



NATIONAL TREASURY

Municipal SCOA Circular No. 4

Municipal Finance Management Act No. 56 of 2003

**ANNEXURE TO ITEM
C 53/05/16**

Municipal SCOA Circular 4 – Implementation

mSCOA is a business reform - it is therefore important that this circular is distributed to all senior managers and other relevant officials throughout the municipality

This circular introduces the Municipal Regulations on a Standard Chart of Accounts (*mSCOA*) to non-pilot municipalities in preparation for full *mSCOA* compliance by the outer compliance date of 1 July 2017. This is the fourth in a series of *mSCOA* circulars. Municipalities can use the Municipal SCOA circulars to assess whether they are on track in achieving *mSCOA* implementation.

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1. Discussion- Frequently Asked Questions (FAQ)

We updated the mSCOA website and it now includes a direct link to the mSCOA Frequently Asked Questions (mSCOA FAQ) Database "04. mSCOA FAQ":

<http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx>

In this section we discuss a selection of questions from the mSCOA frequently asked questions (FAQ) Database. We selected questions dealing with posting level detail to guide you and ensure a common understanding of the mSCOA requirements.

	<p>What is a posting level?</p> <p>Each mSCOA segment has a classification structure. Every transaction is captured/ 'posted' in this structure at a specific level. These specific posting levels (defined in the classification structure) have been designed to provide for consistent information for reporting purposes: for example the budget reporting tables; annual financial statements prepared in compliance with the Standards of GRAP; and specific stakeholder requirements such as NERSA or DWA.</p>
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The mSCOA classification framework defines the posting level accounts (*supported by definitions*) to assist users in selecting the applicable account. The definition set is commonly known as "Metadata or Core". Municipalities are required, in certain instances and depending on the particular Segment, to add detail to mSCOA Tables through "breakdown required". This implies that the municipality must add the positing level and give a description for the account as per the guidance given in the Project Document relevant to the Segment and Group of Accounts.

In summary, detail can be added to the mSCOA table for a *specific municipality* in the following cases:

- Project Segment – defines operational and capital projects within the classification structure provided. The municipality is responsible for defining the project, expanding the code structure and the account description.
- Item Segment – adding detail related to Cash and Cash Equivalents, Investments, Borrowings and Bank Overdrafts. In addition, also information for adding posting level


accounts for agency services within the revenue component of the Item Segment. Similar to the above requirements the posting level relates to a specific account and institution.

- Fund Segment - adding detail related to Cash and Cash Equivalents, Investments, Borrowings and Bank Overdrafts. Similar to the above requirements the posting level relates to the specific account and institution.
- Function Segment – adding sub-sub-function to the existing sub-function in the case where the Municipal Standard Classification is not in use.


It is important to note that additional classification detail *not provided for in the above breakdown required detail*, must be submitted to the FAQ Database (as a request) for consideration by the National Treasury.

For transfers and subsidies made by provincial government and district municipalities, posting levels have not been fully and comprehensively defined in Version 5.4 of the mSCOA Tables (with the exception of information provided by the pilot municipalities). The structure (within which the posting level detail needs to be set-up/ structured) provides for classification comparison across all municipalities, provincial government and district municipalities. Unless the National Treasury collects this information, incorporates it into the mSCOA classification framework, and defines the posting levels, it means that a broad spectrum of municipalities will not be able to transact at this level. Please refer in this regard to the detailed discussion in the paragraphs to follow:

1.1 Posting Levels (currently not defined owing to limited detail): Transfers and Subsidies - from provincial departments to municipalities

	mSCOA segments relevant here:		
	Item Segment	Revenue	Non-exchange Revenue/ Transfers and Subsidies Provincial Government
	Item Segment	Assets	Current Assets Receivables from Transfers and Subsidies/ Provincial Government
	Item Segment	Liabilities	Current Liabilities unspent from Transfers and Subsidies/ Provincial Government
	Funding Segment	Fund	Transfers and Subsidies/ Provincial Government

The classification (reporting) structure of mSCOA applies the 'purpose' or 'nature' (function served) to determine the posting level of a transfer and/ or subsidy within the structure (refer to the table above). This classification (reporting) structure provides criteria that enable comparison across municipalities and provinces:

	<p>Example 1:</p> <p>Collecting information (according to this classification/ reporting) structure enables a comparison across provinces and district municipalities. Through the utilisation of the classification (reporting) structure we obtain statistical information that will inform decision making, planning and whole-of-government reporting requirements.</p> <p>For example – if all provinces and municipalities use the same classification (reporting) structure we can collect the:</p> <ul style="list-style-type: none"> (i) actual Rand value of transfers made by each province to health services; and (ii) actual Rand value of transfers made by different provinces to all the district municipalities.
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The criteria (categories) currently included in the reporting structure (Local Government Database) for transfers and/ or subsidies from provincial departments to municipalities are:


Health	Maintenance of Road Infrastructure
Public Transport	Maintenance of Water Supply Infrastructure
Housing	Maintenance of Waste Water Infrastructure
Sports and Recreation	Capacity Building
Disaster and Emergency Services	Other
Libraries, Archives and Museums	

Provincial departments therefore have to provide their specific allocations (detailed specifications) to the National Treasury, which is then included annually or in the next mSCOA release (whichever is earlier). mSCOA Version 5.4 already includes information provided by municipalities relevant to KwaZulu-Natal, Western Cape and the Eastern Cape.

Every provincial department is requested to urgently provide its specific allocations (detailed specifications) to the National Treasury by no later than Thursday, 31 March 2016 to lgdocuments@treasury.gov.za, for inclusion in the next mSCOA release. In this regard, each provincial treasury must coordinate this effort in the province and extend this

request to the relevant official(s) in every provincial department. A formal letter to this effect will be issued in due course.

1.2 Posting levels (currently not defined owing to limited detail): Transfers and Subsidies – from district municipalities to other municipalities

	mSCOA segments relevant here:		
	Item Segment	Revenue	Non-exchange Revenue/ Transfers and Subsidies District Municipalities
	Item Segment	Assets	Current Assets Receivables from Transfers and Subsidies/ District Municipalities
	Item Segment	Liabilities	Current Liabilities unspent from Transfers and Subsidies/ District Municipalities
	Funding Segment	Fund	Transfers and Subsidies/ District Municipalities

The design principles for *transfers from district municipalities* are based on the same classification (reporting) structure as applied to transfers and subsidies from provincial departments; *namely purpose or nature* (function served). The collection of information according to this classification (reporting) structure enables, among others, a comparison across provinces and district municipalities. This classification (reporting) structure enables statistical reporting through the Local Government Database (LG Database) which in turn informs decision making, planning and whole-of-government reporting requirements.

The **criteria (categories)** currently included in the reporting structure (Local Government Database) for **transfers and/ or subsidies from district municipalities to other municipalities** are:

Community and Social Services	Public Safety
Environmental Protection	Road Transport
Executive and Council	Sport and Recreation
Finance and Admin	Waste Water Management
Health	Water
Housing	Planning and Development

To ensure completeness of the *mSCOA* classification framework district municipalities must provide the required detail relating to transfers and subsidies to the National Treasury, which will then be included annually or in the next *mSCOA* release (whichever is earlier). *mSCOA*

Version 5.4 already includes classification information provided by some district municipalities in KwaZulu Natal, Western Cape and the Eastern Cape.

District municipalities are requested to urgently provide their specific allocations (detailed specifications) to the National Treasury by no later than Thursday, 31 March 2016 to lgdocuments@treasury.gov.za, which will be included in the next mSCOA release.

2. mSCOA Project Implementation – Support

2.1 Change Management and mSCOA:

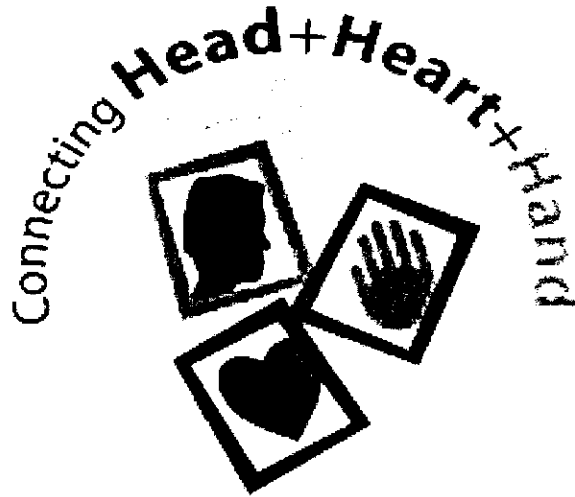
The National Treasury has received numerous requests for support from municipalities to get their broader organisations on board with the mSCOA reform. This section of the circular discusses how a municipality can go about change management by themselves. Firstly, we will be discussing the psychology of change and what should be considered to make a successful change. Then we will elaborate on available tools and support that can be used during the change involved or the process of implementing mSCOA.

2.2 The Psychology of Change

People are complex individual beings, operating simultaneously from at least three (3) levels namely, the physical (body), through feelings/ emotions and by thinking (mental/ reasoning). All these impact on one another and are interrelated. When required to make a change, as a minimum, these three (3) levels have to be involved and integrated to ensure a person:

- (a) understands the change (**thinking/ mental/ reasoning**);
- (b) feels that the change is achievable. In other words, the person feels that he/ she is able to make the change and actually wants to achieve the change (**feelings/ emotions**);
and
- (c) actually change. Act or do something to change (**physical body**).

In the mSCOA change management process we refer to these matters as the **Head**, **Heart** and **Hands** of every individual in the mSCOA implementation (refer to the illustration below). It addresses cognitive (reasoning/ mental) processes, emotions and business execution and/ or business processes, including new standard operating procedures (SOPs).



2.2.1 mSCOA: Changing the Head

To address the **cognitive processes (Head)** we have to create an understanding of mSCOA by stakeholders across the organisation. We do this through (i) mSCOA awareness (introduction) sessions and (ii) by training all municipal stakeholders (municipal councillors, senior management and officials). Training for a municipal councillor will of course be different from the mSCOA training of a finance official and again different for non-financial officials.

Training opportunities and mSCOA awareness sessions offered by the National Treasury have been addressed in earlier mSCOA circulars and include:

1. *Awareness training for Councillors* facilitated by the South African Local Government Association (SALGA). Please contact your National and/ or provincial SALGA directly in this regard;
2. *Three-day non-accredited mSCOA training* for non-pilot municipalities. The provincial treasuries are currently facilitating these sessions per municipal district; and
3. *Accredited mSCOA training* for financial and non-financial practitioners. The Institute of Municipal Finance Officers (IMFO) is facilitating this training in cooperation with the National Treasury from March 2016.

The mSCOA project team of the municipality/ provincial treasury is encouraged to already now embark on mSCOA awareness sessions across the organisation. The "**Demystifying mSCOA**" presentations used by the National Treasury in the one (1) day training sessions can be used 'as is' or aligned to the municipality's specific needs for this purpose. All the presentations and training material is available and can be downloaded from "**03. mSCOA Training**" on the following link:

<http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx>

2.2.2 mSCOA: Changing the Heart

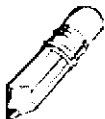
Change can be frightening. It is important to guide and support officials through the change (brought about by mSCOA) from project inception till mSCOA has become “business as usual” for the municipality.

The best way to address the **emotional aspects** related to mSCOA implementation is through constant and positive communication with all the individuals affected by the change.

In this regard it is important to involve all individuals (affected by mSCOA across the organisation) to:

- define and implement their own solutions (create ownership of their part in mSCOA implementation);
- articulate the benefits that implementing mSCOA will have for the individual; and
- celebrate every small victory which is achieved.

The National Treasury mSCOA Project Team also uses self-assessments and ‘competing with oneself’ to facilitate progress in this area. Municipalities and provincial treasuries are encouraged to do the same:

	<p>How to self-assess mSCOA progress:</p> <p>Example 2:</p> <p>You can use the Municipal SCOA Circulars as well as the ‘non-pilot and provincial treasury self-assessment tool’ (attached in Annexure B1 and B2 respectively) as assessment tools (checklists). We recommend that you compare your progress (every 2 months) with the targeted timeframes for mSCOA implementation explained in the Municipal SCOA Circulars. This will provide a good indication to you, whether you are on track or need to fast track your implementation.</p>
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Municipality and provincial treasury teams are welcome to use the slides and templates provided by the National Treasury to articulate the mSCOA messages within the municipality

or in their *mSCOA* support. These tools assist to facilitate ownership and progress, towards small victories and eventual successful *mSCOA* implementation (including compliance).

Municipalities should also attend the provincial Integrated Consultative Forum (ICF) and/ or related provincial forums, including encouraging the broad participation from municipal stakeholders. Municipalities can also call on the National Treasury and the relevant provincial treasury, pilot municipalities and vendors to assist them to articulate correct and inspiring *mSCOA* messages to communicate across the municipality's organisation.



What other ideas did pilot municipalities have to communicate *mSCOA* across their organisation?

Other ideas for *mSCOA* communication are to:

- (i) distribute posters or newsletters in the municipality and/ or province;
- (ii) establish a dedicated repository where officials can find information about *mSCOA* and the project as it relates to the municipality. Communicate widely where this repository can be found;
- (iii) distribute regular *mSCOA* information snippets through the intranet/ or e-mail to officials; and/ or
- (iv) open brown bag information sessions ¹ in the municipality.

We attach an example "*mSCOA* information" presentation in **Annexure A**. The presentation basically sets out the role of the municipality and provincial treasury and high-level activities of both during this phase four (4) of *mSCOA* implementation. Stakeholders are welcome to use and customise the presentation for their specific meeting(s) and/ or municipal forums.

2.2.3 *mSCOA*: Changing the Hands

The **hands** in the proposed change management strategy refer to doing things, getting involved and taking action. *mSCOA* is an organisational reform and as such, includes all employees, departments and functions in the municipality. Individuals should be encouraged not only to review their own business activities to identify the changes brought about by *mSCOA* implementation, but also to get involved in the municipal project implementation.

¹ A 'brown bag session', refers to an informal *mSCOA* discussion over lunch. Everyone brings their own lunch (brown bag) and there are *mSCOA* knowledgeable officials present to address questions/ guide the discussion. It can take place anywhere. It is an informal exchange of *mSCOA* knowledge.

If the *mSCOA* project activities are broken down into small deliverables, these become easily manageable and nobody is overloaded or over-worked. To this end, the municipality's *mSCOA* project implementation team should break down their respective work stream activities into smaller actions and nominate officials from the various user departments to help with these.

2.3 mSCOA - Project Risk Management:

Risk, or the uncertainty of outcome, is inevitable and a part of life, also of the *mSCOA* project. The project team and all the municipal officials must manage, control and contain risk, and limit the exposure of the municipality including, taking action to ensure the success of the project. Risk management at the project level focuses on keeping unwanted outcomes to an acceptable minimum. Where project partners such as vendors are involved, it is important to gain a shared view of the risks and how these will be managed.

Risk management in the context of the *mSCOA* project, involves:

- Access to reliable and up-to-date information related to project risk;
- That management make decisions informed by and considering the regular risk analysis and evaluation;
- Risk ownership. This involves assigning risks to a specific individual(s) to manage;
- Processes to contain and monitor risk; and
- A balance between mitigation measures, cost and benefits.

The municipality's *mSCOA* project steering committee should consider the amount of risk they are prepared to tolerate, before they can decide what to do about the *mSCOA* project risks that were identified. The risk and audit committee of the municipality, based on the risk policies of the municipality should provide guidance to the municipality's *mSCOA* project steering committee.

The risk tolerance (*how much risk are we prepared to tolerate*) of a municipality can vary according to the perceived importance of every risk. Risk should also be related to a tolerance parameter like the risk of completion within the set timeframes and budget, the acceptable quality of the completed project, the project scope, the risk of political embarrassment and the consequences of project failure. Factors like these can influence the risk tolerance for certain risks.

The municipality should compile a risk register for every key project in the municipality. All these project risk registers, inform the municipal risk register. The municipality has to identify both strategic and operational mSCOA risks for inclusion in the project risk register. However, it is important to fully investigate and analyse project risks before including such in the project risk register.


An example of a project risk register (**Annexure C1**) and examples of project risks (**Annexure C2**) have been included for your consideration. When a municipality compiles its mSCOA project risk registers, the examples and mSCOA risk template (**Annexure C3**) should be considered for guidance. Once in place, these risk registers should:

- Regularly be reviewed by the municipality's mSCOA project steering committee;
- **on/ before Thursday, 31 March 2016 (and thereafter every six (6) weeks)** be –
 - submitted to the relevant provincial treasury for review; and
 - to lgdocuments@treasury.gov.za for uploading on the local government (LG) database and mSCOA risk matrix.

2.4 mSCOA Project Issue Log

Every project, including the municipality's mSCOA project should have an issue log. Key decisions made during the execution of the project should be captured in the project issue log. The issue log forms part of the 'project knowledge' which is captured and documented for future use and understanding of the project implementation rationale. Internal- and external auditors use the issue logs during their audit.

Issues differ from risks in their very nature. A risk refers to **a future uncertain outcome**, which is mitigated and managed to reduce the possible negative impact it could have. An **issue** refers to **something that is happening at the present time**, and needs key decisions in terms of approach and resolution. Once the decisions have been implemented, the issue is closed and recorded for future reference, and the project implementation moves on:

	<p><i>The examples below illustrate the difference between a <u>risk</u> and an <u>issue</u>:</i></p> <p>Example 3:</p> <p>Risk – Will the municipality's general ledger be capable of accommodating all seven (7) of the mSCOA segments?</p> <p>Issue – <i>The municipality's existing general ledger can only accommodate four (4) of the mSCOA segments. How will we change our general ledger</i></p>
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	<p style="text-align: center;"><i>to accommodate all seven (7) of the mSCOA segments?</i></p> <p>Example 4:</p> <p>Risk – Will the municipality be able to integrate the human resources (HR) system with the core financials as required by the mSCOA Regulations (compliant)?</p> <p>Issue – <i>During the system's testing we realised the HR system does not integrate with the core financials. How should we integrate the HR system with the core financials to meet the mSCOA requirements (compliance)?</i></p>
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It is clear from these examples that in many cases, risks are addressed by key decisions of the project team (issue resolution). The success of the action which was taken, determines the outcome of the project (in other words was the risk successfully mitigated). This is however, not always the case.

To support municipalities and provincial treasuries, an example project issue log is included in **Annexure D** to this Circular.

2.5 mSCOA - Data Purification:

2.5.1 System(s) conversion/ migration

The mSCOA pilot process taught that mSCOA implementation in a municipality does not necessarily result in a system conversion/ migration. A system conversion/ migration refers to:

- (a) An extension or renewal or upgrade of an existing system(s); and/ or
- (b) Procuring a new system(s).

The National Treasury will soon replace MFMA Circular No. 57 with updated minimum business processes and system specifications that must inform a municipality's system(s) conversion/ migration. However, once a municipality has followed due process in terms of the National Treasury's guidance and decide on a way forward in its system(s) conversion/ migration, the transfer of information (between system(s)) is crucial:

2.5.2 mSCOA conversion - transferring information between system(s)

Before any municipality transfers its information from its existing system(s) to its mSCOA aligned system(s), it is crucial to make sure that the information (to be transferred) is correct and of good quality.

The process to prepare the municipality's information (ensuring it is correct and of good quality) is referred to as "Data Purification". Data purification is an ongoing process of updating and/ or maintaining information and removing redundant, aged and inaccurate information.

mSCOA does not fix poor quality 'input information'. All of the pilot municipalities indicated that the quality of their information was a key challenge in converting to mSCOA aligned system(s). Where pilot municipalities transferred poor quality information to their (new) mSCOA aligned systems, the testing of the system(s) proved that: "garbage in – garbage out" was true. The municipality must ensure that the *IT controls instituted in the municipality include attending to the data on an ongoing basis*. All non-pilot municipalities are urged to **start with** a process of **data purification** as soon as possible.

What information needs to be purified?

The municipality should identify all information (balance sheet account balances) related to its:

- (i) core financial system(s);
- (ii) all sub systems which are to be integrated with the core system(s); and
- (iii) all other data affecting any of these systems.

Essentially, all of these data sets have a direct bearing on the audit outcome of the municipality (before and after implementing mSCOA).

Examples of information that should be 'purified':

- Human Resources (HR) information such as the data of employees and individual/ personal contractors²;
- Asset data (e.g. the GRAP 17 asset register)³;

² The exercise should include:

- Checking every position on the organisational structure and comparing it with the function performed; and
- The municipality must conduct a head count that (a) requires every employee to bring a *bank account verification letter* from their bank; and (b) confirming the level of the person, for example section 57 management or ordinary permanent employee?
- Verifying the nature of contractual arrangements for every contracted employee/ service provider.

- Vendor register/ supplier database⁴;
- Creditors' data records⁵;
- Debtors' data records⁶;
- Valuation roll reconciliation, interim valuations and zoning/ use of properties⁷;
- Reconciliation of vote/ account numbers (balance sheet items);
- Clearing of all suspense/ clearing accounts, etc. Resolve any remaining items before take on of balances⁸.

What should be done:

1. The municipality should review each of these data sets individually. The review must include, scrutinising the information to ensure that it is complete, correct and securely stored;
2. Keep and maintain a document trail of the 'data purification process';
3. Keep and maintain a record of all amendments and updates made to information. These records have to be signed by a person authorised to do so in the municipality's formal delegations; and
4. The **closing balances** of the municipality's system(s) **before converting to mSCOA**, together with a **detailed reconciliation with the take on balances of the mSCOA aligned system**, duly reviewed and authorised, also needs to be kept.

³ For this exercise it would be useful to divide the municipality's assets into different classes of assets and then tackle the 'classes of assets' one at a time. The exercise should include (a) the physical verification of assets, (b) checking the correct asset class on the asset register for every asset and assignment aligned to the mSCOA chart, and (c) integration of this information into the financial system if the "asset system" is not on the same core system.

⁴ Vendor register/ supplier database: this would include checking tax certificates, insurance policy details and expiry date, comparing the vendor register/ supplier database with the National Treasury black list and remove vendors/ suppliers from the list if required, CIPC (*old CIPRO*) comparison, ID and bank account comparison with employees, check whether any vendor/ supplier has outstanding municipal accounts; etc.

⁵ Creditors: conduct a similar exercise as what was done for the vendor/ supplier database. Additionally, assess (a) the top creditors in terms of money - who are they, what are we paying for and is there a contract and service level agreement in place? (b) the top creditors in terms of number of payments - who are they, what are we paying for and is there a contract and service level agreement in place?

⁶ Debtors: check property, meter numbers, valuation, registration, municipal account and contact details, zoning and consent use, tariff type or class, who are the top debtors and what do their accounts look like? Who is managing the relationship with these debtors?

⁷ Reconciliation of valuation roll with billing information, review zoning and use of properties to ensure correct tariffs are charged, insure that all interim valuations have been updated on the system.

⁸ No suspense account can be migrated, for example all control accounts should reconcile before being migrated.

2.6 The Nature and Ethics of the mSCOA Project

Given the strategic nature of the mSCOA project and the close interaction government officials have with system vendors, it is highly recommended that every official who is involved or appointed to an mSCOA committee and/ or working group in the municipality, is required to sign a "Code of Ethics" and non-disclosure agreement as these relate to the municipality's mSCOA project. An example "Code of Ethics" and "non-disclosure agreement" are attached in Annexures E and F.

3. Provincial Treasury Support – mSCOA implementation

In terms of the National Treasury, MFMA delegations to the provincial treasuries, the National Treasury is directly responsible to support the 17 non-delegated municipalities. These include the eight (8) metropolitan municipalities and nine (9) secondary cities. The provincial treasuries are responsible to support the remaining 261 delegated municipalities. The MFMA delegations require financial management support, monitoring and oversight, including for financial management related projects such as mSCOA implementation and compliance.

The National Treasury as part of mSCOA project phase 4 provides extensive support and guidance to all provincial treasuries to enable them to fulfil their oversight, monitoring and support role in terms of the mSCOA project:

3.1 Role and Terms of Reference for Provincial Treasuries

At this stage in mSCOA implementation, the provincial treasury should have:

- an established mSCOA Provincial Steering Committee;
- appointed an mSCOA project sponsor (ideally the HOD or PAG) and project manager for the province;
- established an mSCOA Integrated Consultative Forum (ICF) for the province or identified an existing communication structure/ or forum and amended its Terms of Reference (ToR) to use it as an mSCOA communication forum;
- hosted the launch meeting for its mSCOA ICF/ or related forum; and
- planned and communicated its second provincial mSCOA ICF to take place within March/ April 2016 and thereafter quarterly.

We included example terms of references (ToR's) for the *project steering committee* and *project implementation team* in Municipal SCOA Circular No. 1. An example of a *project sponsor appointment letter* was included in Municipal SCOA Circular No. 3. The provincial

treasury is welcome to use and align these examples to their specific organisational requirements.

The provincial treasury can freely structure the provincial team to best suit the provincial mSCOA needs and circumstances. A possible mSCOA committee structure could include strategic and tactical committees, district level committees, governance, oversight, technical and audit committees, and municipal manager (MM)-, chief financial officer (CFO)- and municipal councillor committees.

3.2 Provincial Treasuries: Framework for an mSCOA Project Plan

At this stage of mSCOA project implementation and support, the provincial treasury should already have an mSCOA project plan in place. To support provincial treasuries, we have included an example framework for a high-level project plan⁹ in **Annexure G**. The provincial treasury is welcome to use the example and align it to their particular circumstances to guide the mSCOA support activities in the province.

The provincial team should prepare milestone reports and submit these to the provincial mSCOA steering committee for consideration. These records must be maintained for audit purposes.

Provincial mSCOA teams must also compile an mSCOA project risk register (similar to what was discussed in paragraph 2.3 above). The provincial treasury must, **on/ before Thursday, 31 March 2016**, submit the **provincial mSCOA project plan** and **provincial mSCOA project risk register** to the National Treasury, lgdocuments@treasury.gov.za

3.3 Provincial Treasury mSCOA Advisors

National Treasury procured the services of technical advisors to support provincial mSCOA teams with change - and transition management, oversight and capacity building in the provincial treasury and municipalities.

Candidates were interviewed and contracted from January 2016. The candidates participated in an extended induction and training programme, before being deployed to the various provinces. These advisors are not intended to do the work on behalf of the provincial treasury

⁹ The detailed project plan of the KwaZulu-Natal provincial treasury mSCOA team informed this example.

teams, but to provide additional capacity and a direct link to the National Treasury *mSCOA* project team as may be required. It is the firm intention of National Treasury to create a legacy through this initiative, up-skilling officials and providing opportunity to shadow technically competent resources in an attempt to increase the capacity across government.

Provincial Treasuries are urged to welcome the additional *mSCOA* provincial treasury advisors and to intensify their efforts to build capacity within the province, attend the training which is being provided and use every opportunity to learn through personal involvement and commitment to the *mSCOA* project.

4. Self-Assessment Tool: Municipalities and Provincial Treasuries

National Treasury developed two (2) self-assessment tools to assist provincial treasuries and municipalities to evaluate their progress in terms of their role and responsibilities with *mSCOA* implementation. The assessments, in the form of excel-based tools, were already presented, demonstrated and distributed to the provincial *mSCOA* teams during the Integrated Consultative Forum (ICF) of 8 and 9 September 2015. The tools are included in **Annexure B1** (the self-assessment tool for a non-pilot municipality) and **Annexure B2** (the self-assessment tool for a provincial treasury).

It is crucial that provincial treasuries roll out this municipal readiness assessment to the municipalities in their province. The provincial treasury should explain and demonstrate the assessment to every municipality in the province. Provincial treasuries should also complete their own self-assessment which provides a benchmark of where the provincial *mSCOA* support team is in capacitating itself for *mSCOA* support. The National Treasury will do a separate (independent) assessment of the provincial *mSCOA* teams' progress during the first quarter of 2016.

The provincial treasury must review every municipality's completed municipal readiness assessment, together with the municipal *mSCOA* project plan and *mSCOA* project risk register. Once the municipality has aligned the documents with the provincial treasury input, the municipality must submit its municipal readiness assessment, together with the municipal *mSCOA* project plan and risk register, on/ before Friday, 15 April 2016 to the National Treasury, lgdocument@treasury.gov.za

The National Treasury confirms that 1 July 2017 is the outer compliance date for going live with *mSCOA* across the municipality's organisation and in its system(s). All municipalities are

therefore urged at this stage to prepare for their implementation of mSCOA and to do so at an earlier date to ensure all implementation challenges are resolved prior to 1 July 2017.

Contact



national treasury

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REPUBLIC OF SOUTH AFRICA

Post Private Bag X115, Pretoria 0001
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JH Hattingh
Chief Director: Local Government Budget Analysis
03 March 2016

mSCOA Project

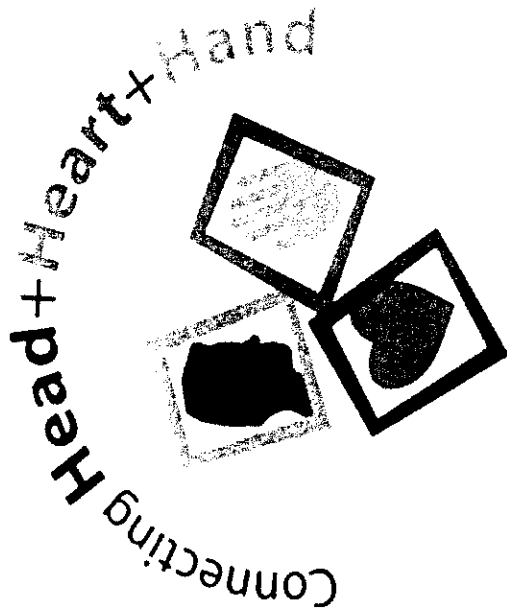
Phase 4:

Change Management and Transition



CHANGE AND TRANSITION:

Embedding change in your head, heart and hand



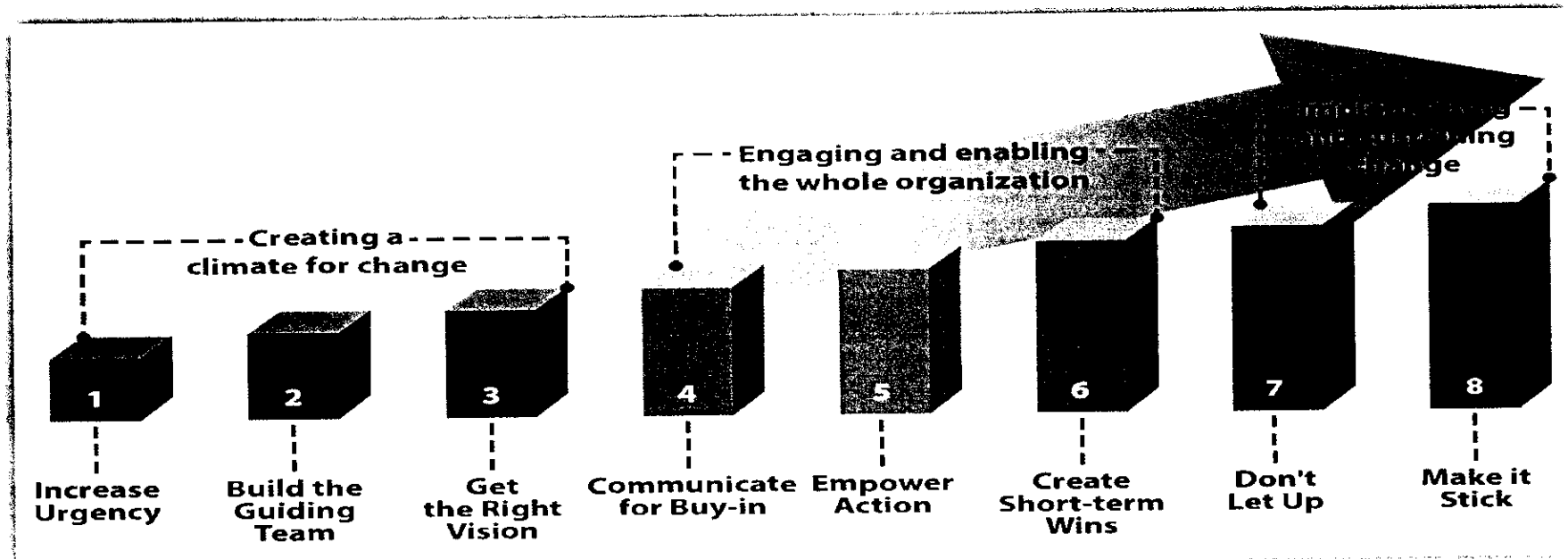
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National Treasury
REPUBLIC OF SOUTH AFRICA

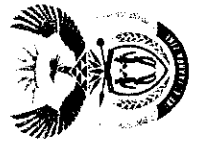
National Treasury
REPUBLIC OF SOUTH AFRICA

mSCOA Project Phase 4 – Change Management and Transition Strategy

The following graph represents the key components of the Change Management and Transition Strategy, which directly involves provincial treasuries and non-pilot municipalities:



WHAT DO WE DO?



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Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

mSCOA PROJECT - PROVINCE

1. PROJECT GOVERNANCE

2. PROJECT MANAGEMENT

3. PROJECT, ENGAGEMENT & COMMUNICATION PLANNING

4. COMMUNICATION FORUMS & AWARENESS TRAINING

5. ENGAGEMENTS WITH VARIOUS PROVINCIAL STAKEHOLDER GROUPS

6. RISK REGISTER(S) & ISSUE LOGS

7. AUDIT PREPARATION

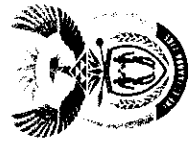
7. LEARNING, KNOWLEDGE & CHANGE MANAGEMENT

mSCOA PROJECT - MUNICIPALITIES

- 1. PROJECT GOVERNANCE (Steering Committee)**
- 2. PROJECT MANAGEMENT (Project Manager, team and plan)**
- 3. COMMUNICATION PLANNING & ROLL OUT (Internal)**
- 4. COMMUNICATION FORUMS, USER GROUPS & AWARENESS TRAINING**
- 5. RISK REGISTER(S) & ISSUE LOGS (Project Documentation)**
- 6. RE-USEABLE PROJECT SLIDES AND TEMPLATES (Terms of Reference (ToR), Charters, Project plans, Issue Logs, Risk Registers)**
- 7. REGULAR SELF-ASSESSMENTS**
- 8. AUDIT PREPARATION**
- 9. LEARNING, KNOWLEDGE & CHANGE MANAGEMENT**

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WHERE SHOULD WE BE?



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PROVINCIAL TEAMS

1. **Set up project structures and administration/ governance**
2. **Self – and municipal assessments**
3. **Training of internal staff**

4. **External engagements: NT & Other stakeholders**
5. **Utilise pilots in province to mobilise non pilots**
6. **Mobilise municipal projects: ICF/ Information sessions, Provincial circulars, Governance structures, Project teams, Planning & risk registers**

7. **Support to municipalities:**
 - **Analyse contracts and SLAs, Development of project documentation, Review of current technology, Assist with comparing of charts, Assist with reviewing business processes and change management plans**
 - **Compilation of mSCOA compliant budgets, reports, asset registers, AFS, audit preparation**
 - **Support to municipalities affected by demarcation**

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MUNICIPALITIES

1. **Set up project structures and administration/ governance**
2. **Documentation: Plans, charters, risk register, issue log, audit file**
3. **Internal information communication sessions**
4. **Training of project team and staff**
5. **External engagements: PT & Other stakeholders**
6. **Pre-work from circulated list and circulars - include 9 work streams, review of 15 business processes**
6. **Submit high level business plan for review to PT, documentation as requested, to LG Database**

QUESTIONS?



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Annexure B.1 - Non-pilot municipality self-assessment tool

Instructions:

- Score = Percentage (%) completed (0 - 100).
- The Provincial Treasury mSCOA project team should verify the municipality's self-assessment of its Implementation Plan progress and activities.

NON PILOT ASSESSMENT		
Non-Pilot [Name]		Comments
System Vendor [Name]		
Date	15/02/2016	
Initial Preparation and Awareness		
Read the regulations, project documents, position papers, PIC documents and costing manual		
Review of different chart of mSCOA tables		
Review mSCOA circulars		
Review the guidance provided in the Project Summary Document at the end of each of its sections		
Attend workshops/ Derivify mSCOA Council awareness Council and Management		
Develop Project Management skills		
Register on FAQ Database		
Governance		
Commissioning an mSCOA steering committee		
Commissioning an mSCOA multi-disciplinary project team		
Set up the project governance structure and project management office (PMO)		
Register a formal SCOA project in the municipality with a project sponsor, steering committee (with a terms of reference)		
Draft a terms of reference for the municipality's SCOA project team		
Develop a SCOA project delivery strategy, including the assignment of responsibilities, Key Performance Indicators (KPIs) and performance targets for the project and provide for regular project monitoring and reporting		
Tabling the Municipal Regulations on Standard Chart of Accounts in the municipal council		
Obtain Council approval for implementation of mSCOA, proposed governance structures, implementation plan and risk register		
Obtain proof of appointment, consent from the Senior Manager and evidence that this task and responsibility had been integrated in the Key Performance Areas of the Project Manager and Project Team		
Tabling a progress report, including the updated risk register with the municipal council on a quarterly basis		
mSCOA Project Management		
Identify key human resources	0	
Identify key project milestones		
Identify capital requirement and budget (servers, IT requirements)		
Investigate effect of changes on the system		
Set up project organisational/management arrangements (charter, scope, plan, budget, risks and issues)		
Prepare code of ethics and members to sign these		
Appoint stream leads to cover all 15 business processes		
Stream Leads		
mSCOA steering committee and Project Management		
IT infrastructure and network		
Review current vote structure to mSCOA vote structure and prepare the annual budget on the structure		
Data purification and gap analysis		

<p>(a) Examples of data purification: Human Resources (HR) information such as details of employees and individual persons; local council assets such as the council's asset register, vendor register, and database; creditors data records; Debtor's data records; valuation roll made of current and historical valuations; land use information; revenue cycle; meter reading; accounts receivable; Special Services; cleaning contracts; suspension; cleaning accounts etc.</p>			
<p>Example of a project plan: It is critical that a municipality obtain a clear understanding of the financial pressures it is facing and its core financial and business functions. The municipality normally reveals its asset liabilities and other information. Municipalities that have done so submitted their MSCA project plans to the Treasury for approval. The Treasury's review by the treasurer's office and the support offered that could assist the municipality to identify the process, identify gaps and possible challenges. A comparison of the existing chart to the MSCA chart may also identify gaps that require attention.</p>			
<p>HR & payroll</p>			
<p>Planning (IDP, Budget, SDBIP, PM)</p>			
<p>Core system, additional systems</p>			
<p>Real estate, land use and grant management</p>			
<p>Document management</p>			
<p>Business Processes</p>			
<p>Stream Leads to prepare detailed implementation plans with milestones for their area of responsibility dealing with applicable business processes:</p>			
<p>Corporate governance</p>			
<p>Municipal budgeting, planning and financial modelling</p>			
<p>Financial accounting</p>			
<p>Costing and reporting</p>			
<p>Project accounting</p>			
<p>Treasury and cash management</p>			
<p>Procurement cycle: Supply Chain Management, Expenditure Management, Contract Management and Accounts Payable</p>			
<p>Grant management</p>			
<p>Full asset life cycle management including maintenance management</p>			
<p>Real estate and resource management</p>			
<p>Human resources and payroll management</p>			
<p>Land use and building control management</p>			
<p>Valuation roll management</p>			
<p>Revenue cycle: meter reading, billing, accounts receivable, revenue management and receipting</p>			
<p>Customer care, credit control and debt collection</p>			
<p>Sign-off implementation plan</p>			
<p>Sign-off milestones achieved</p>			
<p>User acceptance testing</p>			
<p>Stream Leads to prepare risk registers for their area of responsibility</p>			
<p>Sign-off risk register</p>			
<p>Stream Leads to prepare data purification for their area of responsibility</p>			
<p>Sign-off data purification</p>			
<p>Prepare and plan for change management and transition</p>			
<p>Stakeholder engagement - establishment of user forums (PT & Other stakeholders)</p>			
<p>Vendor engagement - vendor feedback and integration into project plan</p>			
<p>Detailed migration project plan (vendor) and MOU</p>			
<p>System User acceptance testing</p>			
<p>System User acceptance training</p>			
<p>Review the current municipal chart of accounts</p>			
<p>Document and map the current business processes in the municipality</p>			
<p>Determining impact on business policies, processes & procedures</p>			
<p>Undertake a Human Resources and Payroll review and allocation verification</p>			
<p>Review master information (suppliers, stores, fleet, job costing) etc.</p>			
<p>Billing/Revenue create codes, transfer data and prepare the data base</p>			
<p>Conduct an asset review of IT infrastructure network and archiving ICT to legacy chart of accounts used and those not used in core financial system and which system core functions are outsourced</p>			
<p>Migration</p>			
<p>Review existing systems/integration</p>			
<p>Change core financial system and related documents</p>			

System Application		↓	
Opening balance conversion of historical information and data and migration			
Opening of suspense accounts/clearing accounts/control accounts and suspense accounts			
Reporting outputs		↓	
Budget reporting outputs (MERR)			
Annual financial statement			
MRRM section 7 and 8 monthly reporting (current format)			
Portal data testing and quality assurance			
Project Audit File - Information on file		↓	
Ensure proper document management for the SCOA project and municipal records:			
Council resolutions			
Project governance documentation			
Agenda minutes and attendance registers			
Project plan and milestone reports			
Risk register and mitigation measures			
Issue log and resolutions			
User acceptance testing and sign off			
Project close out report	↓	↓	
Project close out report			

Annexure B.2 - Provincial Treasury self-assessment tool

Instructions:

1. Score = Percentage (%) completed (0 - 100).
2. The National Treasury mSCOA project team should verify the provincial treasury's self-assessment of its Implementation Plan progress and activities.

PROVINCIAL TREASURY SELF ASSESSMENT		1		2	
XXX Province		0	↓		↓
Date					
Registration and Awareness			↓	Comments	↓
Read the regulations, project documents, position papers and ICF documents and conduct manual					
Awareness workshops and communication (Demystify mSCOA)					
Review mSCOA circulars					
Review of current chart mSCOA tables					
Develop Project Management skills					
Register on FAO Database					
PT Governance			↓		↓
Commissioning an mSCOA steering committee					
Set up the project governance structure and project management office (PMO)					
Project champion/sponsor appointed with terms of reference, assignment in writing and KPI's updated					
Draft a terms of reference for the PT-SCOA project team					
Obtain approval for implementation of mSCOA, proposed governance structures, implementation plan and risk register					
Tabling a progress report, including the updated risk register with the municipal council on a quarterly basis					
PT mSCOA Project Management		1	↓		↓
Identify key human resources					
Identify key project milestones					
Identify capital requirement and budget (servers, IT requirements)					
Set up project organisational/management arrangements (charter, scope, plan, budget, risks and issues)					
Obtain proof of appointments and evidence that tasks and responsibilities have been integrated in the Key Performance Areas of the Project Manager and Project Team					

Prepare code of ethics and members to sign these								
Project plans developed, reviewed and on hand								
Risk register and its register developed, reviewed and on hand								
Change management and transition plans developed, reviewed and on hand								
Communication strategy and plans developed, reviewed and on hand								
Assessment of impact on municipalities readiness/challenges/resources								
Approval from leads								
Ensure data purification / data cleansing is undertaken								
Stakeholder engagement/establishment of user forums (PT & Other stakeholders)								
Vendor engagement, vendor feedback and integration into project plan								
Ensure that all the current business processes in the municipality								
Estimating impact on Municipalities business policies, processes & procedures								
Ensure an in-depth review of Municipalities IT infrastructure.								
Ensure Municipalities 3 rd party systems / integration assessment has been undertaken.		10						
Budget revision, segment evaluation and reporting								
Ensure Municipalities compilation of detail budgets - SCOA classification across								
Ensure Municipalities planning is project based from IDP								
Ensure Municipalities budget reporting can be undertaken								
Ensure Municipalities do Portal data testing and quality assurance								
Project Audit File, information on file								
Ensure proper document management for the SCOA project and municipal records								
Record of project governance documentation								
Agenda minutes and attendance registers								
Record of project plan and milestone reports								
Record of risk register and mitigation measures								
Issues log and resolutions/decisions								
Record of any SCOA training provided in the province								
Project close out report								
Project close out report								

Annexure C.1

mSCOA: Example Project Risk Register

1. **Consequences or impact indicator:** This indicator is used to communicate the consequences should this risk happen, considering that there are no mitigation measures in place. It indicates the "worst case" scenario and the asset manager should consider the direct consequences, including damage to the asset itself, as well as indirect damages, like business interruption and damage to other assets or humans.

Rating	Consequences	Impact
5	Very serious – business disruption for a period of time	Catastrophic – collapse of business or project
4	Serious - business disruption	Major – critical event
3	Moderate	Moderate
2	Damage	Minor – normal operating conditions
1	Slight damage	Insignificant

Annexure C.1

2. Probability indicator: This indicator provides an **estimate of the probability that the risk situation might occur**. Even if it does occur, it might not be the "worst case" scenario, but a smaller incident or loss than what was anticipated, but all the same, the chance of a loss situation occurring.

Rating	Probability
1.0	Almost certain – event is expected
0.8	Likely – probability
0.5	Moderate – could occur some time
0.3	Unlikely
0.1	Rare/ remote

Annexure C.1

3. Risk exposure indicator: The risk exposure is calculated by multiplying the numeric values for the impact indicator (refer paragraph 1 above) with the numeric value of the probability indicator (refer paragraph 2 above). The municipality, in a formal council policy, should decide what its risk tolerance level is (how much risk the municipality wants to/ is able to tolerate). This risk tolerance policy applies to all risk within the municipality (not only the mSCOA project).

In the example below, the municipality:

- has accepted (will tolerate) all risk below level 1 (green indicator);
- monitors risks with an exposure of 1 and above that are below 2 (yellow indicator); and
- actively manages the risks with an exposure indicator of 2 and above (red indicator).

Risk Rating		PROBABILITY				
		1.0	0.8	0.5	0.3	0.1
IMPACT	5	5.0	4.0	2.5	1.5	0.5
	4	4.0	3.2	2.0	1.2	0.4
	3	3.0	2.4	1.5	0.9	0.3
	2	2.0	1.6	1.0	0.6	0.2
	1	1.0	0.8	0.5	0.3	0.1

Annexure C.1

RISK REGISTER**(Example)**

Risk Responsible person	Drivers/ Contributing factors	Comments	Assessment			Mitigation measures		
			Consequences	Probability	Risk Exposure	Consequences	Probability	Risk Exposure
1. Power outages/ Load shedding – damage to assets caused by power dips/ spikes. Liability claims from consumers and business A Ngwenya Technical Dept. Mayor and Councilors	ESKOM load shedding; Higher demand than supply Ageing network; Cable theft and general vandalism	Consumers may vent frustration and consumers may withhold payment for services	Moderate	Likely	3.8 Significant	Minor damage	Likely	1.6 Moderate
			<ul style="list-style-type: none"> Electricity demand management Maintenance of network infrastructure 			<ul style="list-style-type: none"> Communication of schedules Education regarding saving of electricity and illegal connections Debt/ credit management Pre-paid meters 		
2. Water quality failure – ground water contamination and spread of disease S Kriel Technical Dept. Health Inspectors	Key processes and SOPs; Staff skills shortage; Overcrowding and poor living conditions;	Untreated/ chlorinated water can become contaminated; Untested water should not be released from retention dams	Very serious	Unlikely	1.5 Moderate	Moderate	Rare	0.3 Acceptable/ Low exposure
			<ul style="list-style-type: none"> Chlorination programme in place Skills development and assessment 			<ul style="list-style-type: none"> On-going training and monitoring Replacement of communal taps and boreholes with piped water 		
3. Vandalism – damage and destruction of municipal assets D Khosa Mayor and Councilors Communication and marketing Technical Dept.	Poor service standards, Frustration and political unrest	Consumers in informal settlements and low cost housing protest against lack of services, cost of services and other political issues	Moderate	Moderate	1.5 Moderate	Minor damage	Unlikely	0.6 Acceptable/ Low exposure
			<ul style="list-style-type: none"> Eradication of service and infrastructure backlogs Improvement of service standards 			<ul style="list-style-type: none"> Create jobs and uplift communities Formalise housing arrangements Improve infrastructure and service standards 		

Annexure C.2

mSCOA Project Risk: Examples

Non-compliance	The possibility of the municipality not achieving full compliance by 1 July 2017, should be the top risk in every mSCOA project risk register.
System failure	Although the system vendors are doing their best to support municipalities in achieving compliance with the regulations, there is always the chance that the system might fail and compliance be negatively impacted. This risk should be included in the risk register.
Audit outcome	For any municipality, mSCOA project failure or weak project controls could have an adverse impact on the existing audit findings. This risk should be highlighted in the risk register and closely monitored to mitigate the impact.
Demarcation impact	The demarcation of municipal borders in view of the coming elections could impact on the mSCOA implementation and affected municipalities should note the risk, and initiate mitigation plans and activities to deal with the risk in a proactive fashion.
Requirements	Requirements should be clearly specified. The level of specification determines the level of risk, that is vague specifications increase the risk and very clear specifications reduce the risk.
Benefits	Business benefits should be identified and quantified, informing the business case for change or implementation. If there is a very clear business case, it reduces the overall risk, and if the benefits are not clearly articulated and communicated, it poses an increased risk.
Schedule	Schedule lists of all activities and tasks with enough time to complete, provide accurate dependencies and assign responsibilities. Detailed schedules reduce the risk, whilst vague and un-assigned schedules of activities increase the risk.
Budget	Sufficient budget should be allocated for all the components of the project and accountability therefore assigned. If the budget is sufficient to cover the entire project, the risk is mitigated. Insufficient budget to complete the project should

Annexure C.2

be highlighted as a key risk.

Deliverables	Clearly defined deliverables with quality and acceptance criteria, reduce the risk whilst vague deliverables, or omission of the quality and acceptance criteria, increase the risk. Deliverables and acceptance criteria form the basis of contracting if vendors are utilised for any part of the project delivery.
Scope	Clearly outlined scope reduces the risk and enables containment of scope creep, which in turn impacts on the budget and time line.
Issues	The Issue log documents all issues and key decisions on the project, including the information which was considered to make these decisions, who made them, and what the implications of these decisions are. This document is reviewed by auditors and informs future developments and projects.
Suppliers	Municipalities may decide to use the services of vendors and suppliers in support of mSCOA implementation. Expectations and reporting lines for suppliers should be clearly defined and the municipality should manage the suppliers, and not the suppliers manage the process or the municipality. Penalty clauses and performance standards should always be included in supplier contracts.
Acceptance criteria	Acceptance criteria, quality expectations and the process for acceptance of deliverables should be clearly defined and agreed with all project team members, internal and external. Clearly defined criteria reduce project risk.
Communication	Communication is the cornerstone of successful project implementation and should be planned for the duration thereof. Controlled communication to the project team, vendors, affected parties and other stakeholders reduces the risk to the project.
Resources	Resources for the project include skilled staff, budget and technology. The oversight committee and project team should be allocated and assigned in writing, including the amendment of their respective performance contracts, to ensure that this project is their priority and reduce the risk of not meeting the compliance requirements.

Annexure C3 - mSCOA Project: Risk Register Template


Risk	Drivers/ Contributing factors	Comments	Assessment			Mitigation measures			Residual Risk	Cost of Risk
			Consequences	Probability	Risk Exposure	Consequences	Probability	Risk Exposure		
Responsible person										
Describe the risk										
Responsible person										
Responsible department										
Describe the risk										
Responsible person										
Responsible department										
Describe the risk										
Responsible person										
Responsible department										

Annexure D – Example mSCOA Project Issue Log

Introduction:

Every project, including the municipality's mSCOA project should have an issue log. Key decisions made during the execution of the project should be captured in the project issue log. The issue log forms part of the 'project knowledge' which is captured and documented for future use and understanding of the project implementation rationale. Internal- and external auditors use the issue logs during their respective audits.

Issues differ from risks in their very nature. A **risk** refers to a **future uncertain outcome**, which is mitigated and managed to reduce the possible negative impact it could have. An **issue** refers to **something that is happening at the present time**, and needs key decisions in terms of approach and resolution. Once the decisions have been implemented, the issue is closed and recorded for future reference, and the project implementation moves on:

	<p>What is the difference between a <u>risk</u> and an <u>issue</u>?</p> <p>Example 1:</p> <p>Risk – Will the municipality's general ledger be capable of accommodating all seven (7) of the mSCOA segments?</p> <p>Issue – <i>The municipality's existing general ledger can only accommodate four (4) of the mSCOA segments. How will we change our general ledger to accommodate all seven (7) of the mSCOA segments?</i></p> <p>Example 2:</p> <p>Risk – Will the municipality be able to integrate the human resources (HR) system with the core financials as required by the mSCOA Regulations (compliant)?</p> <p>Issue – <i>During the system's testing today we realised the HR system does not integrate with the core financials. How should we integrate the HR system with the core financials to meet the mSCOA requirements (compliance)?</i></p>
--	--

In many cases, risks are addressed by key decisions of the project team (issue resolution). The success of the action which was taken, determines the outcome of the project (in other words was the risk successfully mitigated?). This is however, not always the case.

Annexure D – Example mSCOA Project Issue Log

XXXX (insert name) **Municipality**

mSCOA Project Issue LOG for 2015/16 (insert relevant year):

Issue No.	Description of issue	Impacting factors/ Considerations	Decision	Taken by	Date	Implementation Results
1.						
2.						
3.						
5.						
6.						

Legend/ guidance to complete the 'project issue log':

Description of Issue	List/ capture the issue (you are dealing with) in this column.
Impacting factors/ Considerations	List all factors which have an impact on the decision and which were considered before the final decision was taken. Also consider future implications of the current decision.
Decision	Capture the decision as it was taken to address the issue. Provide a reference/ link to the ' <i>minutes of the meeting</i> ' during which the decision was taken.
Taken by	Document <i>who took the decision</i> . It could be: (i) an individual (mention their capacity to take the decision); (ii) the project team; (iii) the steering committee; or (iv) other committee (include its name).
Date	Provide the date on which the decision was taken.
Implementation Results	Record the results achieved by implementing this decision. Update the risk register as implementation progress (if relevant).

Annexure E

Insert Municipality or Provincial Treasury Logo

XXXX

mSCOA Project Team

CODE OF ETHICS

Annexure E

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Annexure E

1. Preamble

National Treasury has the responsibility for compiling national whole-of-government accounts, including consolidated local government information for national policy and other purposes. In 1999 National Treasury embarked on a budget reform programme for National and Provincial Departments with the objective of improving accountability and to modernise the accounts of government by aligning reporting with international leading practices. While the project was initiated to develop a new budget format, it soon became clear that the new reporting format would only be effective with an appropriately amended Chart of Accounts (CoA).

Although Local Government has its own peculiarities the success achieved at National and Provincial level from implementing the SCOA can be equally beneficial for Local Government in improving data quality, achieving a greater level of standardisation and uniform data sets, and is critical for 'whole-of-government' reporting. Therefore, the project has been expanded to include Local Government as well, to implement a Municipal Chart of Accounts (mSCOA) in 278 municipalities across the country.

As the implementation team of mSCOA, representing the provincial treasury/ municipality (*select one*), we recognise that our personal reputation, and that of the provincial treasury/ municipality (*select one*), represented by the team, is one of our most important assets, and we are committed to achieving the highest ethical standards in all our business operations.

Ethics involves applying moral standards - standards of good, right and fair conduct - which are supported by values, to shape the decisions and actions of individuals within the provincial treasury/ municipality (*select one*) mSCOA Project Team in the pursuit of our business objectives. In simple terms it is about "doing the right thing, right".

These values, together with the behaviors identified with them, provide general guidelines as to how we represent provincial treasury/ municipality (*select one*);

Annexure E

interact with each other, our clients and our stakeholders, and reflect what is important to us and how we conduct ourselves.

2. Purpose and Scope

The purpose of this code of ethics is to provide a guiding framework for promoting ethical business practices and standards within the **provincial treasury/ municipality (select one)** mSCOA Project Team, to promote mutual trust and respect among members, and to create an environment whereby business can be conducted with integrity and in a fair and reasonable manner.

As it is not possible to prepare a code of ethics which deals with every situation that could possibly be faced, this code of ethics establishes the broad principles that are essential to ensure compliance with legislation, protection of reputation and confidence in the integrity of the implementation team.

This code of ethics reflects the **provincial treasury/ municipality (select one)** mSCOA Project Team's policy on ethics and outlines the expectations which the team has of all its members and any other persons dealing on behalf of the team.

3. mSCOA Vision *(include the municipality/ provincial treasury's vision for this project)*

"mSCOA leading the change through systems modernisation to sustainable service delivery based on international and local best practices and standards."

4. mSCOA Mission *(include the municipality/ provincial treasury's mission for this project)*

"To ensure that all municipalities and municipal entities in the province are equipped to successfully implement the Municipal Standard Chart of Accounts by 1 November 2016. To establish a consolidated and uniform provincial reporting framework and thereby reducing the burden of reporting required from Local Government."

Annexure E

5. Definitions

In order to ensure that all members of the **provincial treasury/ municipality (select one)** mSCOA Project Team and stakeholders associated with the implementation project or team have the same interpretation of the code of ethics, definitions are provided below:

- **Integrity:** Moral soundness, an undivided or unbroken completeness or totality with nothing wanting;
- **Honesty:** The quality of being honest, truthfulness, probity and freedom from corrupting influences;
- **Transparency:** The quality of being clear and transparent, openness, being direct and clear in all we do and how we communicate, no hidden agendas;
- **Accountability:** Responsibility to someone or for some activity, accountable for personal actions and work to be delivered, meeting deadlines and due dates;
- **Dedication:** Act of binding yourself to some goal or purpose, committing ourselves to ensuring we pay attention to the needs of National Treasury, our clients, and our team;
- **Excellence:** The quality of excelling, an outstanding feature, being committed to always doing our best, paying attention to quality and going the extra mile for National Treasury, our clients and other stakeholders, and team members;
- **Loyalty:** The act of binding yourself intellectually or emotionally to a course of action; and
- **Compassion:** The humane quality of understanding the needs of others and wanting to do something about it, treating people kindly and with respect and ensuring we pay attention to their needs.
- **Independence:** To act and to be seen independent from service providers, unbiased to any other institution, body or personal interest
- **Objectivity:** state or quality of being true even outside of a subject's individual biases, interpretations, feelings, and imaginings in the context of act, opinions

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and positions.

6. Application

This code of ethics applies to an individual upon assignment or appointment to the **provincial treasury/ municipality (*select one*)** mSCOA Project Team, or participation in the project in a way that suggests association with the team or **provincial treasury/ municipality (*select one*)**, including persons and institutions involved with the delivery of mSCOA related business services such as consultants, contractors, suppliers and vendors representing the mSCOA team or **provincial treasury/ municipality (*select one*)**.

provincial treasury/ municipality (*select one*) mSCOA Project Team members, and stakeholders mentioned above, should be fully aware of the contents and implications of this code and should therefore act in accordance with the principles outlined under the code. These principles will be regularly monitored and evaluated to ensure continued improvement. Any contraventions of this code of ethics will be addressed through the mSCOA Project Manager and the mSCOA Project Sponsor, as deemed appropriate.

Although an acceptance of assignment/ participation/ employment with the **provincial treasury/ municipality (*select one*)** mSCOA Project Team is deemed to be:

- (a) an acceptance of the principles set out in this code of ethics; and
- (b) subjection to the oversight of the mSCOA Project Management and mSCOA Project Sponsor.

Each mSCOA Project Team member is expected to sign this Code of Ethics as acceptance of its terms.

7. Standards for Ethical Conduct

Members of the **provincial treasury/ municipality (*select one*)** mSCOA Project Team must discharge their duties professionally, with due diligence, excellence, efficiency to the best of their abilities, and compassion and must at all times maintain an attitude

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consistent with the best interests of and loyal to the **provincial treasury/ municipality (select one)**, the **provincial treasury/ municipality (select one)** mSCOA Project Team, clients and other stakeholders.

Team members should follow the lead of every work stream in aspects related to a specific function or work stream, maintain a professional competence including awareness and knowledge of developments of mSCOA as the project unfolds, and respect the views and opinions of the members of the team:

- Team members should act fair and impartial, without allowing themselves to be influenced by personal interests, relationships or pressure from other parties/ stakeholders external to the mSCOA implementation project;
- Team members should act with dedication, honesty and integrity and be open and transparent in dealing with other Project Team members, clients and other stakeholders.
- Team members should act in a professional and courteous manner including, strive to attend all meetings, provide apologies to chairperson(s) for unavoidable absences, and diligently prepare for and participate in the proceedings; and
- Team members should submit required documentation in good time to allow for review and comments, as well as provide same when called on to do so.

7.1 Compliance with Laws and Regulations

The mSCOA implementation team and all those that represent **provincial treasury/ municipality (select one)** or the team, will comply fully with the letter and spirit of the laws and regulations of the country, whilst adhering strictly to best business practice in every area of its activity, and all professional codes that govern their conduct.

7.2 Conflicts of Interest

Conflicts of interest between official obligations and personal interests are among the most common types of ethical issues faced in business. The **provincial treasury/ municipality (select one)** mSCOA Project Team and associated stakeholders share

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the responsibility for keeping **provincial treasury/ municipality (select one)** and the team free of harm arising from real or perceived conflicts of interest.

In order to achieve this, all those involved or associated with the mSCOA implementation project or representing **provincial treasury/ municipality (select one)** in this respect, will at all times conduct themselves in a manner that enhances the reputation of **provincial treasury/ municipality (select one)** and the mSCOA implementation project and shall not put themselves in a position that could lead to possible or perceived conflicts of interest between the individual and **provincial treasury/ municipality (select one)** or the mSCOA implementation project. Whenever a potential conflict arises, personal interests must yield to the best interests of **provincial treasury/ municipality (select one)** and the mSCOA implementation project.

Team members and associated stakeholders must not allow other direct or indirect relationships to affect in any way the conduct of their activities as it relates to their implementation of mSCOA and where such a position or situation arises, using sound judgement, should notify the mSCOA Project Manager or mSCOA Project Sponsor in writing, who will then advise on an appropriate course of action. This declaration should be made as soon as the matter arises and prior to any decisions or actions being taken by either the mSCOA Project Manager or the mSCOA Project Sponsor to address the conflict of interest.

7.3 Gratuity and Entertainment

mSCOA implementation team members should avoid placing themselves under any financial, material or other obligation to outside individuals or organisations that may influence their performance of official duties or execution of authority delegated to them.

A high premium is placed on a person's judgment in handling business related transactions with regards to gratifications and therefore team members must exercise the utmost care and judgment in giving or receiving business related gifts, hospitality

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and favours.

Team members should exercise particular caution with regard to any offers of value, including hospitality, entertainment and gifts when negotiating or considering compliance, contracts and endorsements when they are in a position to influence, directly or indirectly, the outcome of a decision. It is important not to give or be perceived to give any impression that there may be an improper connection between any gift or hospitality and business decisions. A golden rule here is disclosure. Ensuring that the mSCOA Project manager and the mSCOA Project Sponsor are aware of all gifts of any significance ensures transparency and avoids any suggestion of a conflict of interest.

All gifts, hospitality and/or favours in excess of three hundred and fifty rand [R350] in value must be declared in writing as soon as possible once it occurred, by the individual to the mSCOA Project Manager and mSCOA Project Sponsor.

7.4 Client Care and Confidentiality

Government, client and vendor information, which is not public information, will be treated as confidential and as the intellectual property of the **provincial treasury/ municipality (select one)** and may only be made available to a Relevant Authority in terms of the Promotion of Access to Information Act, 2000, subject to the provisions of that Act:

- Respect the obligation of confidentiality with regard to information received in the course of duty and continue to be bound by this obligation after termination of the mandate/ assignment/ appointment;
- Do not disclose information and resolutions taken by the team to external parties, clients or service providers;
- Do not use any information gained from being a **provincial treasury/ municipality (select one)** mSCOA Project Team member to gain a personal advantage or advantage any family members/ friends or related parties;
- Conduct all dealings with external parties, clients, suppliers, and other interested

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- parties with transparent sourcing policies and ethical procurement practices; and
- Project Team members may never intentionally misrepresent the truth; withhold the truth and/or material facts.

8. Monitoring, Administration and Review

The code of ethics, application and maintenance thereof will be monitored by the mSCOA Project Manager and mSCOA Project Sponsor, as applicable.

This code will be reviewed regularly, at a minimum every six months, to ensure its relevance and best practices for the duration of the mSCOA implementation project.

Members attending Project Team Meeting and Technical Work Groups of any nature would be expected to sign a declaration of interest and confidentiality at each meeting attended. Invitees to meeting at the discretion of the Team Leader will be voluntary requested to follow suite or either decline in writing.

Approved and accepted by, the provincial treasury/ municipality (*select one*)
mSCOA Project Team:

Date	Name	Signature

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Insert Municipality/ Provincial Treasury Logo

MUNICIPALITY/ PROVINCIAL TREASURY (*select one*)
MUNICIPAL SCOA PROJECT TEAM
OATH OF SECRECY/ SOLEMN DECLARATION/ NON-DISCLOSURE

(Use block letters and write with black ink/ballpoint pen)

I, (full names and surname) _____

Date of birth _____ Identity number _____

Do hereby swear/solemnly declare * that I

- (a) have taken note of the contents of the protection of Information Act, 1982 (Act no 84 of 1982);
- (b) have taken note of the contents of the Disciplinary Code and Procedures, of the Public Service Act, 1994, as amended OR of XXXX Municipality (**select the relevant option**);
- (c) understand that I may not disclose, either verbally or in writing, to any unauthorized person any information of whatever nature that has, or may come to my knowledge as a result of my duties as-
- (i) an employee of the Government of the Republic of South Africa or of XXX Municipality; (**select the relevant option**)
- (ii) a consultant, contractor or subcontractor, or a person employed by a consultant or subcontractor, who renders services to the **XX Municipality/ XX Provincial Treasury**, other than in carrying out of my official duties or in the performance of my duties without having received the prior approval of either the **Municipal Manager/ Head of Department (PT)**, or any official duty authorized by him/her;
- (d) will not, either directly or indirectly, divulge or disclose to anyone or be a party to the divulging or disclosure to or obtaining by anyone any particular, matter or thing relating to the affairs or any information which as been in any way acquired by me in connection with the discharge of my duties imposed upon or entrusted to me except when I shall be required to do so in the course of my duties, or by order of a competent court, and that I will in all things observe secrecy with regard to all such particulars, matters, things and information;
- (e) understand that the above is applicable not only during my term of employment, office or contract, but also after my services (including services contemplated in paragraph (c)(i) and (ii) in or with, as the case may be, the Government, **XXX Municipality/ XXX Provincial Treasury** (or its successor) have been terminated; and
- (f) am fully aware of the serious consequences that may follow on any breach or contravention of the above-mentioned provisions and instructions.

SIGNATURE: _____

(Must be signed in the presence of a Justice of the Peace, Magistrate or Commissioner of Oaths)

Date: _____ Place: _____

1. I certify that prior to my administering the prescribed oath/affirmation*, I put the following questions to the deponent and wrote down his/her answers hereto in his/her presence:
- (1) Do you know and understand the contents of the above statement?
Answer _____
- (2) Do you have any objection to taking the prescribed oath/affirmation?
Answer _____
- (3) Do you regard the prescribed oath/affirmation as biding on your Conscience?
Answer _____
2. I certify that the deponent acknowledges that he/she knows and understands the content of this statement which was sworn to/affirmed * and signed by the deponent in my presence.

Justice of the Peace/Magistrate/Commissioner of the Oaths* _____

Designation (Rank) _____ Ex officio Republic

Date: _____ Place: _____

Full first names and surname: _____

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Address: _____

- Delete whichever is not applicable

Annexure G - Example framework for a high-level Provincial Treasury project plan:

Activity description	Responsible person	Due date	Progress feedback
1. PT Governance			
Project champion/sponsor appointed with terms of reference, assignment in writing and performance agreement updated			
Steering committee appointed with terms of reference, assignment in writing and performance agreements			
Project manager appointed with terms of reference, assignment in writing and performance agreement updated			
Register a formal mSCOA project and allocate resources			
Approve a high level project plan			
Review progress report(s), including the updated risk register on a quarterly basis			
2. PT mSCOA Project Management			

Identify key human resources, assign in writing and update performance agreements			
Identify capital requirements and project budget			
Set up project organisational, including project charter, scope, plan, budget, risks and issues			
Prepare code of ethics and members to sign these			
PT project plan developed, reviewed and on hand for reference purposes			
Risk register and issue register developed, reviewed and on hand			
Change management and transition plans developed, reviewed and on hand			
Communication strategy and plans developed, reviewed and on hand			
Internal and external training plans developed, reviewed and on hand			
3. PT Preparation and Awareness			
Regulations, project documents, position papers and ICF documents read			

NT mSCOA Circulars read and templates reviewed/ amended for use			
Awareness workshops and communication (Demystify mSCOA) attended			
mSCOA tables reviewed			
Project management skills identified/ updated			
Register on FAQ Database and review contents			
4. PT Project Activities			
Assessment of non-pilot municipalities readiness/ challenges/ resources, submitted to NT			
Ensure data purification / data cleansing is undertaken by the municipalities			
Assist municipalities to document and map their current business processes			
Assist municipalities to determining impact on policies, processes & procedures			
Establish provincial communication forums and draw up a schedule of meetings for the year			

Vendor engagements and pilot/ system readiness feedback			
Stakeholder engagements (PT & Other stakeholders)			
Ensure an "as is" review and cost benefit analysis of IT infrastructure has been done			
Ensure 3 rd party systems / integration assessment has been undertaken			
Review municipal project documentation, provide advice and submit to NT			
5. mSCOA training			
Identify training needs in PT and Municipalities			
Assist with scheduling and logistics for non-accredited training as required			
Assist with scheduling and logistics for accredited training as required			
Assist with scheduling and logistics for councilor training			
Assess the need for additional training, identify training needs which have not been addressed and provide logistic support for the sessions			

6. mSCOA Chart activities			
Review mSCOA chart			
Budget conversion, segment evaluation and reporting			
Ensure compilation of detail budgets - SCOA classification across segments			
Ensure planning is project based from IDP			
Ensure reporting can be undertaken			
Portal data testing and quality assurance			
7. Project Audit File - Information on file			
Maintain records of steering committee			
Maintain records of implementation committee			
Record and maintain information for audit purposes of project governance documentation			
Ensure proper document management for the SCOA project and municipal records			
Maintain agenda, minutes and attendance registers of mSCOA meetings			

Maintain project plan and milestone reports (version control)			
Maintain risk register and mitigation measures			
Maintain issue log and key project decisions			
Maintain a record of user access, and log in violations			
Maintain a record of user acceptance testing and sign off			
Maintain a record of user training			
Maintain a record of the sign-off / take-on balances			
8. Data purification activities			
Assist the municipalities with the following:			
HR & payroll data			
Asset records			
Debtors information			
Vendor database			
Contracts			
Retention payments			
Clearing of suspense accounts			
Finalisation of the Regional Indicator Segment			
9. Project close out report			

Project close out report			