

mSCOA Workshop: Technical Work Stream

22 September 2016

Breakaway 7 - REPORTING



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Program

Workshop	Content
Breakaway 7	<ul style="list-style-type: none"><li data-bbox="388 332 1039 382">• Position Papers (Continue):<ul style="list-style-type: none"><li data-bbox="484 389 1083 439">• Water Balance Reporting<li data-bbox="484 446 993 496">• Funds and Reserves<li data-bbox="484 504 1244 554">• Exchange versus Non-exchange<li data-bbox="484 561 1406 611">• Reporting (A Schedules and Section 71)<li data-bbox="484 618 716 668">• LGDRS

Water Balance Reporting

Position Paper: Water Balance Reporting

Position Paper: Funds and Reserves

- Background
- The Impact of the Standards Implementation Process on Unbundling Fund and Reserves Accounts utilised under the Fund Accounting Model
- The Problem Statements
- Legislative and Accounting Standards
- Position of mSCOA
- National Treasury Documents to be revised following the Adoption of this Position Paper
- Conclusion
- Recommendation
- Annexure A: Comments and Queries received Informing the Position Paper

Position Paper: Funds and Reserves

- Annexure B: May 2004 – Guidelines for the Implementation of Accounting Standard of Generally Recognised Accounting Practice
- Annexure C: Guidelines for the Implementation of Accounting Standards of Generally Recognised Accounting Practice Issued with MFMA Circular 18 June 2005

Position Paper: Exchange vs Non-exchange

- Background
- The Problem Statement
- Legislative and Accounting Standard
- Position of mSCOA
- National Treasury Documents to be revised
- Conclusion
- Recommendation
- Annexures:
 - A. Comments and Queries Received informing the Problem Statement

Position Paper: Reporting

- Key Design Principles in Setting-up mSCOA Classification Framework:
 - **Central source of data** for local government information to be used by different users, e.g. provincial treasuries, National Treasury, sector departments, STATSA, SARB, NERSA.
 - **Improvement of Data Quality and Integrity** – uniform classification framework with definitions to assist in the understanding of the classification of similar transactions throughout local government.
 - Initiative supported by a **modernised system application** to facilitate the adoption and implementation of the mSCOA Classification Framework.
 - Reporting relates to **internal and external information** requirements for local government in the context of the municipality or municipal entity.
 - Internal to the municipality:
 - *management's needs for information from the systems application for **day-to-running***
 - *vary depending on the **size and complexity** of the municipality/municipal entity*
 - **excluded** from the Position Paper
 - External – wider user group (See Annexure A to the Position Paper for a Comprehensive list):
 - **Municipal Budget and Reporting Regulations**
 - **In-year reporting**
 - **Reporting of audit outcomes**

Position Paper: Reporting (CONTINUE)

- Financial and Non-financial Information
 - Reporting in the context of mSCOA confined to **financial information** and do NOT address non-financial information.
 - Once the financial information stabilised further consideration will be given to non-financial information in improving the **collection and reporting** on these important indicators.
 - The design framework inherent to mSCOA considered the reporting outcomes and envisage **improvements to be made to existing reports**.
 - **mSCOA tables for release subsequent to the technical review** is an important land mark in the project development life cycle.
 - **Locking down the chart**, path the way for **finalising the review, revision and update** of the set of reports for Local Government.
 - The **data imports** will contain sufficient information to extract these reports.
 - By no means the **accountability responsibility** placed on the local government governance structures will be removed.

THE PROBLEM STATEMENT

Problem 1

Requests raised through the training initiatives, practitioners, consultants, professional bodies, etc on the revision of the existing reporting sets to compliment the mSCOA Classification Framework.

Need?

In progress, consultation already commenced. Discussion Paper released for comments.

THE PROBLEM STATEMENT (CONTINUE)

Problem 2

Rational and varying opinions expressed does not necessary align to current thinking at National Treasury.

Uncertainty?

Continuous consultation and engagement with stakeholders and practioners.

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THE PROBLEM STATEMENT (CONTINUE)

Problem 3

More detailed mSCOA information require update of historical information.

Most critical aspect in this dimension of the project life cycle – take-on balances and restatement of comparatives.

Retention of a complete Audit Trail to substantiate the unbundling, regrouping and restatements.

How?

Position Paper: Comparatives, Historical Information and Restatement

THE PROBLEM STATEMENT (CONTINUE)

Problem 4

Regulation of Annual Financial Statements necessary?

Need?

- ❑ Far less than initially anticipated considering that budgeted and actual financial information from reporting entities will be uploaded to the LGDRS providing for *seamless alignment* between budget and actual information for statistical reporting by National Treasury.
- ❑ Management discretion and judgment underpinned in the Standard of GRAP is not compromised as the management and governance structure of the reporting entity has full discretion on presentation and disclosure made in the annual financial statements.

Existing Reports (Submissions) Modernised

Schedule	Description of Report	Frequency
A	Municipal Annual Budget and MTREF Supporting Tables	1 July
SDBIP	Service Delivery and Budget Implementation Plan	1 July
Tabled and Adopted Budget Returns	OSB: Statement of Financial Performance CA: Budgeted Capital Acquisition CFB: Budgeted Cash Flow GSR: Grants and Subsidies Received GSG: Grants and Subsidies Given SP: Strategic Plan with links to Budget AM: Asset Management BS: Budgeted Balance Sheet	Monthly
Schedule D Budget schedule for municipal entities To parent municipality for	Municipal Entity Annual Budget and MTREF Supporting Tables	1 July

Existing Reports (Submissions) Modernised (Continue)

Schedule	Description of Report	Frequency
B	Municipal Adjustment Budget and Supporting Tables	10 working days after approving the adjusted budget
Municipal Entity <ul style="list-style-type: none"> • To Parent Municipality • For Consolidated Budget • To National Treasury 	Adjusted Budget Return OSR – Statement of Financial Performance Revised CAR – Capital Acquisition Revised Budget CFR – Cash Flow Revised Budget BSR – Balance Sheet Revised Budget AMR – Asset Management Revised	
E Budget Schedule Municipal Entity <ul style="list-style-type: none"> • To Parent Municipality • For Consolidated Budget 	Municipal Adjustment Budget and Supporting Tables – Municipal Entities	10 working days after approving the adjusted budget

WHAT IS CONSIDERED TO BE INCLUDED IN REPORTING? (Continue)

Schedule	Description of Report	Frequency
Monthly Reporting	<p>AC: Age Analysis of Creditors</p> <p>AD: Cash Flow Accruals</p> <p>CFA: Cash Flow Actuals</p> <p>CAA: Capital Acquisition Actuals</p> <p>OSA: Statement of Financial Performance Actuals</p> <p>BSAC: Balance Sheet Actuals (this is a snapshot of municipal finances at the end of the month)</p> <p>RME: Repairs and Maintenance Operating Actual (this is a new return similar to the grant returns used and concentrates on any operating expenditure incurred for repairs and maintenance during the month of reporting)</p>	

WHAT IS CONSIDERED TO BE INCLUDED IN REPORTING? (Continue)

Schedule	Description of Report	Frequency
Monthly Reporting Grants:	FMG – Finance Management DRG – Drought Relief MDRG – Municipal Drought Relief EEDG – Energy Efficiency and Demand Site Management INED – Integrated National Electrification Program MIG – Municipal Infrastructure MSIG – Municipal Systems Improvement NDG – Neighbourhood Development Partnership PTIG – Public Transport Infrastructure and Systems RTSG – Rural Transport Service and Infrastructure WSOG – Water Service Operating Subsidy ISDG – Infrastructure Skills Development PWPG – Expanded Public Works Programme Integrated	Monthly

WHAT IS CONSIDERED TO BE INCLUDED IN REPORTING? (Continue)

Schedule	Description of Report	Frequency
Reporting on Audited Figures	OSAA – Statement of Financial Performance CAAA – Capital Acquisition CFAA – Cash Flow Audited BSA – Balance Sheet Audited ACA – Aging Creditor Figures AMA – Asset Management Audited	From 1 December onwards
Reporting on Restated Audited Figures	OSAA – Statement of Financial Performance CAAA – Capital Acquisition CFAA – Cash Flow Audited BSA – Balance Sheet Audited ACA – Aging Creditor Figures ADA – Aging Debtor Figures AMA – Asset Management Audited	Restated figures during preparation of next year's AFS (Period 15)

Proposed Design Principles – Phase 1

- **Minimal changes** in terminology, layout and presentation in existing reports
- Technical Work Group to give consent on the **alignment, potential inconsistencies and “best fits”** that could apply. Proposed to be included in the Project Summary Document for completeness.
- **Challenges in achieving seamless alignment** in reporting (planning – budgeting – in-year reporting and annual financial statements) in the accountability cycle during this transitional phase. **ULTIMATE GOAL**
- mSCOA alignment to existing reports based on **reporting links** to be available in the final release for 2017/18 budgeting with report extraction from the LGDRS.
- **Illustrated financial statements** (potential revision) – seamless alignment between budgeted information – in-year – monthly and annual reporting.
- **Accountability** responsibility of governance structure to be maintained.
- LGDRS is as **statistical system using commonality as base**
- Existing reporting formats need to be available from the system application (preferable) used by the municipality

Proposed Design Principles – Phase 1 (Continue)

- System application need to drive month and year-end procedures.
 - If these procedures did not complete data may not be submitted to the LGDRS
 - Transitional arrangement – provide for resubmissions
 - Complete Annual Financial Statements / Budget Reporting may not necessary be directly extracted from the system application. **End GOAL**
- SARS Returns
 - First workshop held based on Version 5.4 take 1 in January 2016 – indicators added.
 - Second workshop envisage for 3rd week in August 2016 – update of indicators final version.
 - Input draft for the VAT 419 Guide Revision released by SARS.
 - PSD to be drafted to explain the VAT Indicators.
 - Minimum requirements for VAT reports to substantiate returns with layout

Proposed Design Principles – Phase 1 (Continue)

- NERSA Regulatory Reporting Returns
 - PPE and Intangible Assets aligned to CIDMS. (Consent by NERSA)
 - Service Charges revised.
 - Discussion Paper presented to NERSA on various other changes.
 - Design to commence on these reports on a consultation basis with NERSA.
 - Require a revised regulation from NERSA.
- DWS Reporting Requirements
 - PPE and Intangible Assets aligned to CIDMS. (Consent by the Department)
 - Service Charges revised.

Proposed Design Principles – Phase 1 (Continue)

- Exception:
 - During the testing of the envisage reporting position, the pilot municipalities will be subjected to dual reporting.
- Recommended to pilot municipalities and early adopters to **focus on correct classification of transactions** than envisage and design of future reporting.
- Users external to national and provincial Treasuries:
 - SARB, STASTA, COCTA, SARS, AGSA, NERSA, DWS, etc
 - Registered users with limited access to reports.
 - Municipalities are NOT relieved from submitting reporting information to these stakeholders.

Proposed Design Principles – Phase 1 (Continue)

- Period:
- 1 July 2015 / 2016 – pilot site testing
- 1 July 2017 – all municipalities

Proposed Design Principles – Phase 2

- **Revision of reports** defined early to give credit to the extensive detail added in mSCOA.
- **Analytical reports** to be signed for oversight responsibilities.
- The **cumulative effect of the monthly reporting upload with the three additional periods**; 1) final year-end period, 2) pre-audit and 3) audit and restated figures – effectively becomes the official information hosted in the LGDRS.
- If needed changes to be effect coinciding with the release of the **budget circular for 2017/18** of changes to the mSCOA Tables required from finalising the reporting formats.
- AFS prepared as usual by reporting entities.
- LGDRS:
 - **Accountability its governance structures remain**
 - **Oversight and stakeholder information**
 - **Seamless alignment between budget – in-year reporting – AFS**
 - **Enable to extract AFS but will not extract for reporting entities**

Proposed Design Principles – Phase 2 (Continue)

- AFS prepared by management is a distinctive process for general use in the municipalities annual report.
- Achieving of AFS compliant to the Standards of GRAP.
- Retaining comparable, similar detail and comprehensive yet flexible information in the LGDRS.
- **Customised reporting abilities providing for AFS with notes, budget reporting and in-year reporting.**
- **Other Stakeholder reporting to be concluded and reporting requirements communicated.**

Proposed Design Principles – Phase 2 (Continue)

Summary of this Phase:

- **Consultation, comments and more request for comments**
- Reporting formats concluded.
- Process for retaining accountability measures by governance structures concluded.
- Other reporting formats finalised.
- Any changes required in mSCOA Tables made to coincide with the Budget Circular for 2017/18.
- **Proposed Date:**
- 1 July 2019

Summary of Changes and Consideration

A Schedule

Specific Schedules for Discussion

A1 Budget Summary

A9 Asset Reconciliation

SA34 a-d

SA12 a&b Property Rates