

SUBMISSION

Submission	: EXECUTIVE COMMITTEE
From	: Municipal Manager
Date of Meeting	:
Item Number	:
Title/ Subject	: mSCOA IMPLEMENTATION PLAN
Ref/Commitment NR	:

1. SUBJECT

Municipal Standard Chart of Account (mSCOA) implementation plan as per MC/02/15 Municipal Regulations

2. PURPOSE

The purpose of the report is to inform Mayoral Committee on Municipal Regulations on a Standard Chart of Accounts (mSCOA) Committees and project implementation plan.

3. BACKGROUND

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 recognized 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 (SCOA) in terms of Notice 312 of 2014, Government Gazette No. 37577 subsequent to formal consultation.

What is mSCOA?

- mSCOA=Municipal Standard Chart of Accounts. Differentiates this chart from departments
- SCOA= standardization of this chart across all municipalities and entities in the country with the same account numbers and descriptions
- The chart of account is a listing of all accounts used in the general ledger of a municipality or municipal entity
- The chart is used by the accounting software to aggregate information into an entity's financial statements.
- Provide a National Standard for uniform recording and classification of municipal budget and financial information at a transactional level it improves compliance with budget regulations and accounting standards, it inform national policy coordination and reporting, benchmarking and performance measurement
- No exemption or transitional provisions from regulation for the application of mSCOA to municipalities or municipal entities
- Repercussion of non-compliance with Regulation by 1 July 2017-Grant funding will be stopped

What are the benefits of mSCOA for a municipality or municipal entity?

- Accurate recording of transactions, therefore reducing material misstatements
- Reduce the month/year end reconciliation processes and journals processed
- Improve quality of information for budgeting and management decision making
- Improve oversight function by council as the required information will be tabled for policy decisions, tariff modelling, and monitoring
- Ensure alignment and implementation of the IDP as all expenditure, both capital and operating, will be driven from a project
- Improve measurement of the impact on service delivery and the community

In terms of the above gazette and legislation, the municipality is required to prepare itself for implementation of the Standard Chart of Accounts (SCOA) effective from 01 July 2017. The main purpose of the standard chart of accounts is to establish uniform expenditure classifications for local government. Therefore this necessitates municipalities to have two committees and project implementation plan at municipal level.

1) The committees are as follows

- a) Tactical Municipal Steering Committee
 - Municipal Manager (Chairperson)
 - All Municipal Directors
 - Municipal CFO(Project leader)
 - Municipal IT Manager
 - Municipal Risk Officer
 - Other finance managers

- b) Finance portfolio committee

They will be providing over sight report on implementation of project.

II. **IMPLEMENTATION PLAN**

SCOA IMPLEMENTATION PLAN	
ACTIVITIES	DATE
• Buy in from Council	14 Jul- 2016
• Senior Management awareness	21 Jun- 2016
• Establishment of SCOA Committees	Apr- 2016
• Detailed project plan	May- 2016
• Determining impact on policies, processes & procedures	Apr- 2016
• Engagements with NT and BCX	Jun- 2016
• SCOA transaction selection	Aug-2016
• Building of SCOA ledger	Aug- 2016
• Align old chart to new SCOA	Sep- 2016
• BCX SCOA Budget release	Feb-2017
• Engagement with internal stakeholders on the SCOA budget	Jun-2016
• Training and budget input from departments	Jun- 2016
• Draft Adjustment Budget on SCOA to council	Dec- 2016
• Internal engagements	June- 2016
• Final Draft Adjustment Budget on SCOA	Feb- 2017
• Final Adjustment Budget to Council	Feb- 2017
• Submission of Adjustment budget to relevant oversight bodies	Feb- 2017
• Community participation (Projects, Indigents, Pensions SCOA)	Apr- 2017
• Final Full SCOA Release 6.1	May- 2017
• Final Budget for approval	May- 2017
• Make public	Jun- 2016
• Testing of Full SCOA transaction	Mar - 2017
• Internal Audit review of SCOA transformation	Jan- 2017
• Implementation	Jul2017
• In-year, mid-year and annual reporting	16/17 financial Year

The municipality is required to perform the following minimum actions to ensure implementation of the above regulations:

- The council should pass a resolution adopting the implementation of the SCOA regulations.
- The accounting officer to ensure that officials are capacitated Proper accounting systems and applications are in place to accommodate the implementation of the SCOA regulations
- The accounting officer ensures that appropriate official especially the Chief Financial Officer has delegated powers to ensure proper implementation of SCOA

4. **LEGAL IMPLICATION**

- ☐ Compliance with National Treasury Standard Chart of Accounts (SCOA) in terms of Notice 312 of 2014, Government Gazette No. 37577

5. **FINANCIAL IMPLICATIONS**

- ☐ The costs may be incurred on training of finance officials as well as procuring financial and business applications (Financial systems) to ensure that the municipality has the capacity to implement the SCOA regulations.
- ☐ The costs of the above are unknown at the moment as National Treasury is in the process of piloting the project.

6. **RECOMMENDATION**

- ☐ It is recommended that the Executive committee should :
 - ✓ Note the two committees that will be responsible for SCOA and
 - ✓ Note the project implementation plan of SCOA with a planned implementation date of 1 JULY 2017

7. **CONTACT PERSON**

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Ratau G.T
CFO

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Date

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Mohlala JNT
Municipal Manager

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Date

