

Non-delegated CFO forum 2 June 2016

Presented by National Treasury



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

mSCOA – Where are we now?

Technical stream:	Final version of the chart FAQ and Position papers Reporting pack
Piloting stream:	Completed activities in December 2015 Focus on non-delegated and metro municipalities
Training stream:	Accredited training Additional training (non-accredited)
Change stream:	Deployed resources to provinces Capacity building and delegated municipalities Circular 5 & 6
LG Database:	Submission of documentation Submission of data strings Upload of final chart FAQ and risk registers

Circular 80

- The Circular **replaces MFMA Circular 57** and will be in effect from 1 February 2016 and does not apply retrospectively.
 - Any system change effected between 20 September 2011 and 1 February 2016, without following the guidance of the National Treasury could constitute fruitless and wasteful expenditure;
 - The municipality and municipal entity is obliged to investigate any such system procurements/ changes; and
 - Follow due governance in dealing with and reporting such, including appropriate disciplinary measures and recovering the costs of such system changes/ procurement from the person(s)/ official(s) responsible, if applicable.
- The National Treasury will not entertain any condonation of such fruitless and wasteful or other expenditure in the context of the clear guidance provided by MFMA Circular 57.
- Circumvention of Circular No. 57 has been observed by NT and included:
 - Section 32 (Organ of state); and
 - Section 36 (Urgent, Impractical and or **sole provider**)

Evaluation of financial and related system(s)

The **municipality and municipal entity** must evaluate its existing **Financial Management and Internal Control system(s)** utilising:

- The Financial and related system assessment tool included in Municipal SCOA Circular 2 (Annexure C – ICT questionnaire); and
- The minimum system requirements for Financial Management and Internal Control Systems, that would be included in circular 80 as discussed in the earlier slides, Annexure A.

Only after completing this critical evaluation of the existing **Financial and related system(s)**

should the municipality: Request the vendor(s) to indicate, in writing, if their product or service offering complies with the minimum specifications as set out in the revised circular, including as a minimum:

- a. The vendor or vendors in combination should indicate what remedial actions (if any) would be required or what existing system functionality should be unlocked to fully comply with the minimum specifications; and
- b. The time and cost implications of the actions needed, taking into consideration the outer mSCOA implementation date of 1 July 2017.

Renewal, Additions or Replacement of financial, internal control and business system(s)

- Subsequent to undertaking the evaluation of the municipalities' current system(s) as it relates to the minimum mSCOA compliance criteria, there potentially exists the following scenarios:
 - a) The current financial and business system has been assessed by the municipality and **found to meet the minimum criteria**. In this instance the municipality may decide to proceed with the current service offering and incorporate project objectives for the migration to mSCOA as part and parcel of project implementation.
 - b) The current financial and business system has been assessed but **remedial measures are required** on the part of the service provider; this may also include upgrading to latest version of the financial and business system service offering. In this instance municipalities would need to enter into agreements (MOU/SLA) which places compliancy risk on the service provider.
 - c) The financial and business system is assessed as being **totally deficient** in ensuring mSCOA compliancy. This would require the municipality to request RFPs' as part of a SCM process, or to use the NT transversal tender for replacement of the system(s).

Renewal, Additions or Replacement of financial, internal control and business system(s)

- Municipalities need to take note that the prescriptions of the MFMA and SCM Regulations remain applicable to these contracting and procurement processes
- Municipalities are reminded of section 5(2)(d) of the MFMA and are required to **inform the National Treasury and Provincial Treasury of any intention to change financial and business systems in writing**, prior to issuing any award
- In deciding on a course of action, municipalities are strongly advised to ensure the following is also considered as part of the criteria, namely:
 - **Affordability;**
 - **Value for money;**
 - **Purpose fit solution when considering unique municipal requirements;**
 - **Proven track record and business continuity.**

Minimum Contract Requirements

Any Financial and related system(s) contract must require that the system(s) is / are annually reviewed to ensure that:

1. mSCOA compliance is maintained with any future mSCOA version update issued by the National Treasury; and
2. The system is continuously maintained with changes in the municipality/ municipal entity's underlying business processes (aligned with the minimum requirements set-out in the circular).

NB! No system prior to the transversal could be procured or renewed by utilising regulation 32 of the supply chain regulations!

Accountability for mSCOA

- The **municipality and municipal entity** remains ultimately responsible and accountable to implement mSCOA across its business and system(s).
- The ordinary regulatory oversight bodies (e.g. the Auditor General, National Treasury, SARS, DWA, NERSA, LG Database) will review the municipality's and municipal entity's embrace of mSCOA as part of their normal oversight and monitoring activities.
- **National Treasury considers technical mSCOA compliance through the submission of budgeting and transactional data to the LG Data Portal across the regulated six segments for all reporting periods.**
- The outcome of the NT transversal system tender is the result of a procurement process and NOT an accreditation of system(s).
- **Vendors which have not been included on the transversal provider panel still have until 1 July 2017 to ensure compliance of their system(s) and municipal clients.**

Questions

