

COUNCIL OF THE CITY OF CAPE TOWN

26 MAY 2016

ITEM NUMBER: C 53/05/16

RECOMMENDATION FROM THE EXECUTIVE MAYOR: 19 APRIL 2016

**MC 52/04/16 NATIONAL TREASURY MSCOA IMPLEMENTATION QUARTERLY
PROGRESS REPORT – MARCH 2016**

It is **RECOMMENDED** that Quarterly Report on the National Treasury mSCOA implementation, be noted.



REPORT TO COUNCIL

DATE 2016-04-19

1. ITEM NUMBER : MC 52/04/16

2. SUBJECT

NATIONAL TREASURY mSCOA IMPLEMENTATION QUARTERLY PROGRESS REPORT – MARCH 2016

ISIHLOKO

INGXELO ENGENKQUBELA YARHOQO NGEKOTA ENGOKUMISELWA KWESETYHULA KANONDYEBO WESIZWE ENGOMASIPALA (mSCOA) YANGOMATSHI 2016

ONDERWERP

NASIONALE TESOURIE: KWARTAALLIKSE VORDERINGSVERSLAG OOR IMPLEMENTERING VAN mSCOA (MUNISIPALE STANDAARDSTAAT VAN REKENINGE) – MAART 2016

3. STRATEGIC INTENT

- Opportunity City
- Safe City
- Caring City
- Inclusive City
- Well-run City

4. PURPOSE

The purpose of this report is to provide mSCOA project quarterly progress status (January 2016 to March 2016) as well as to submit the National Treasury municipal Standard Chart of Accounts (mSCOA) Circular 4 for information and noting.

5. FOR NOTING BY / FOR DECISION BY 003

This report is for noting only/information only.

6. EXECUTIVE SUMMARY

mSCOA, or the municipal Standard Chart of Accounts, was developed by National Treasury to standardise financial reporting and related information across all municipalities in South Africa. The MFMA / mSCOA Regulations, promulgated in April 2014, require all municipalities to implement the regulations by July 2017.

This report provides a quarterly progress and status report to Council, for the period January 2016 to March 2016, on the mSCOA project implementation in the City. This report also serves to submit National Treasury's mSCOA Circular 4 for information and noting.

7. RECOMMENDATIONS

Not delegated: for decision by Council:

It is recommended that:

The contents of the report be noted.

IZINDULULO

Azigunyaziswanga: isigqibo seseBhunga:

Kundululwe ukuba makuqwalasele iziquatho zengxelo

Nie gedelegeer nie: vir besluitneming deur die Raad:

Daar word aanbeveel dat:

Daar kennis geneem word van die inhoud van hierdie verslag.

8. DISCUSSION/CONTENTS

The following are pertinent activities which took place in relation to the mSCOA project during the period under review:

National Treasury Engagements

National Treasury visited the City on 9th February 2016 to discuss technical issues still under review. The City 2016/17 operating and capital budgets was prepared per the mSCOA grid. There is however still outstanding issues to be resolved by National Treasury via its FAQ site or position paper publications. This session was used primarily to discuss certain outstanding issues. The City implements project changes once known and confirmed via formal communiques.

The National Treasury Internal Audit team requested a meeting with the City which took place on the 9th of March 2016. The team is currently conducting the audit "Review of the SCOA implementation plan for local government". The purpose of the visit was to liaise with municipalities to ascertain, for example, if change management and engagements with Provincial Treasuries & municipalities were viewed to be adequate and the type of training that was provided to capacitate PTs and municipalities. They clarified that the City were not being audited, but rather the National Treasury mSCOA team, on implementation of mSCOA project. In addition to the City's project sponsor and project managers, the City's internal audit and Risk Management functions were also represented at the engagement. The team had various questions on processes and NT interactions and noted our feedback and responses provided.

Position Papers

Issues and queries were logged with NT where uncertainty in the mSCOA versions required clarification. 27 Position papers on sundry matters are awaited by implementing municipalities. During March 2016 NT issued 7 position papers for comment by the end of March 2016. The City will provide comments as required.

Data Extract File

National Treasury requested that the first data extract test file in the mSCOA prescribed format and containing the actual expenditure for the first 6 months of the financial year (July 2015 to December 2015) be uploaded via NT submission tool (local government database) by the 31st of January 2016. This upload was successfully completed on the 30th of January 2016. Feedback is awaited from NT.

External Quality Assurance

The City Manager approved a report in December 2015 to utilise suppliers listed on the SITA tender RFB 1183/201. Using this tender and the relevant suite of services, 33 prospective tenderers were identified. The briefing session with prospective service providers took place in February 2016. The responses are currently being evaluated. Phase one of the quality assurance work is envisaged to be completed by the end of the financial year to provide for timeous corrective actions before the close of the financial period.

The scope of the engagement – a two-phase approach - is as follows:

The emphasis of the appointment is the Item segment of mSCOA.

1. Conduct on-site reviews of departmental operations/business processes generating financial transactions
 - **Sample testing** of transactions to date
 - Testing of mSCOA compliance to mSCOA regulations
 - Assessment of mSCOA interpretation at functional level w.r.t:
 - adequate understanding of the Regulations
 - application to the 2015/16 budget retrofit exercise
 - Application wrt transactions

2. Review recording of expenditure and revenue to date
3. Identify internal controls weaknesses and propose corrective actions required wrt mSCOA
4. Best practice and suggested actions to achieve compliance on accurate financial data; should be reported per department
5. Comparison of mSCOA definition with City's definitions of revenue and expenditure general ledger accounts

Phase two provides for:

1. Assist departments to revise, update and prepare internal control documentation to reflect appropriate, mSCOA compliant business processes
2. Assist with/facilitate mSCOA training to ensure awareness and understanding of business processes, internal controls and its relevance to mSCOA, as directed by the project sponsor
3. Other actions in furtherance of mSCOA compliance, based on the phase 1 outcome and as required by the project sponsor

National Treasury Circular no 4

The 4th mSCOA circular was issued by National Treasury on the 3rd March 2016 and provides information on:

- Discussion – Frequently Asked Questions
- mSCOA Project Implementation – Support
- Provincial Treasury Support – mSCOA implementation
- Self-Assessment Tool: Municipalities and Provincial Treasuries

8.1. Constitutional and Policy Implications

mSCOA implementation have been regulated for implementation by municipalities by July 2017.

8.2. Sustainability Implications

Does the activity in this report have any sustainability implications for the City? No Yes

8.3. Legal Implications

The MFMA / mSCOA Regulations promulgated on 22 April 2014, oblige all municipalities to implement the regulations by July 2017.

8.4. Staff Implications

Does your report impact on staff resources, budget, grading, remuneration, allowances, designation, job description, location or your organisational structure?

No Yes **8.5. Risk Implications**

The mSCOA risk register is updated monthly and submitted to the mSCOA Steering Committee and quarterly to Riskco.

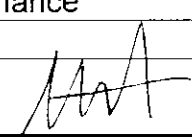
8.6. Other Services Consulted

N/A.

ANNEXURES

- Annexure A: MFMA mSCOA Circular No 4
- Annexure B: MFMA mSCOA Circular No 4: Annexure A – Presentation mSCOA information and change management
- Annexure C: MFMA mSCOA Circular No 4: Annexure B1 and B2 – Self-assessment tool for municipalities and Provincial Treasuries
- Annexure D: MFMA mSCOA Circular No 4: Annexure C1, C2 and C3 – Example Project Risk Register, Project Risk examples and mSCOA Risk Register template
- Annexure E: MFMA mSCOA Circular No 4: Annexure D – Example mSCOA project Issue Log
- Annexure F: MFMA mSCOA Circular No 4: Annexure E and F – Code of Ethics and non-disclosure agreement examples
- Annexure G: MFMA mSCOA Circular No 4: Annexure G – Example framework for a high-level Provincial Treasury project plan

FOR FURTHER DETAILS CONTACT:

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FILE REF NO	
SIGNATURE : DIRECTOR (Delete if not necessary)	

W Ma

Comment:

EXECUTIVE DIRECTOR *acting*
Kevin Jacoby

NAME

W Muller

DATE

17 March 2016

Charlyne Argonoff

LEGAL COMPLIANCE

[Compulsory to Insert name]

NAME

CHARLYNNE ARGONOFF

TEL

021 400 1265

DATE

18/3/2016

REPORT COMPLIANT WITH THE PROVISIONS OF COUNCIL'S DELEGATIONS, POLICIES, BY-LAWS AND ALL LEGISLATION RELATING TO THE MATTER UNDER CONSIDERATION.

NON-COMPLIANT

Comment:

For information. ABT

CRAIG KESSON (STRATEGIC POLICY UNIT)

SUPPORTED FOR ONWARD SUBMISSION TO MAYCO / COUNCIL

PC RECOMMENDATION

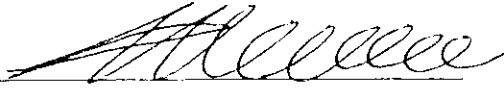
RECOMMENDATION AS CONTAINED IN ORIGINAL REPORT

ALTERNATIVE RECOMMENDATION (TO BE REFLECTED IN COMMENTS SECTION BELOW)

NOT SUPPORTED

DATE

COMMENT:



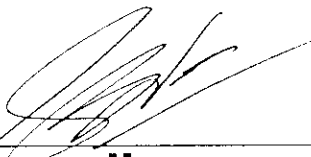
Acting

EXECUTIVE DIRECTOR: CORPORATE SERVICES AND COMPLIANCE (ED: CORC)

- SUPPORTED FOR ONWARD SUBMISSION TO MAYOR MAYCO COUNCIL
- AUDIT/PERFORMANCE AUDIT
- NOT SUPPORTED
- REFERRED BACK

DATE 2016 -03- 23

COMMENT:



MAYORAL COMMITTEE MEMBER
(Author to obtain signature before submission to Executive Support)

COMMENT:

NAME JD NEILSON

DATE 4/4/16

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EXECUTIVE MAYOR

SUPPORTED FOR ONWARD SUBMISSION TO MAYCO / COUNCIL

PC RECOMMENDATION

RECOMMENDATION AS CONTAINED IN ORIGINAL REPORT

ALTERNATIVE RECOMMENDATION TO BE REFLECTED BELOW

APPROVED I.T.O. DELEGATED AUTHORITY

NOTED

REFUSED

REFERRED BACK

DATE 08.04.2016

COMMENT:

