



# **mSCOA**

## **City of Johannesburg**

**23 September 2016**

# COJ Group Background

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## ➤ COJ coverage

- spans across 7 regions

## ➤ COJ Structure

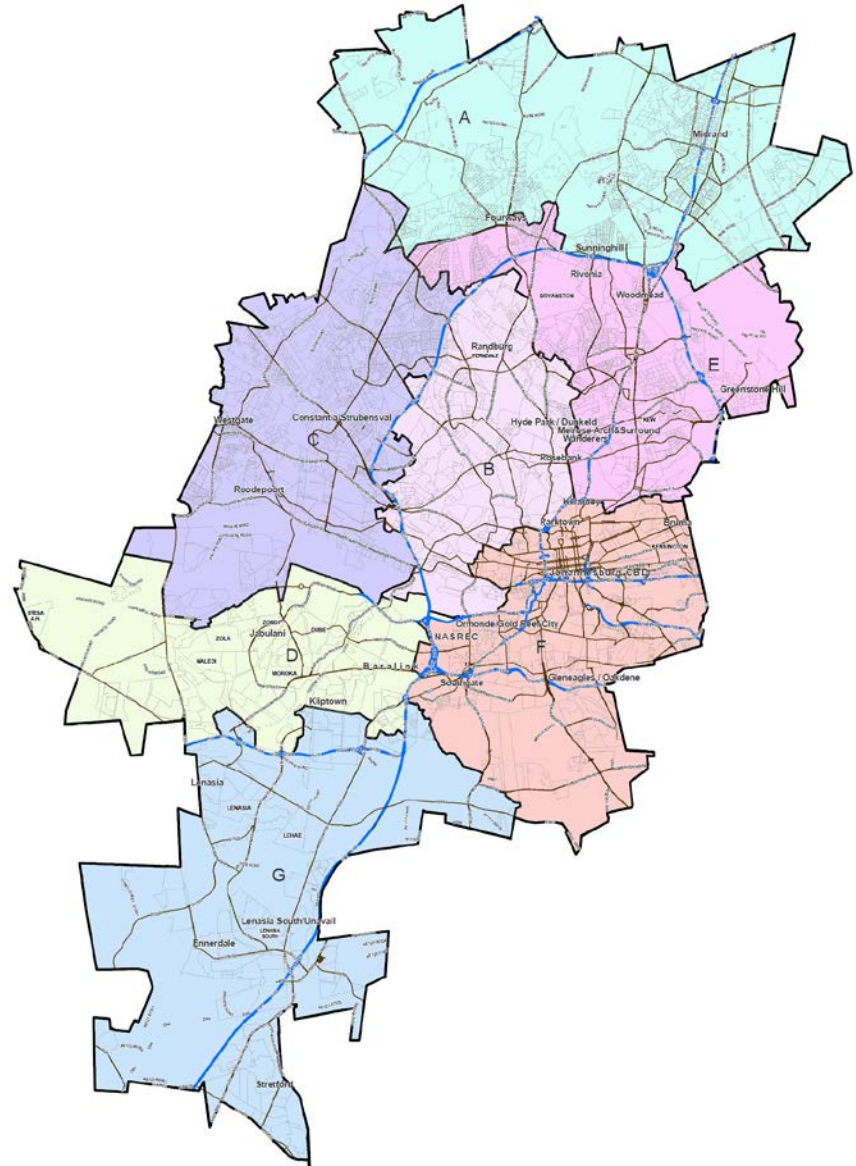
- COJ Core Departments
- COJ Municipal Owned Entities ( 12 )

## ➤ COJ Budget

- R 54,8 Billion  
(2016/2017)

## ➤ COJ Staff

- 30 000 staff



## How is mSCOA going to impact COJ ?

The National Treasury SCOA implementation framework extends to areas beyond just the traditional ERP implementation but also includes prescriptive requirements :

- as to what **business process** should be catered for during the implementation,
- as well as minimum **financial system requirements**.

These requirements all speak to the overall objective of complete, accurate and uniform reporting across all spheres of government.

## Process followed

### 1. Assess as-is environment

Require an in-depth analysis of is broader landscape extending beyond the core administration, including its entities and departments.

The City therefore requires an in-depth assessment for all 12 entities on the following :

- Identifying Financial and Core Business Processes;
- Establishment of a Business Process Landscape;
- Identification of the entities / departments Enterprise Architecture (ICT);
- Identify The Current Chart of Accounts;

### 2. Alignment against mSCOA requirements

### 3. Document the mSCOA Gap

- Identify SCOA gaps and understand the effort and required approach to follow to achieve compliance.

### 4. Recommendation of mSCOA compliance roadmap (infrastructure , systems , processes/policies).

- Best practice approach
- Following the vanilla / template / fit for use approach

- The SCOA in essence comprises the **coding** of items used for **classification, budgeting, recording and reporting** of revenues and expenditures within the accounting system, in order to facilitate the recording of all transactions affecting assets and liabilities.
- To achieve this main objective will require a **classification framework** specific to Local Government incorporating all transaction types, appropriation of funds, spending on service delivery, capital and operating spending, policy.
- This classification framework has been implemented utilising **Segments**.
- Each segment is a dimension of information that National Treasury prescribes to be added when the transaction begins.
- The **7** segments need to be integrated into the underlying integrated systems.





- Assess Business Process Landscape and determine alignment to the minimum SCOA process functional areas
- Financial and Systems Related assessment to determine current state of Technology and alignment to SCOA minimum requirements
- Business and Software Integration assessment to determine current state and alignment to SCOA minimum requirements
- Analyse SCOA Classification Framework (Unpack 7 Segments and determine current GAP and efforts to achieve alignment)

## mSCOA 15 Key Business Processes

All 7 segments will not function alone.

National Treasury has identified and grouped together **15 key business processes** which must be implemented within the systems and integrated transaction processing environment.

The prescribed processes are detailed in nature and therefore development of any **ERP and associated systems (integration)** of internal control should be tailored to meet these requirements.

National Treasury also refers to operating procedures, minimum business process flows, procedures and controls that will be developed for each area.

This business process requirement will create massive operational gap if the existing key process does not currently reside within the core ERP environment.

Eg. Manual Fixed Asset register utilising EXCEL.

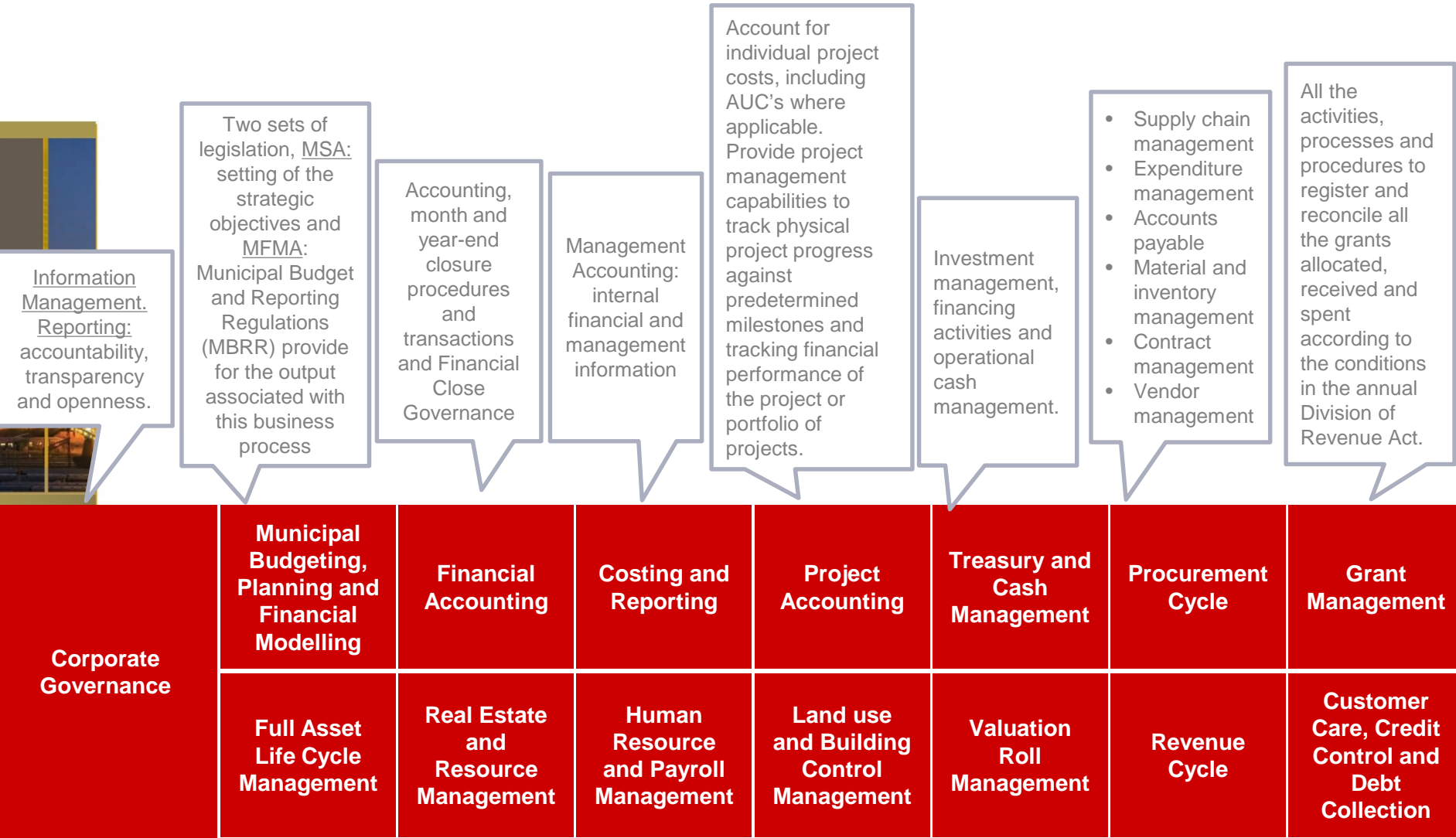
- A1. Corporate Governance
- A2. Municipal Budgeting, Planning and Financial Modelling
- A3. Financial Accounting
- A4. Costing and Reporting
- A5. Project Accounting
- A6. Treasury and Cash Management
- A7. Procurement Cycle
- A8. Grant Management
- A9. Full Asset Life Cycle Management
- A10. Real Estate and Resource Management
- A11. Human Resource and Payroll Management
- A12. Land use and Building Control Management
- A13. Valuation Roll Management
- A14. Revenue Cycle
- A15. Customer Care, Credit Control and Debt Collection

Municipal Budgeting, Planning and Financial Modelling	Financial Accounting	Costing and Reporting	Project Accounting	Treasury and Cash Management	Procurement Cycle	Grant Management
Full Asset Life Cycle Management	Real Estate and Resource Management	Human Resource and Payroll Management	Land use and Building Control Management	Valuation Roll Management	Revenue Cycle	Customer Care, Credit Control and Debt Collection



# Process Scope

## Process Detail



# Process Scope

## Process Detail



a world class African city

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<b>Corporate Governance</b>	<b>Municipal Budgeting, Planning and Financial Modelling</b>	<b>Financial Accounting</b>	<b>Costing and Reporting</b>	<b>Project Accounting</b>	<b>Treasury and Cash Management</b>	<b>Procurement Cycle</b>	<b>Grant Management</b>
	<b>Full Asset Life Cycle Management</b>	<b>Real Estate and Resource Management</b>	<b>Human Resource and Payroll Management</b>	<b>Land use and Building Control Management</b>	<b>Valuation Roll Management</b>	<b>Revenue Cycle</b>	<b>Customer Care, Credit Control and Debt Collection</b>

- Safeguarding of assets.
- Maintaining assets, planned and unplanned maintenance.
- Maintenance costing.
- Establishing and maintaining a management, accounting and information system that accounts for the assets of the municipality;
- Asset valuation principles in accordance with GRAP;
- Establishing and maintaining systems of internal controls over assets;
- Establishing and maintaining asset register;
- Responsibilities and accountabilities for the asset management process, and
- Insurance of assets.

Management of land plus anything permanently fixed to it, including buildings, sheds and other items attached to the structure that are both lease-in and lease-out..

Compensation, hiring, performance management, organisational development, safety, wellness, leave management, benefits, employee motivation, communication, administration, and training in line with the prescriptions of the Labour Relations Act.

Managing the use and development of land: spatial, urban policy usage, and economic considerations. This system needs to include all processes, methods and tools used for organising, operating and supervising the urban environment including the factors influencing it.

The levying of assessment rates and all processes and procedures are governed by the Municipal Property Rates Act.

Meter Reading, Billing, Accounts Receivable and Revenue

Sound customer management system as prescribed in the MSA. Credit control and debt collection to be included and processes, procedures and mechanisms must be implemented in line with the council policy.



## 1. Corporate Governance

Corporate Governance

Audit Management

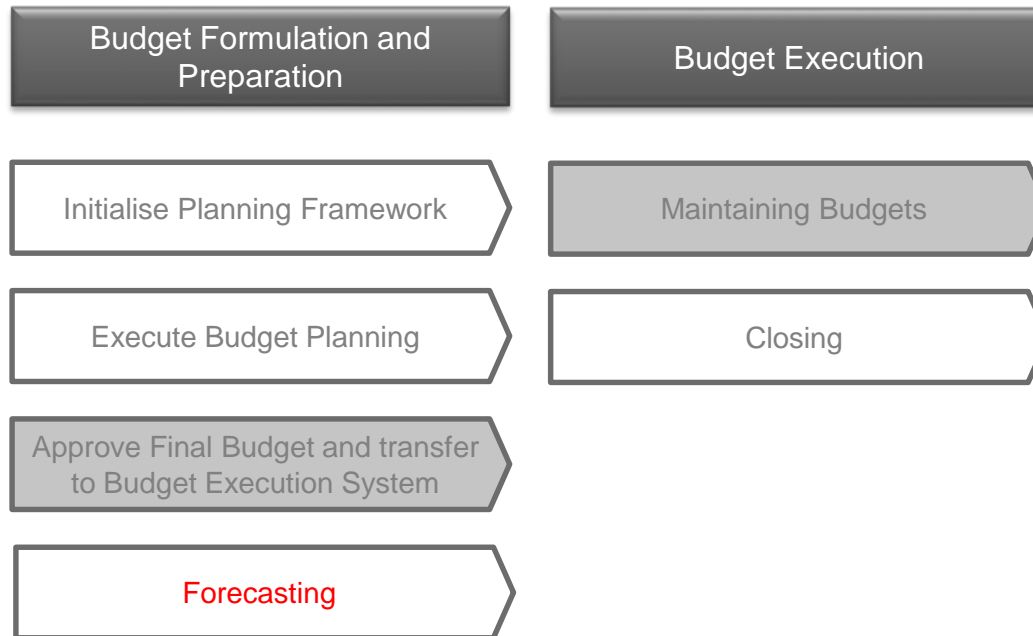
Process and Compliance  
Management

Risk Management

Access and Segregation of Duties  
Management

Strategy Management

Performance Management



## 2. Municipal Budgeting, Planning and Financial Modelling

## Financial Accounting

General Ledger

Inventory Accounting

Accounts Receivable

Tax Accounting

Accounts Payable

Accrual Accounting

Contract Accounting

Local Close

Fixed Asset Accounting

Financial Statements

Bank Accounting

Cash Journal Accounting

### 3. Financial Accounting



**Management Accounting**

**Profit Centre Accounting**

**Cost Centre and Internal  
Order Accounting**

**Project Accounting**

**Product Cost Accounting**

**4. Costing  
and  
Reporting**

## ALIGNMENT TO SOFTWARE : 5. Project Accounting

**Project and Portfolio  
Management**

**Project Planning**

**Resource and Time  
Management**

**Project Execution**

**Project Accounting**

**Proto-typing and Ramp  
Up**

**Development  
Collaboration**

**5. Project  
Accounting**

## ALIGNMENT TO SOFTWARE : 6. Treasury and Cash Management

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**Treasury**

**Treasury and Risk  
Management**

**Cash and Liquidity  
Management**

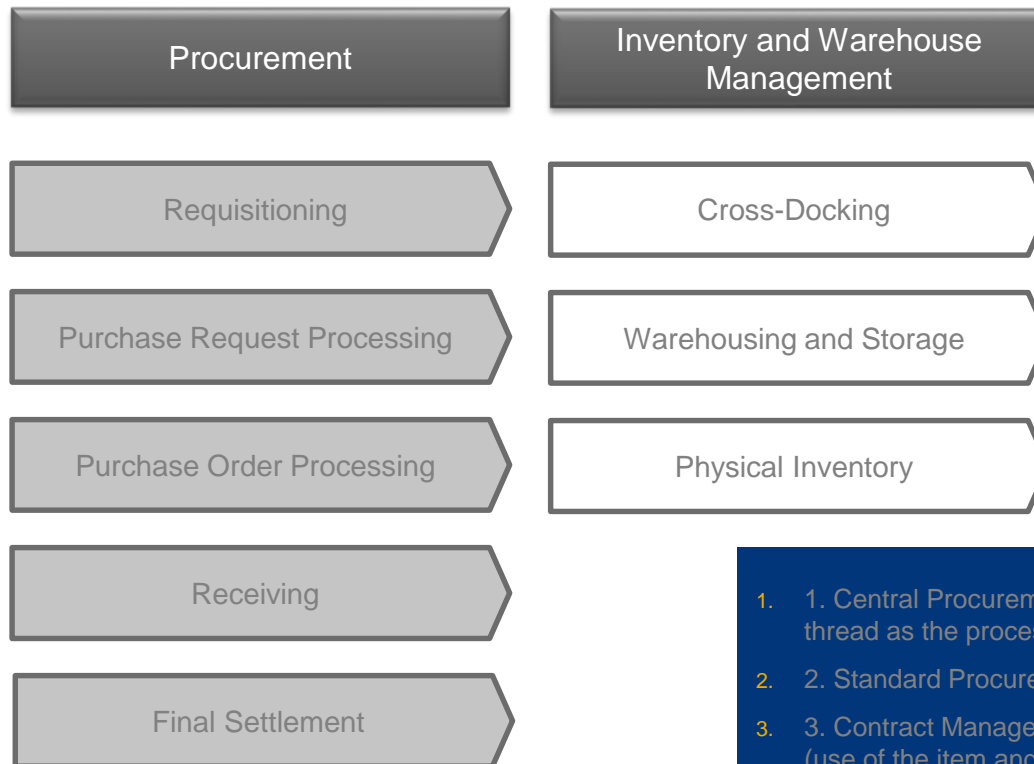
**In-House Cash**

**Bank Communication  
Management**

**6. Treasury  
and Cash  
Management**

# ALIGNMENT TO SOFTWARE : 7. Procurement

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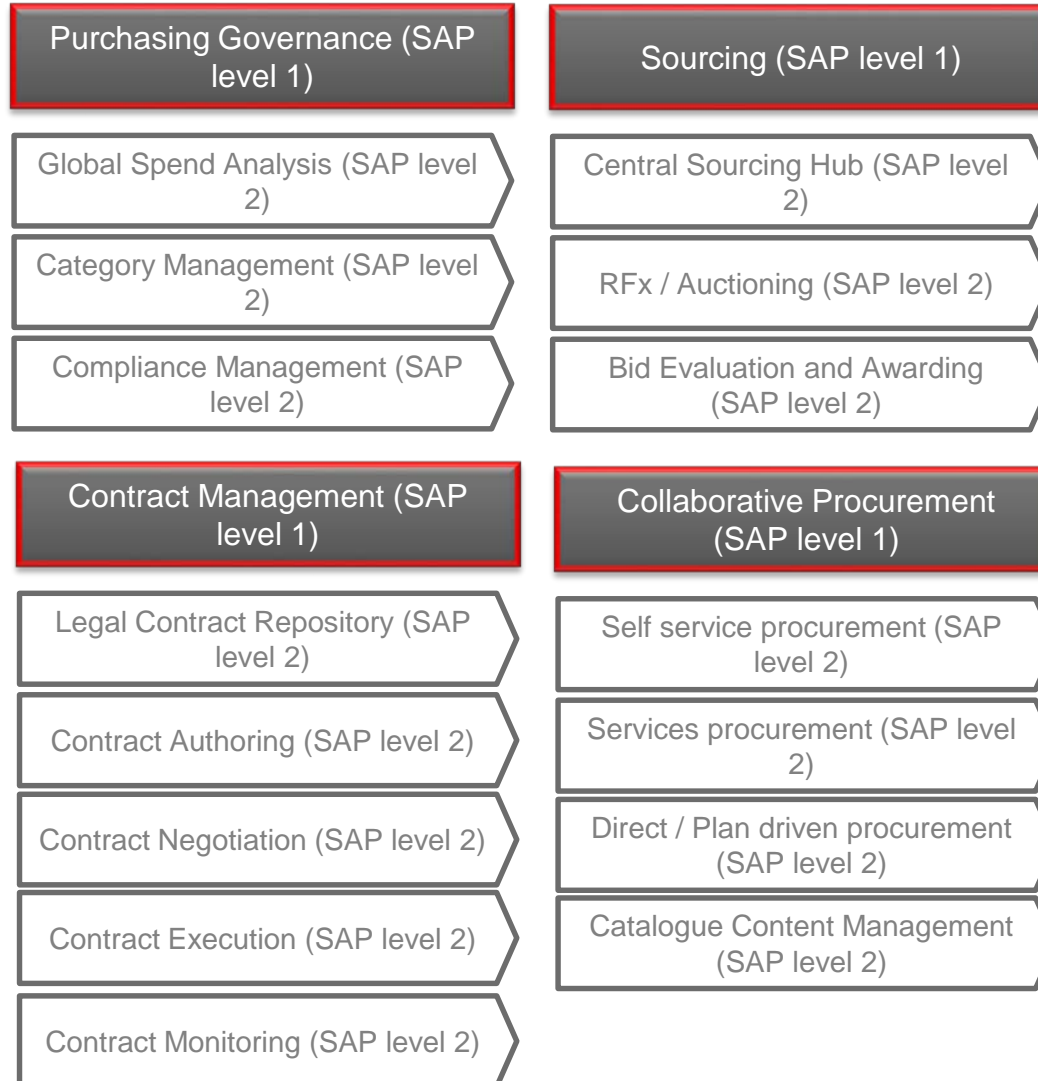
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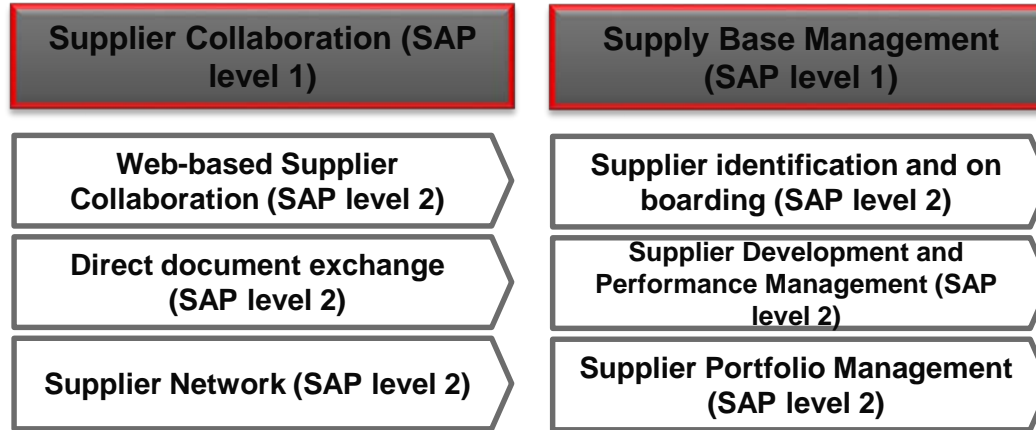
## 7. Procurement

1. Central Procurement: how do we show the mSCOA thread as the process moves: dept. buying for themselves
2. Standard Procurement vs. SRM
3. Contract Management: management of central contracts (use of the item and how it is accounted). Commitment accounting vs. execution?

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## 7. Procurement





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**7.  
Procurement**



**Grants Management for Grantee**

Preparing Grant Application

Recording Sponsor Decision

Executing Awarded Grant

Pass through of Grant

Expenditure Certification

**Grants Management for Grantor**

Program Management

Grantor Payment

Budgeting

Claims Processing

Grantor Application Processing

Grant Monitoring

Grantor Application Assessment

Grant Analysis

Case Processing for Grantor Management

Year end Processing for Grantor Management

Grantor Agreement Processing

**8. Grant Management**

### 9. Asset Management

#### Enterprise Asset Management

Investment Planning and Design

Procurement and Construction

Maintenance and Operations

Decommission and disposal

Asset Analytics and Performance Optimisation

Take over / hand over for Technical objects

**Real Estate Management**

**Portfolio Management**

**Commercial Real Estate  
Management**

**Corporate Real Estate  
Management**

**Facilities Management**

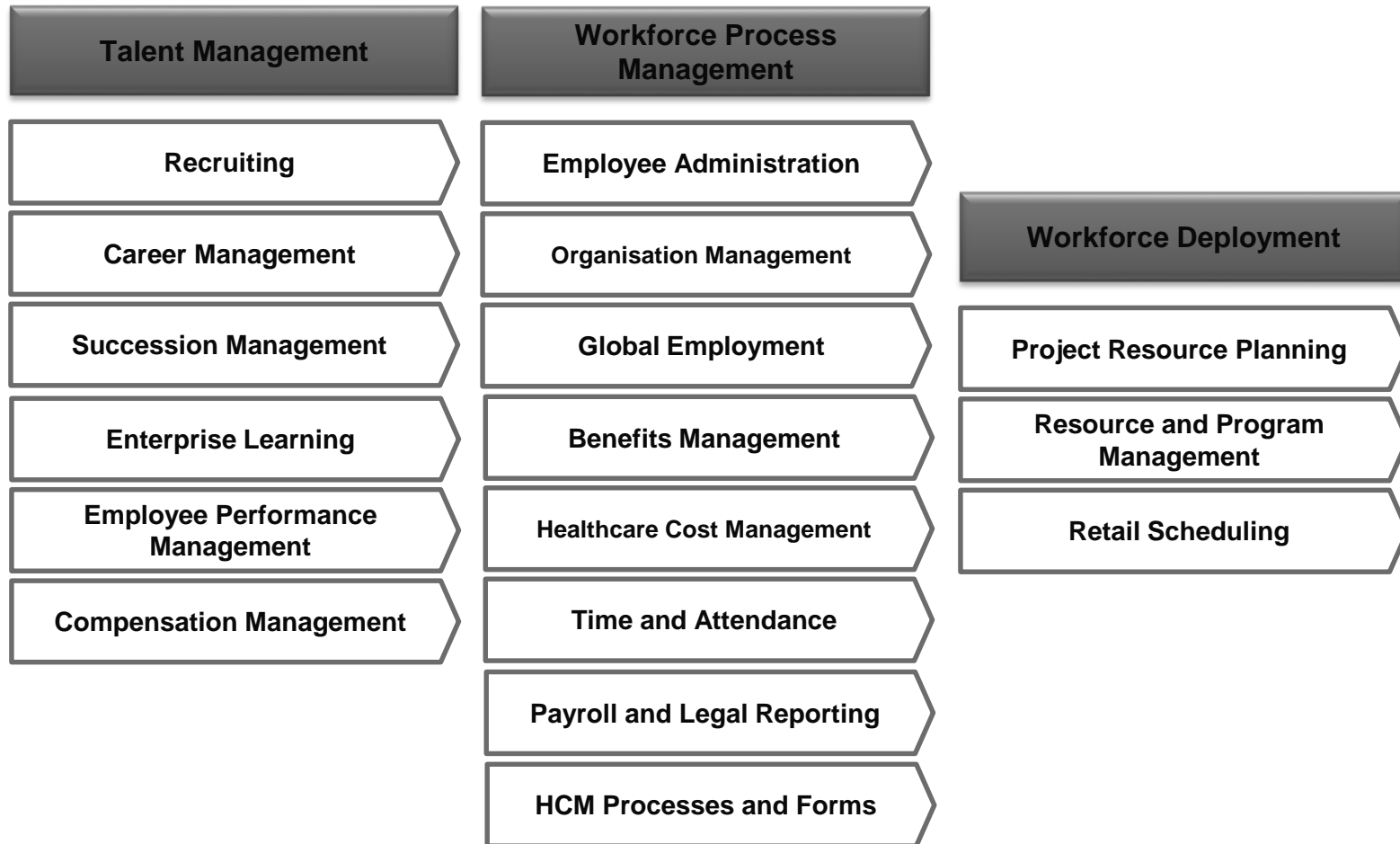
**Support Processes**

**10. Real  
Estate**

# ALIGNMENT TO SOFTWARE : 11. Human Resource and Payroll Management

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## 11. Human Resource and Payroll Management



## ALIGNMENT TO SOFTWARE :

### 12. Land Use and Building Control Management

**Real Estate Management**

**Portfolio Management**

**Corporate Real Estate  
Management**

**Facilities Management**

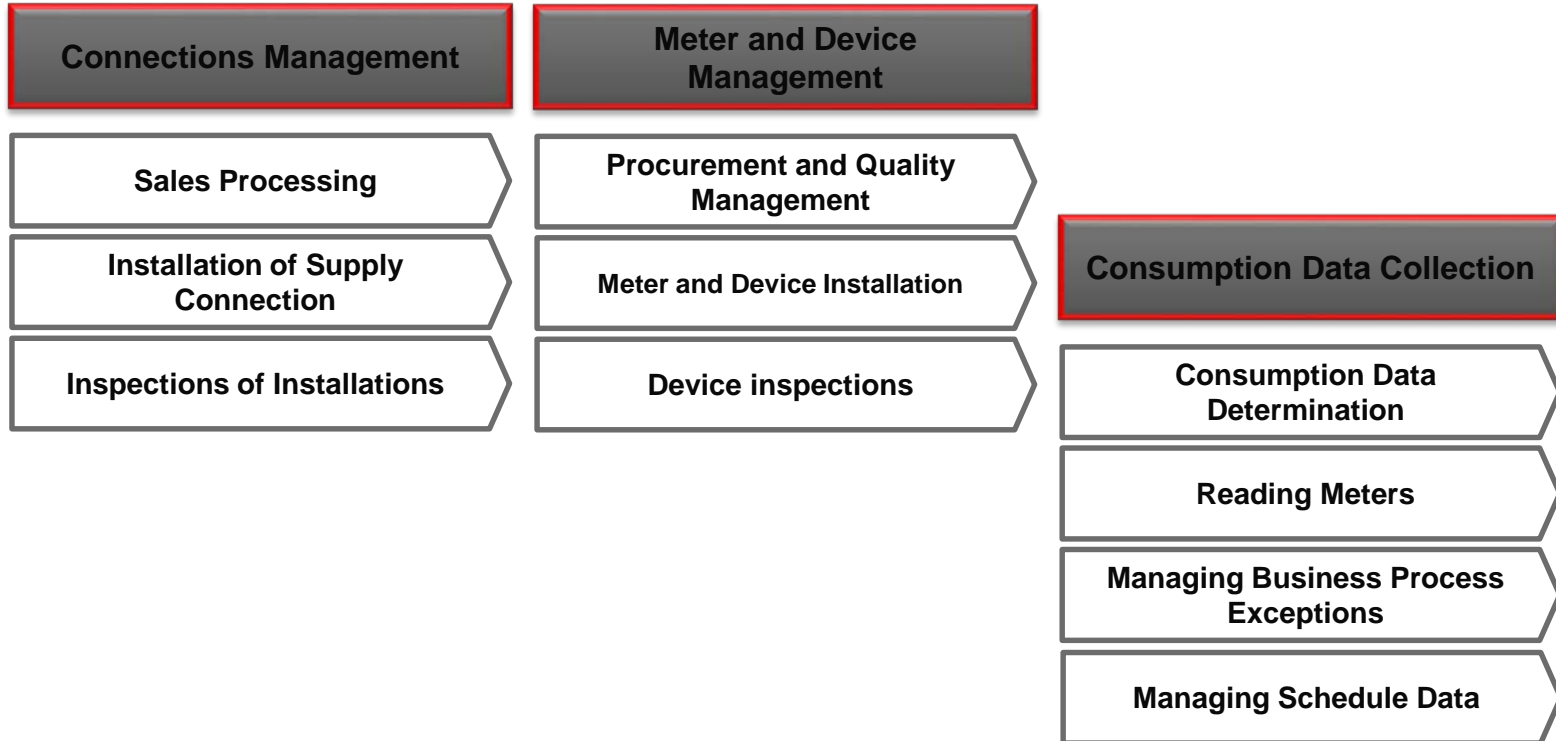
**Support Processes**

**12. Land Use  
and Building  
Control  
Management**

## 13. Valuation Roll Management

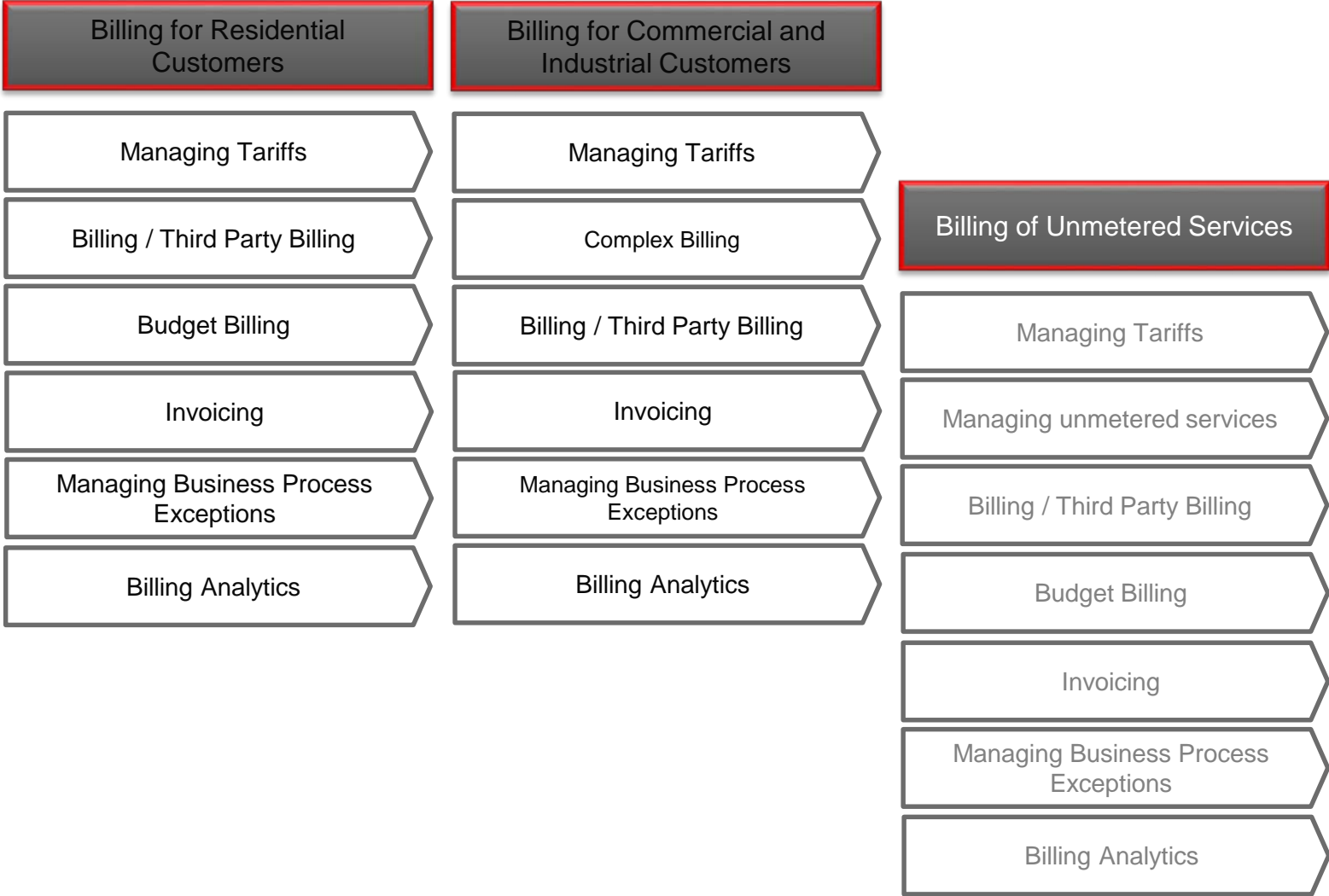
**3<sup>rd</sup> Party Solution**





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## 14. Revenue Management



15. Customer Care, Credit Control and Debt Collection



# SAP Solutions and mSCOA Processes

## How can SAP cover the mSCOA process scope?

SAP Risk Management	SAP BPC	SAP FI / CO	SAP FI / CO	SAP PS	SAP Treasury	SAP SRM	SAP Grant Management
SAP Process Control	SAP BCS	PSM FM	SAP BI	Project Accounting	SAP Fin Risk Management	SAP MM	Grant Management
SAP Audit Management	Financial Modelling	SAP PS				SAP FI	
SAP Fraud Management	SAP EAM	SAP Real Estate Mgt and Resource Management	SAP HCM	SAP Real Estate Mgt and Building Control Management	3rd Party Solution	SAP ISU	SAP FI
SAP Strategy Management	Life Cycle Management		Resource and Payroll Management		Roll Management	Revenue Cycle	SAP ISU
							Collection

**Legend:**

- BPC – Business Planning and Consolidation
- BCS – Budget Control System
- FI/CO – Financials and Controlling
- PSM FM – Public Services Mgt: Funds Management
- PS – Project Systems
- BI – Business Intelligence
- SRM – Supplier Relationship Management
- MM – Materials Management
- EAM – Enterprise Asset Management
- HCM – Human Capital Management
- ISU – Industry Solution: Utilities
- EAM – Enterprise Asset Management

Sum of RECORD COUNT	Column Labels				
Row Labels	Best Practice	Legislation	mSCOA Regulation	Optional	Grand Total
Corporate Governance	46	14	22	4	86
Costing and Reporting			2		2
Customer Care, Credit Control and Debt Collection	42	2	3		47
Financial Accounting	15	16	14	13	58
Full Asset Life Cycle Management including Maintenance Management	16	5	1	1	23
Grant Management	2		3		5
Human Resource and Payroll Management	18	24	12	5	59
Land Use Building Control	5	5			10
Municipal Budgeting, Planning and Financial Modelling: (IDP driven, project based main budget module that adhere to MFMA section 53 that as a minimum)	23	12	13	5	53
Procurement Cycle: Supply Chain Management, Expenditure Management, Contract Management and Accounts Payable	27	10	7		44
Project Accounting	14				14
Real Estate and Resources Management				11	11
Revenue Cycle Billing	62	6	21		89
Treasury and Cash Management	8		8	1	17
Valuation Roll Management	6	7	1		14
Grand Total	284	101	107	40	532

- Know your business
  - Structure
  - Policy framework
  - Other Legislative requirements
  - Strategic direction of organisation
- Understanding overall mSCOA impact to organisation
- Building mSCOA compliance path aligned to your organisation
- Understanding importance of business processes across the organisation



# Questions

