CIGFARO

IT GOVERNANCE WORKSHOP FOR PUBLIC FINANCE CONFERENCE

1) RECAP DAY 1

2) ICT AND mSCOA COMMITTEES

GAUTENG
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

CIGFARO
Chartered Institute of Government Finance, Audit & Risk Officers

SAICA
DIFFERENCE MAKERS™

GGT2030
GROWING GAUTENG TOGETHER

RECAP DAY 1 – COMMISSION ICT PROJECT MANAGEMENT

Kindly note the following with regards to the outcomes of the commission room ICT Standing.

- Challenges highlighted
- ICT function does not have budget allocation that will enable the municipality to perform its core role effectively and efficiently
- The role and responsibility of ICT function is misplaced and is incorporated into different departments depending on the size of the municipality.
- No ownership of business continuity plans due to lack of accountability and commitment from respective departments within the municipalities.
- Lack of skill/ non retention of IT personnel/ grading of salaries.
- Lack of proper ICT strategic plans to support all municipal departments.

Proposed solutions.

- Budget allocations be made for ICT function and SALGA to lobby for a certain percentage to be directed to ICT through LG fiscus.
- Skills audit be conducted/ retention strategies to developed/ Salaries grading mechanism be implemented.
- The function of ICT be chaired by an independent representative and reports be escalated to audit committee meetings.
- Proper ICT strategic plans in line with SDBIP

RECAP DAY 1 – HOW TO DEAL WITH ONLINE ACCOUNTS IN A BROKEN SYSTEM

- The discussion was mainly about snail mail bring replaced with email.
- The first speaker provided us with the legal background on the communication between council and residents which is regulated by the MFMA and the MSA.
- The electronic transaction act of 2005 provided the Avenue of electronic communication.
- Highlighted that the cost of snail mail from George as applied to Emfuleni.
- Sandiso indicated Local government should optimise the utilization of electronic communication with 1 entry point for residents
- Ria indicated on time issue and distribution of Accounts can contribute to improved payment rates and cash flow.
- There was some suggestions around security and privacy considerations form using electronic communication.
- The session concluded on important issues of Local government and how collaboration between ICT and Finance is needed to optimize resources

ICT IN MSCOA – CHANGE OF FINANCIAL SYSTEMS

Background and Problem Statement

The cost and risk associated with procuring and implementing a new Enterprise Resource Planning (ERP) financial system at a Municipality, necessitate careful consideration and extensive planning to ensure a smooth operational transition.

Such a transition takes at least 18 months to conclude and does not come without challenges and disruptions in operations.

The National Treasury will regulate the minimum business processes and system specifications for *m*SCOA by the end of 2024/25. A new transversal tender for the provision of ERP financial systems that complies with these regulations will be put in place once the regulations have been issued.

Municipalities should therefore exercise extreme caution when changing their financial systems at this stage to eliminate fruitless and wasteful expenditure by procuring financial systems that might not comply with the said regulations.

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Private Bag X115, Pretoria, 0001
Enq:Kwanele Mtembu Tel: (012) 406 9188 Fax: 012 315 5058
E-mail:Kwanele.mtembu@treasury.gov.za

Ref No: 71/43/1/2/5

TO: ALL RT25-2016 APPOINTED SYSTEM VENDORS
MUNICIPAL MANAGERS
MUNICIPAL CHIEF FINANCE OFFICERS
HEADS OF MUNICIPAL SUPPLY CHAIN MANAGEMENT
MFMA COORDINATORS
PROVINCIAL ACCOUNTANT-GENERALS

RT25-2016 TRANSVERSAL CONTRACT FOR THE APPOINTMENT OF SERVI
PROVIDERS FOR AN INTEGRATED FINANCIAL MANAGEMENT AND INTERN
CONTROL SYSTEM FOR LOCAL GOVERNMENT FROM 1 JUNE 2016 TO 31 MAY 201

MFMA BUDGET CIRCULAR NO. 123

Additional requirements to change Municipal Financial Systems

- Municipalities needs to follow the due diligence processes set out in MFMA Budget Circulars No. 93, 98 and *m*SCOA Circulars No. 5 and 6 prior to procuring new financial systems to protect them from making incorrect decisions.
- A detailed requirement list is available within Budget Circular No. 123 which highlights the following:
  - The organisational structure, specifically for the IT department/ function, clearly indicating management capacity and responsibility for operating the financial system;
  - A technical assessment (due diligence) should be submitted indicating how the existing ICT infrastructure, server and network comply with the requirements of the current financial system; and
  - Copies of all IT strategies, policies and procedural documents including the IT disaster recovery plan must be made available.

ICT DUE DILIGENCE IN MUNICIPALITIES

Municipalities must effectively evaluate its current financial management and internal control system by:

- Task its *m*SCOA Project Steering Committee (representing senior officials from the respective business units) to evaluate (conduct due diligence) of the current financial system
- The role of this committee is to evaluate the system functionality of the municipality's current financial system in accordance with the system and business process functionality requirements

The Process after completion of the ICT due diligence:

- Once the municipality has completed the ICT due diligence, the municipality's *m*SCOA project steering committee must:

  (i) Assess whether the municipality's existing system(s) as a package, meets the majority of the functional requirements
  (ii) Consider the *cost of any additional functionality* the municipality will have to procure from its existing package of service provider(s) to be able to conduct the minimum *m*SCOA budgeting, transacting and reporting.

ICT DUE DILIGENCE IN MUNICIPALITIES

The Process after completion of the ICT due diligence:

- Once the municipality has completed the ICT due diligence, the municipality's *m*SCOA Project steering committee must:
  - (iii) Compare the total cost of its **existing** 'package of system(s)', including the cost for any additional functionality with the other available service offerings from different system vendors
  - (iv) Determine whether its existing 'package of service provider(s)' will be able to provide and implement all the outstanding functional areas, including upskilling / training affected municipal officials
- The *m*SCOA Project steering committee must document its decision and recommendation on the way forward for the municipality, clearing setting-out its findings on the above points.
- Municipalities needs to submit the required information as set in *m*SCOA Circular No. 5 and MFMA Budget Circular No. 123 to the relevant Provincial Treasury and National Treasury.

NATIONAL & PROVINCIAL TREASURY INVOLVEMENT

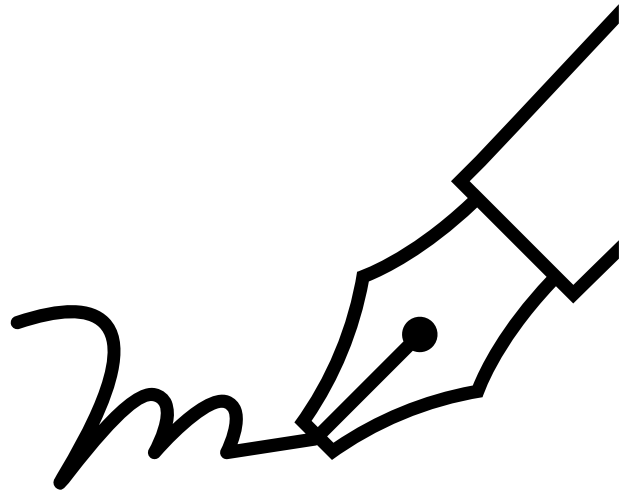
- **A Municipality must consider the feedback from National and Provincial Treasury before making a final decision to remain with its current system(s) or to change system(s)**

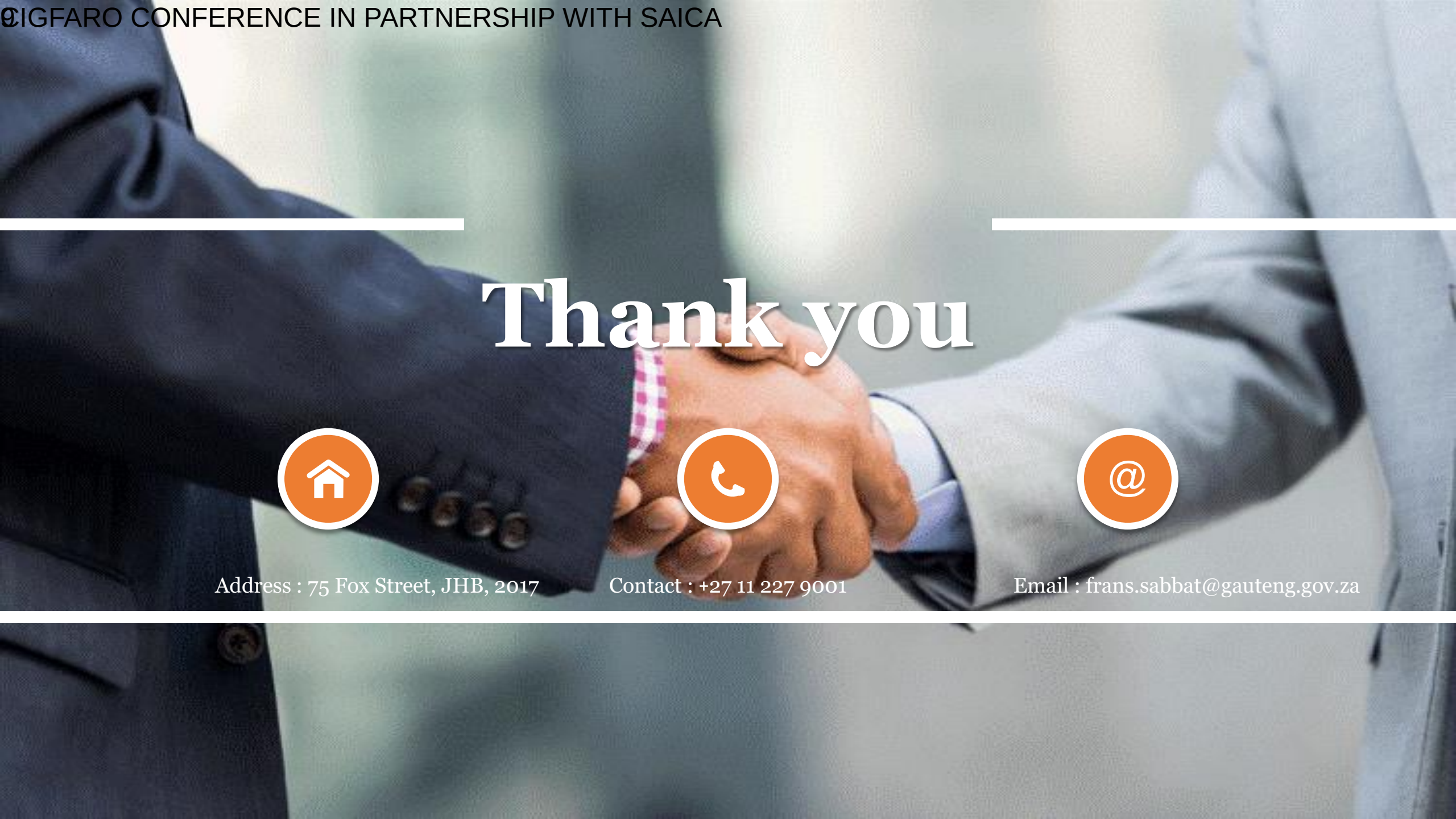
- Should a Municipality require assistance with the due diligence process and for the additional requirements as set in Budget Cir No. 123 they can request Provincial Treasuries (for delegated municipalities) and National Treasury (for non-delegated municipalities) to assist.

- **It should be noted, however, that Provincial Treasury and National Treasury will play an advisory role limited to functionality requirements of the current systems and cannot proclaim or pronounce compliance by any system vendor.**

- **The decision to remain with the current systems or change systems remains the responsibility of the Municipality.**

GAUTENG
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA





Thank you

Address : 75 Fox Street, JHB, 2017

Contact : +27 11 227 9001

Email : frans.sabbat@gauteng.gov.za