

8. MUNICIPAL REGULATIONS ON A STANDARD CHART OF ACCOUNTS (mSCOA) : STATUS OF IMPLEMENTATION**3/2/3/15****Clint Le Roux****(028) 313 8107****Corporate Head Office**

12 June 2015**1. Executive Summary**

The purpose of this report is to inform Council on the status of the implementation of mSCOA (Standard Charts of Accounts) for Overstrand Municipality.

2. Service Delivery and Budget Implementation Plan - IGNITE

Directorate: Finance

3. Compliance with Strategic Priorities

Provision of democratic, accountable and ethical governance

Provision and maintenance of municipal services

Creation and maintenance of a safe and healthy environment

The encouragement of structured community participation in the matters of the municipality

Promotion of tourism, economic and social development

4. Delegated Authority

None

5. Legal Requirements

Local Government: Municipal Finance Management Act (Act 56 of 2003)

Local Government: Municipal Systems Act (Act 32 of 2000)

Local Government: Municipal Regulations on a Standard Chart of Accounts (mSCOA), Notice 312 Of 2014, Government Gazette No. 37577

6. Background/Discussion

The following background, as presented in previous reports to Council in this regard, is herewith stated again:

Section 216 of the Constitution of the Republic of South Africa, 1996, provides that national legislation must prescribe measures to ensure transparency and expenditure control in each sphere of government by introducing generally recognised accounting practice, uniform expenditure classifications and uniform treasury norms and standards.

The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), determines those measures for the local sphere of government and enables the Minister of Finance to further prescribe, by regulation, such measures in terms of section 168 thereof.

In terms of section 169(1)(b) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), the Minister of Finance has signed into effect and subsequently published the Municipal Regulations on a Standard Chart of Accounts (mSCOA) in terms of Notice 312 of 2014, Government Gazette No. 37577 subsequent to formal consultation.

Progress Reports were submitted to Council on 25 June 2014, 3 December 2014 and 28 April 2015.

Overstrand Municipality was selected by National Treasury as a vendor pilot site for the implementation of mSCOA on the SAMRAS financial system of Bytes Universal Systems.

The mSCOA regulation is, in the viewpoint of National Treasury, the biggest reform in Local Government since the implementation of the MFMA. It is not just a financial reform, but an organisational reform.

Governance

The following governance structures have been established:

- Overstrand Municipal mSCOA Steering Committee
- Overstrand Municipal mSCOA (Project) Steering Committee now renamed Overstrand Municipal mSCOA (Working Group) Committee;
- SAMRAS mSCOA Committee;
- A mSCOA Integrated Consultative Forum (mSCOA ICF) has been established by National Treasury in August 2014 consisting of all the Metros, pilot municipalities, vendors, National Treasury and the Provincial Treasuries; and
- A Western Cape mSCOA Technical Committee has been established by Provincial Treasury represented by all the Western Cape Pilot sites, Provincial Treasury and the Department of Local Government.

A temporary project manager has been appointed until 30 June 2015.

Current Status

In collaboration with Bytes Universal Systems, Overstrand has taken a three-phased approach to the system development and piloting processes. Two further phases have been adopted in order to implement the mSCOA regulations by 01 July 2017.

- Phase 1 – Budgeting Module
- Phase 2 – Transactional Posting Levels
- Phase 3 – Reporting Modules
- Phase 4 – mSCOA Piloting Implementation
- Phase 5 – Full mSCOA Operational Compliance

An update on the current status, inclusive of milestones reached, with regard to Phase 1:

- Overstrand updated the current General Ledger (GL) to the mSCOA Framework (version 5.3);
- User acceptance training and testing took place during April 2015;
- The budget virement module is in the process of being finalised;
- The mSCOA capital budget has been uploaded on the SAMRAS financial system and is planned to be completed by 16 June 2015;
- Further segmentation alignment of the operating budget has taken place and this will continue in a phased approach;
- 3rd Party Systems mSCOA impact was further reviewed;
- Various budget reports have been tested and amended;
- Budget module has been signed off for implementation.

The current status, inclusive of milestones reached, with regard to Phase 2:

- Transactional training and system functionality testing took place during April and May 2015, and will continue until the end of June 2015;
- Dry run UAT testing as if in the 2015 financial year and on the mSCOA environment took place on 10 June 2015 and further tests are planned for 15 June and 22 June 2015;
- Bytes staff are on site as per scheduled visits, to assist with development amendments;

Change Management and Implementation Plan

- Overstrand's mSCOA project implementation plan is continuously reviewed, updated and amended in consultation with Bytes;
- mSCOA Information session with approximately 400 SAMRAS system users took place on 11 June 2015; and
- A communication newsletter was circulated and an Overstrand Municipal Intranet site has been set up for communication purposes within the organisation.
- A mSCOA video has been placed on the intranet giving background to the purpose of the mSCOA Regulations.

Risk Management

Overstrand mSCOA RISK register has been developed (Annexure B).

The following high-level risks have been identified and are being managed through the execution of the implementation plan, inclusive of contingency planning and a risk register:

- a) System not functioning as intended on 1 July 2015
 - Organisation not understanding the mSCOA requirements and therefore incorrect data capturing
 - Readiness of the solution to actually cope with transactional processing
 - mSCOA project not meeting the needs of internal and external stakeholders
- b) Inadequate assurance reviews - Independent assessment that system meets minimum mSCOA requirements and is fully compliant.
- c) Version changes and related impact on business processes and resources - Ability to influence and interpret new mSCOA versions that will be issued on a regular basis, requiring changes and/or need for clarification.
- d) ICT Network capacity - Capital budget availability to ensure appropriate hardware infrastructure for mSCOA implementation and to accommodate the "web-based" system required to effectively run the SCOA compliant solution. User licences and Web environment, Disk Space.
- e) Human resource capacity constraints – Human resources available to effectively implement mSCOA regulations.

7. Financial Implications

Provincial Treasury Financial Management Support Grant (PT FMSG) –
R300 000
National Treasury Financial Management Grant (FMG) –
R658 000

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

None

10. Annexures

Annexure A: Page 1 - mSCOA Project Timeline
Page 2 – High Level Scope - Project Plan
Page 3 – High Level Scope - Requirements

RECOMMENDATION TO THE COUNCIL:

that the mSCOA Progress Report for the implementation of the mSCOA regulations, **be noted**.

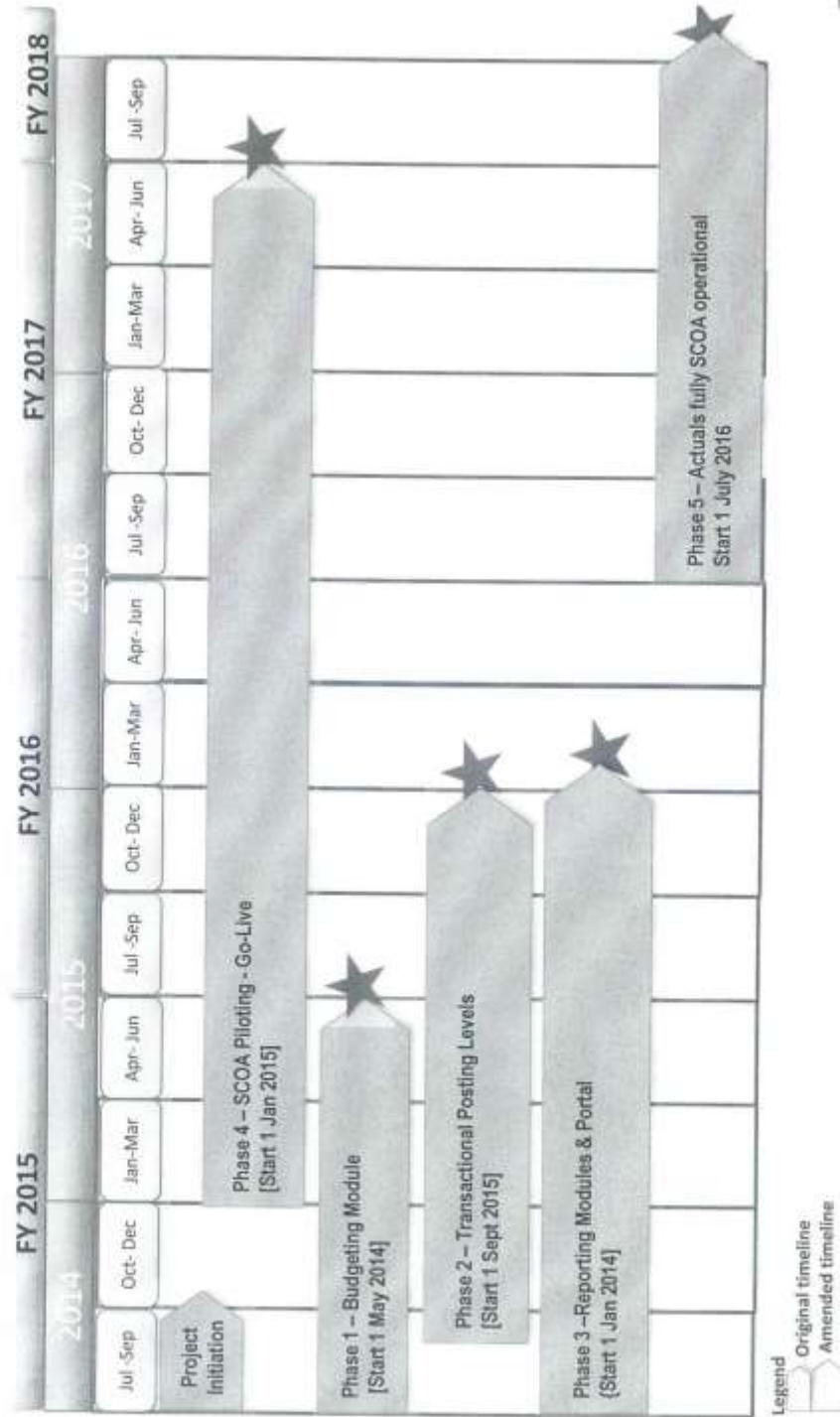
RESPONSIBLE OFFICIALS:

**S REYNEKE-NAUDE
C LE ROUX
B KING
R LA COCK
E HOONEBERG
H VORSTER
R PAGE**

TARGET DATE FOR IMPLEMENTATION :

1 JULY 2017

mSCOA Project Timeline



High Level Scope - Project Plan



High level scope - Requirements

