.



**Item:** Important this segment is for financial accounting and should not be broken down to accommodate non financial information I.E. Stationary.

**Region:** Communities need to feel and see delivery, Only through planning and physical delivery can this be communicated effectively.

**Fund:** Receipts and payment in the transactional environment is only for actual Funding transactions. Systems need to handle the fund as a shadow element until occurrence.

**Important design principal: One segment may not duplicate another segments role.**

# What Segments are Required (Assets System Alignment)

## Municipal Standard Classification

**Classification:** MSC is a non regulated segment, it can however also contribute or link to custodians.

**Costing:** Costing only deal with secondary transactions, thus in asset systems this will not be applicable. **Except for capitalization of employee costs**

**Region:** As most assets are linked to GIS co-ordinates this link will be easy to address and should be a full population correction.

**Project:** Work in progress is captured against detailed asset types and needs to be underpinned with proper grant and borrowing registers.

**Function:** In asset speak this is where the user function aligns with custodians. Via Payroll the individual need to be constantly monitored to ensure new and exiting employees hand over assets.

**Item:** Grap 17 alignment for completed assets need to be done retrospectively, Depreciation and impairments all need to link to mSCOA items directly. The requirement is that if I choose an Item Asset line in the chart the asset module must provide an asset listing

**Fund:** Payment certificates need to be kept at the asset level linked to the Fund item. Grap require retrospective alignment so asset registers should be retrospectively adjusted on this segment



Note the escalation of importance MFMA Section 63(2)(a),  
Assets is a subsystem / No Technical vs Financial  
One version of truth.

# What Segments are Required (Debtor System Alignment)

## **Municipal Standard Classification: MSC:**

As departments align here, technical and distribution losses should be measured and investigated in collaboration.

## **Costing:**

Costing only deal with secondary transactions, thus this it will be default.

## **Project:**

As the revenue link to project is managed by the funding, this segment remain default.

## **Function:**

The type of service aligns with Function. Other debtors will require tariffs to achieve the alignment to function. Both should be carried on master data and not only in the consolidation and upload scripts.

## **Item:**

Item Revenue derived from tariffs. Item Assets require both tariffs and Document types. Item Gains and Losses: Provision for bad debt ITO. Grap 104 require calculations in conjunction with region segments.



## **Region:**

This segment is required to monitor and manage the distribution of free basic services and grants to the community. Systems do cater for this and should be implementable. Data cleansing inclusive SG data linkage may be required.

## **Fund:**

The funding segment only contains the receipts and receipt corrections (RD's etc.). Receipt allocation should be done daily as part of the cashier finalization routine to enable cash flow monitoring.



# What Segments are Required (Payroll system alignment)

## Municipal Standard Classification:

MSC is a non regulated segment, However it contains the organogram and therefore critical for the payroll.

## Costing:

As costing is a secondary transaction it will probably not reside in payroll with the exception of Time sheets or ABC costing to Capital projects.

## Project:

On a primary transaction the payroll will be municipal running cost, until timesheets are used and cost is allocated to projects.

## Function:

Some employees may be delivering services across functions on a primary level (I.E Technical services manager in smaller municipalities. VS non-trading departments) This allocation is not to be confused with costing as it is a primary transaction to enable function reporting.

## Item:

IE note the senior management and councillor reporting requirements. IA note the clearing account “not holding account” requirements. Items not immediately paid go to creditors.

## Fund:

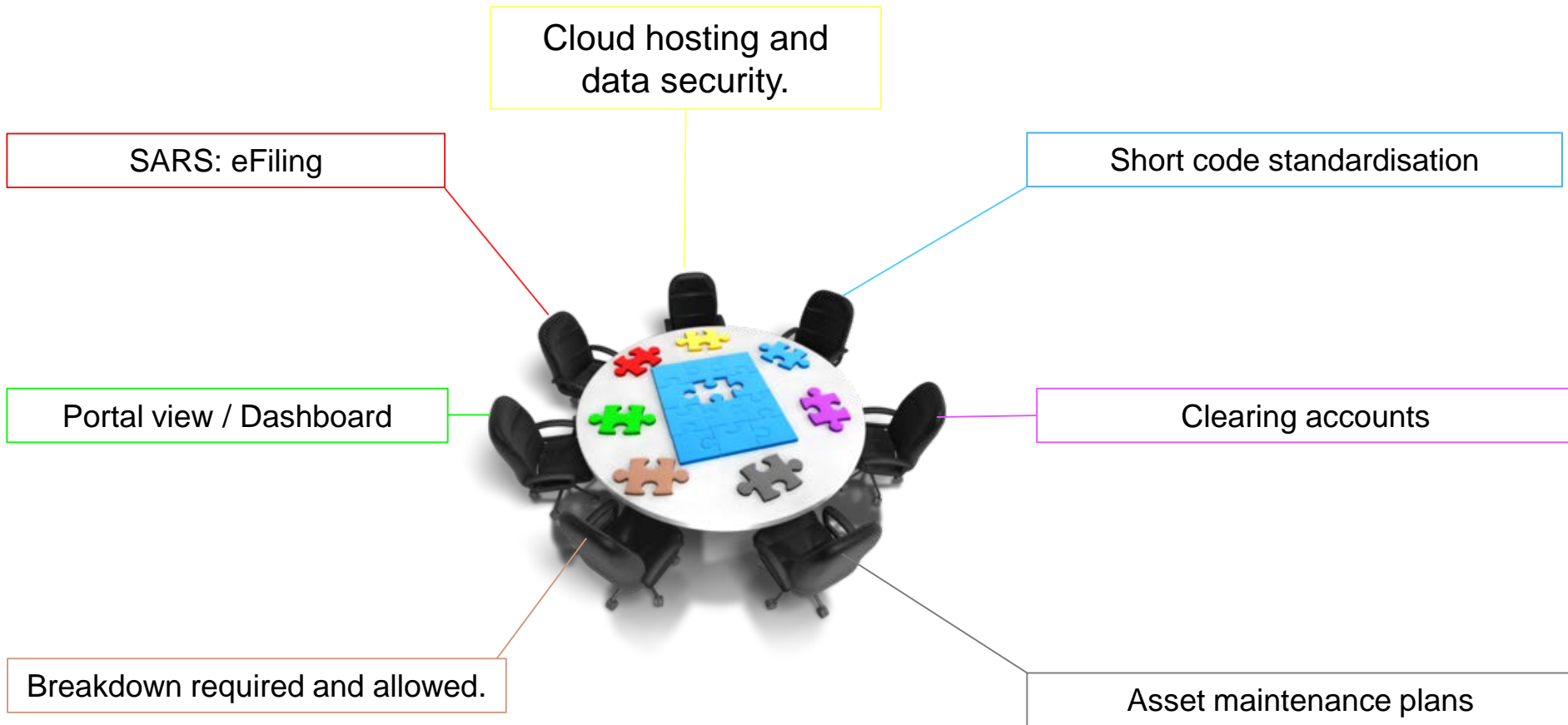
Only on actual payment the funding is to be attached onto the expense, therefore payroll transactions will indicate a “shadow” fund only.



## Region:

Rule of thumb: Administrative and Managerial employees = Administrative or Head Office (Including Satellite Offices)  
Physical Delivery employees = Whole of the Municipality or If deployed to a specific ward then ward.

# Other considerations ( Group discussion)



# QUESTIONS?



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