

mSCOA REGULATIONS

COMMENTS REGISTER: AFS REPORTING

No.	Presented Agenda Item	Description of Comments/ Questions	Potential Impact	Contributor Name	Contributor Organisation	Date Received	Date Closed	Action Owner	Progress Status	Notes
1	Business Processes Considerations and principles	<p>Challenges noted for preparers: Journals outside the system the challenge is to note what needs to be amended on the municipality side and on the NT for the system to achieve the objective.</p> <p>The classification and allocation: Understanding that the AFS are driven by the GRAP standards and the GRAP standards are driven by materiality, is one of the questions that should be asked when discussing and documenting this process.</p> <p>By seamless integration we mean what the chart says that's how the AFS will be populated in that way, taking into account the item levels.</p> <p>The challenge would be what to apply as the chart may say how to disclose a certain item but the GRAP standard says differently.</p> <p>Regarding the AFS specimen - The specimen was amended for the WIP disclosure, the concern is on the level and decision to format and disclosure, e.g. repairs and maintenance i.e. corrective and preventative maintenance. what are the users interested in regarding repairs and material.</p> <p>Regarding the prior period error corrections - Consider asking does GRAP 3 apply.? As some transactions may not be material and GRAP 3 only apply to material errors.</p>	Clarity required	Zindzi Korasie	Saldanha Bay Municipality	10-Oct-24	03-Dec-24	Kashnee Sewnarain	Completed	<p>Consideration of materiality is embedded in the process.</p> <p>The transating on a day to day basis in terms of mSCOA data strings will drive the population of the AFS. The mSCOA Specimen Template will need to be aligned to GRAP, however, ability to modify the template based on GRAP requirements is considered in the process. Municipalities may disclose requirements in accordance with GRAP, from the specimen, as relevant. Municipalities must consider their materiality framework in determining application of prior periof errors. Additionally, the FAQs received occur during/after the AFS is completed, which results in the delay of updating the chart. This matter is under consideration, with the objective of ensuring a closer review of upcoming GRAP standards being considered.</p>
2	Business Processes Considerations and principles	<p>Concern on the prior period error correction in line with the meaning of the periods. What happens at the stage when busy with the audit and the error is picked up, what period should be used?</p>	Clarity required	Sakkie Pretorius	Bitou Municipality	10-Oct-24	03-Dec-24	Kashnee Sewnarain	Completed	<p>Ideally, municipalities should not identify prior period errors during the audit process, as this would mean that the financial statements submitted for audit contains errors. Management needs to develop an internal process to address these matters, which may include communication with the AG.</p>
3	Business Processes Considerations and principles	<p>With experience in preparing/setting up templates, AFS preparation or providing support, etc - Found that the chart does not populate all information e.g., segments automatically, and consider having a reality expectation that not all may not be automated. The AFS specimen high level review and noted the disclosure is management accounting like. Materiality is not a choice when it comes to correction of errors. If the error is material restate if not do not restate.</p>	Clarity required	Riaan Alberts	Swartland Municipality	10-Oct-24	03-Dec-24	Kashnee Sewnarain	Completed	<p>Municipalities must consider their materiality framework in determining application of prior periof errors. The population of the AFS will be driven based on the period the errors corrected. The intention is to enable direct population of all aspects of the AFS, including disclosure notes from a system, as the content should be managed electronically to prevent errors. Additionally the aim is to reduce reporting fatigue.</p>
4	Level 4: Validate AFS Reporting requirements	<p>Slide 21 - On the points "Update template based mSCOA specimen and Modify the AFS template for GRAP requirements" or any other municipal changes on the decision on what to disclose. Thinks this process will create extra work for municipalities that have built up a set of financial statements that have brought a clean audit outcome and where you can identify the difference between the template and the set of AFS already in use. Urges to reconsider eliminating the process to reduce additional work.</p>	Updated modelling	Vicky Basson	Mosselbay Municipality	10-Oct-24	03-Dec-24	Kashnee Sewnarain	Completed	<p>The process considers validating the proposed updates based on the latest specimen release. The municipality can consider whether to accept the update or not, by considering the alignment to GRAP requirements.</p>
5	Level 4: Determine Working Paper	<p>Appreciates the requirements of the working paper file and looks forward to the development of the cause. Noted over the years of preparing the AFS in the years, is that the working paper file has become more significant for audit purposes. Much more reliance has been placed on the AFS team to maintain a complete and more accurate set of AFS and working papers as opposed to the user departments who generate those working papers, want to support the finalisation of the structure to ensure it is fully integrated to the AFS statement development, maintenance and audit processes.</p>	Supported	Adil Nunkumar	KwaDukuza Municipality	10-Oct-24	03-Dec-24	Kashnee Sewnarain	Completed	Noted
6	Level 4: Implement the AFS Preparation Plan	<p>A challenge on the operational level, e.g. a reconciliation is submitted by the said section and have agreed the numbers, then when the time comes to draft the AFS the financial numbers on the TB have changed. So after investigation the transaction was processed by another official in a different section and the transaction may show one leg and not show where the other leg went but then posted on the said component. Maybe going forward, consider locking the components where a tick is made on the recon and the component then locks when confirmed correct to avoid interference whether intentionally or unintentionally. To mitigate the process of doing checks over and over again.</p>	Clarity required	Adil Nunkumar	KwaDukuza Municipality	10-Oct-24	03-Dec-24	Kashnee Sewnarain	In progress	<p>Soft locking will be considered in system requirements phase.</p>
7	Level 4: Prepare Financial Statement	<p>Slide 27 - Generate system Working papers, AG requested the TB and GL alignment report to the AFS not only the TB maybe consider documenting that in the process.</p>	Updated modelling	Sophia Swart	Oudtshoorn	10-Oct-24	03-Dec-24	Kashnee Sewnarain	Completed	Agreed.
8	Level 4: Prepare Financial Statement	<p>Server capacity is a problem.</p>	Clarity required	Riaan Alberts	Swartland Municipality	10-Oct-24		Kashnee Sewnarain	In progress	<p>Noted, the process to assess server capacity and other hardware requirements will be addressed in the system requirements process.</p>

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9	Level 4: Prepare Financial Statement	<p>Happy to hear about the collaborative approach taken by the NT to implement the potential regulation development process as well as it is a different approach from the implementation of the mSCOA in 2017/2018 where it was expected for everyone to know how it was supposed to work. Optimistic that the same approach will continue as the regulation process continues.</p> <p>The suspension on posting on the TB for period 13 to push as an immediate change and functionality amendment but continue to all transactions in the current year to occur but period 13 be suspended to allow the AFS preparer to ensure to get it right.</p> <p>Getting the cash flow from the system for AFS purposes sounds interesting looking forward to how it plays out, lots of system parameters to build in to get it correct.</p> <p>Clarity on generating automated AFS, the functionality to pull in the detailed notes e.g. assets, commitments note, debtors analysis, etc. that tells that the function is now looking at automating not at the TB level but at the sub-system level, the sort of functionality will be different from what the municipality is exposed to currently as it looks at extensive in-depth integration of the financial existing system. The thought process of where the NT wants the depreciation to go to when the fully (or as far as possible) automated set of AFS is implemented comes to mind.</p>	Clarity required	Adil Nunkumar	KwaDukuza Municipality	10-Oct-24	03-Dec-24	Kashnee Sewnarain	Completed	Agreed, the intention is to automate the full AFS functionality and embed all disclosure requirements to be maintained within the system, as this is source data that needs to be managed throughout the year. This should then enable the automation of the AFS from sub-system level, and therefore is not only TB accounts considered.