



Siyakhokha Siyathuthuka

City of Ekurhuleni's official internal electronic newsletter on financial matters



(We pay, We Prosper)

mSCOA impact on the preparation of the AFS and audit process.

07 November 2016



Introduction

- I always thought that the implementation of the mSCOA will not results in significant changes in the preparation of the annual financial statements.
- In my naïveness understanding, I always said the implementation of the mSCOA will not change the classification of an item from an expenditure to an assets.
- The EMM has around 26 departments and each department have around 6 to 9 subdivision which have their own subdivisions.
- We have separate units for, budget and management accounting function, and financial reporting function.

Progress to date.

- Opening Balances were fully and accurately rollover to the new versions.
- The internal audit review indicated that EMM enhances its control environment while implementing the new Mscoa projects.
- Mapping errors were also highlighted by National Treasury during the assessment process, however were regarded as part of implementing the system.
- Costing segment not fully implemented in the new vote structure, EMM is awaiting the position paper from National Treasury the implementation thereof.

Challenges experienced.

- The transactions volume increased significantly, **from 1 000 to 29 000 items.**
- Currently we have about 12 000 items related to the salaries costs/ staff costs.
- Changes in the mSCOA versions during the implementation process.
- Mapping of the new MSCOA votes to the National treasury tables were only done in the 2nd half of the financial year.
- The municipality fully implemented the mSCOA without consideration the implication on the annual financial statements.
- Interim AFS were prepared on the historical formats,
- We experienced IT problems, we could not fully generate a full set of the general ledger for audit purposes. We could run reports which we could not open.

Assets Management Challenges.

- The adoption of the Mscoa, the items for PPE on the GL have increased from about 28 lines to close to 1 000 lines and these caused challenges with assets classifications.
- In the previous years the PPE that was under construction used to be accounted as one item as Work In Progress, with the adoption of mSCOA, all projects additions are reported separately in all assets classes which contradict the capitalisation criteria.
- Componentisation was always done on completed assets as part of allocated to the correct asset classification on the FAR. To further complicate the PPE GL accounts, is that for the first time assets were accounted at the translation line/ project level and not nature level. For example, road construction used to be consolidated under one asset category infrastructure- road construction, with Mscoa we had to open number of votes for road construction as they are at the project level.
- Certain categories were omitted, Community facilities assets and computer assets.



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Thank you:

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