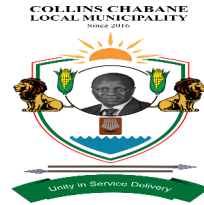


**COLLINS CHABANE
LOCAL MUNICIPALITY**
Since 2016



ROADMAP TO A SUCCESSFUL mSCOA IMPLEMENTATION

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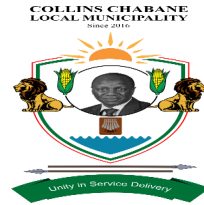
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A. Overview

A roadmap is a high-level strategic overview that outlines the direction to be taken to achieve the business plan and meet the long-term strategic goals.

Municipal Standard Chart of accounts (mSCOA) is a multi-dimensional classification framework providing the method (the how) and format (the look) for recording and classifying financial transaction information in the general ledger forming part of the books of account containing a standard list of all available accounts. Implementing mSCOA therefore requires organisational change across the municipality since not only financial and budget orientated practitioners are involved. The Council need to know that almost every municipal department when coming to mSCOA everybody is responsible and accountable. mSCOA's objective is to provide a national standard uniformity recording and classification of municipal budget and financial information from transactional level by prescribing standard of charts of accounts.

The mSCOA consist of seven segments, namely:

1. Funding

-What source of funding is used to buy the item? E.g. Equitable share, MIG Grant, INEP, EPWP or Operational Revenue.

2. Item

-What is the nature or type of transaction? (Asset, Gain, Loss, Revenue, Liability, and/or Expenditure).

3. Function

-Against which function should the item be recorded?

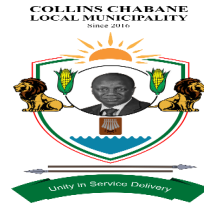
4. Municipal Standard Reclassification

-Against which organisational vote or account or sub-vote should the item be recorded? (Head of finance, Expenditure management or Revenue management).

5. Region Indicator

-What geographical area or location is deriving the benefits from the item? (Ward, Whole of municipality)

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6. Project

-To which project is the item related? (Operational or Capital).

7. Costing

-What is the impact of the item on Cost drivers, Tariff and/or Tariff formulation

The following are the benefits to mSCOA Compliance:

Efficiency-an ERP system eliminates repetitive processes and greatly reduces the need for manual entry of information. The system will also streamline business processes and makes it easier and more efficient for the Municipality to collect data. Improved compliance to Generally Recognised Accounting Practice (GRAP).

Integrated Information-all information is located in a central and single location, data is also kept consistent and up to date. This will also lead to better decision making.

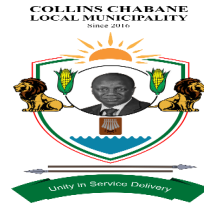
Integrated Reporting-easy and more customizable reporting, this will help the municipality respond to complex data request more easily.

Customer Service-customer service functions will experience improved interaction with customer information and history.

Security-the new system will improve the accuracy, consistency and security of data, restriction to data will also be enhanced.

Assist towards attaining clean audit- it will help the municipality accomplish its objective by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk a management, control, and governance processes.

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B. BACKGROUND AND LEGISLATIVE REQUIREMENTS

Section 216 of the Constitution of the Republic of South Africa, 1996, provides that national legislation must prescribe measures to ensure transparency and expenditure control in each sphere of government by introducing generally recognised accounting practice (GRAP), uniform expenditure classifications and uniform treasury norms and standards. The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), determines those measures for the local sphere of government and enables the Minister of Finance to further prescribe by regulation such measures in terms of section 168 thereof.

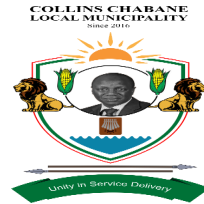
Uniform expenditure classifications have already been established and implemented for national and provincial government departments. However, currently, each municipality manages and reports on its financial affairs in accordance with its own organisational structure and unique chart of accounts.

Consequently, the Minister of Finance has, in terms of section 168 of the Local Government: Municipal Finance Management Act, 2003 (Act No.56 of 2003), and acting with the concurrence Regulations on Standard Chart of Accounts (mSCOA) into effect on 22 April 2014. Municipal SCOA provides a uniform and standardised financial transaction classification framework. Essentially this means that mSCOA prescribes the method (the how) and format (the look) that municipalities and their entities should use to record and classify all expenditure (capital and operating), revenue, assets and liabilities, policy outcomes and legislative reporting. This is done at transactional level and ensures that a municipality and its entities have minimum business processes in place. This will result in an improved understanding of the role of local government in the broader national policy framework and linkage to other government functions.

Chapter 6 of the MFMA tasks the Municipal Manager of the municipality with managing the financial administration of the municipality. Since mSCOA is a municipal business reform, the Municipal Manager has the overall responsibility to manage the successful implementation of the mSCOA project within the municipality, to ensure the municipality is able to capture all transactions (at posting level) in accordance with mSCOA within its respective financial applications (systems) by 1 July 2017 going forward.

The Municipal Manager in terms of the MFMA can delegate some of these responsibilities. The Municipal Manager has tasked the mSCOA Steering Committee in writing, to advise the Municipal Manager and to drive and oversee the successful implementation of the Municipal Regulations on Standard Chart of Accounts in the municipality by 1 July 2017.

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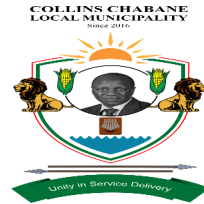
C. CHANGE MANAGEMENT

- The municipality is ensuring that all officials in the municipality are familiar with the mSCOA chart, basic accounting, balance sheet budgeting and movement accounting, and the use of the mSCOA enabling financial system.

INITIATIVES FOR CHANGE MANAGEMENT

	Description	Key role players	Targeted start date	Targeted end date	Progress
Communications	Engagement with system vendors and consultants	Municipality, System vendors	Ongoing	Ongoing	Ongoing
	Emails on mSCOA circulars are circulated to officials	mSCOA champion	August 2020	Ongoing	Circulars circulated
Awareness	mSCOA Standing item in all meetings	Management of the municipality	Ongoing	Ongoing	Ongoing
Trainings	Ongoing Capacity-building initiative and regular attendance of master classes	All municipal officials	Ongoing	Ongoing	Ongoing
	Treasury mSCOA e-learning (finance and non-finance officials)	All municipal officials	December 2022	30 June 2023	Officials registered and completed, other

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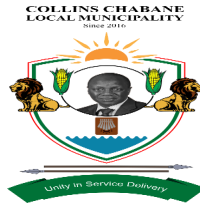
					officials currently in progress
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D. TRAINING INITIATIVES

- Training mechanisms that are in place to ensure that all employees are familiar with the financial management systems

Training initiatives	Description	Key role players	Targeted start date	Targeted end date	Progress
Free Online e-learning course	mSCOA e-learning course for finance and non-finance staff facilitated by National School of Governance (NSG)	All Finance and non-finance officials including councillors	December 2022	30 June 2023	Currently 7 officials in BTO has successfully completed the course.
Capacity building and training	MFMA mSCOA circulars, master classes	All Finance and Non-finance officials including Municipal Council	Ongoing	Ongoing	-Treasury circulars are being shares to officials -Officials attending master classes
Munsoft and Payday systems	<ul style="list-style-type: none"> • Procedure (module) manuals • Year-end trainings 	BTO, IT, IDP and Internal Audit	Ongoing	Ongoing	Scheduled training for year-end processes.

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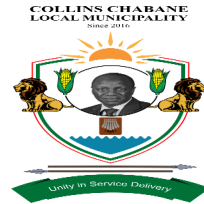
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E. SYSTEM FUNCTIONALITY AND BUSINESS PROCESSES

Business Process (Sub-module)	Milestone	Key role players	Planned dates	Target	Progress (Status)	Challenges
Human Resource and Payroll	Implementation of Payroll module and integration with core financial system	CFO, Managers HR & Expenditure, Munsoft and Payday	January 2022		Achieved	Post integration challenge: Monthly actual transactions overriding the budget. Meeting arrangements with Payday to resolve the issue are underway.
Budgeting	-Budgeting, transact and report as per mSCOA chart -Locking of the budget on the financial system	Manager Budget & Reporting, Munsoft	Ongoing		Achieved. However, the budgeting function is outsourced.	Skills transfer not fully attained from consultants on-site.
General Ledger	Recording and interfacing of the controls and sub-modules.	CFO, BTO Managers, Munsoft	Ongoing		Achieved	Errors on transacting against zero budget due to misalignment of quick codes
AFS Module	Seamless integration with core financial system	CFO, Manager Budget & Reporting, Munsoft	Module not in the core financial system		Caseware is a reporting software programme that	None

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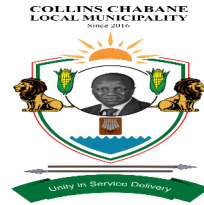


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				integrates directly with Munsoft Work done on Munsoft, can be incorporated into Caseware with a seamless integration process	
Assets Management Module	Seamless integration with core financial system	CFO, Manager Assets, Munsoft	The Municipality has engaged Munsoft and agree that CCLM FAR will be converted in October 2023 on the test and later on live.	Not Achieved. -Thulamela Municipality will be used as Training Hub since their FAR on Moveable Assets has been tested and the results are positive. - After test and training on how to use the Module, the FAR will be converted live into Munsoft System.	-Shortages of staff within Assets Section -The depreciation and amortisation on assets is currently done systematically, however the assets additions are still done manually.
Integrated Development Plan (IDP)	Implementation of the IDP module to be done in-house	Manager Munsoft	IDP, Training to be attended in July 2023.	Training arrangements are in place to capacitate officials in capturing the projects in-house.	Capturing of projects is done manually on Microsoft Word. Reliant on system vendor to assist in

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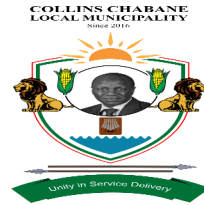


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						capture projects on the financial system
Supply Chain Management (SCM) including Inventory and stores module	Implementation of SCM module and CSD integration in Munsoft in line with mSCOA requirements	Manager Manager Munsoft	SCM, Assets,	February 2022	Achieved.	None
Sundry debtors Module	Seamless integration with core financial system	Manager Munsoft	Revenue,	March 2022	Achieved	None

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F. mSCOA project steering committee

The municipality has established the mSCOA project steering committee and the council resolved to appoint the committee members on the 27th August 2020.

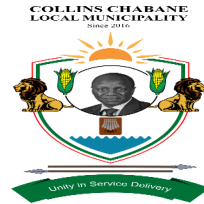
The project steering committee of the municipality is functional and the municipality invites the National and Provincial Treasury together with the system vendor to the meetings.

The mSCOA project steering committee of the municipality is led by the Municipal Manager and includes members of top management, including the following functions and skills: Finance, Budgeting, Financial and Performance Reporting, Risk management, Technical Engineering, Information technology and Human resources.

The mSCOA Steering Committee of Collins Chabane Local Municipality is composed of the following members:

Name	Title	Department/Unit	Role
Shilenge RR	Municipal Manager	Municipal Manager	Committee Chair
Maluleke NV	Chief Financial Officer	Budget and Treasury	Committee Deputy Chair
Maluleke GL	Senior Manager	Community Services	Committee member
Radali AC	Senior Manager	Planning and Development	Committee member
Maputla TMD	Senior Manager	Corporate Services	Committee member
Baloyi PM	Senior Manager	Technical Services	Committee member
Makhubela NN	Manager	Budget and Reporting	mSCOA Champion/Secretariat
Maringa RM	Manager	Budget and Treasury- SCM	Committee member

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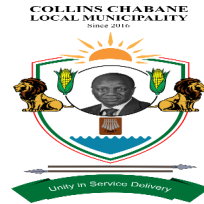


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Simango A	Manager	Budget and Treasury - Assets	Committee member
Makhuvele HS	Manager	Budget and Treasury - Expenditure	Committee member
Yingwana TB	Manager	Budget and Treasury- Revenue	Committee member
Moselankoe PD	Manager	Internal Audit	Committee member
Kwinda R	Manager	Risk Management	Committee member
Nxumalo NC	Manager	IDP	
Napo O	Manager	Human Resources	Committee member
Hlongwani AK	Manager	Engineering Services	Committee member
Maluleke LR	Manager	Legal Services	Committee member
Hlungwani GP	Manager	ICT	Committee member
Shivori V	Accountant	Budget and Reporting	Committee member
Masuvhelele P	Accountant	Budget and Reporting	Committee member

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G. CONCLUSION

The project steering committee of the municipality is functional and the municipality will continue to invite the National and Provincial Treasury together with the system vendor to the meetings, and the municipality to ensure that the roadmap is updated regularly to track the progress against the mSCOA requirements and to take corrective action where required.