



**SYSTEMS | TECHNOLOGY | PEOPLE**



**Digital Transformation of  
Municipal  
Financial Management  
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# Role of mSCOA in Digital Transformation of Financial Mgt

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The **Municipal Standard Chart of Accounts (mSCOA)** is a fundamental enabler for better governance, financial management, and service delivery through digital means.

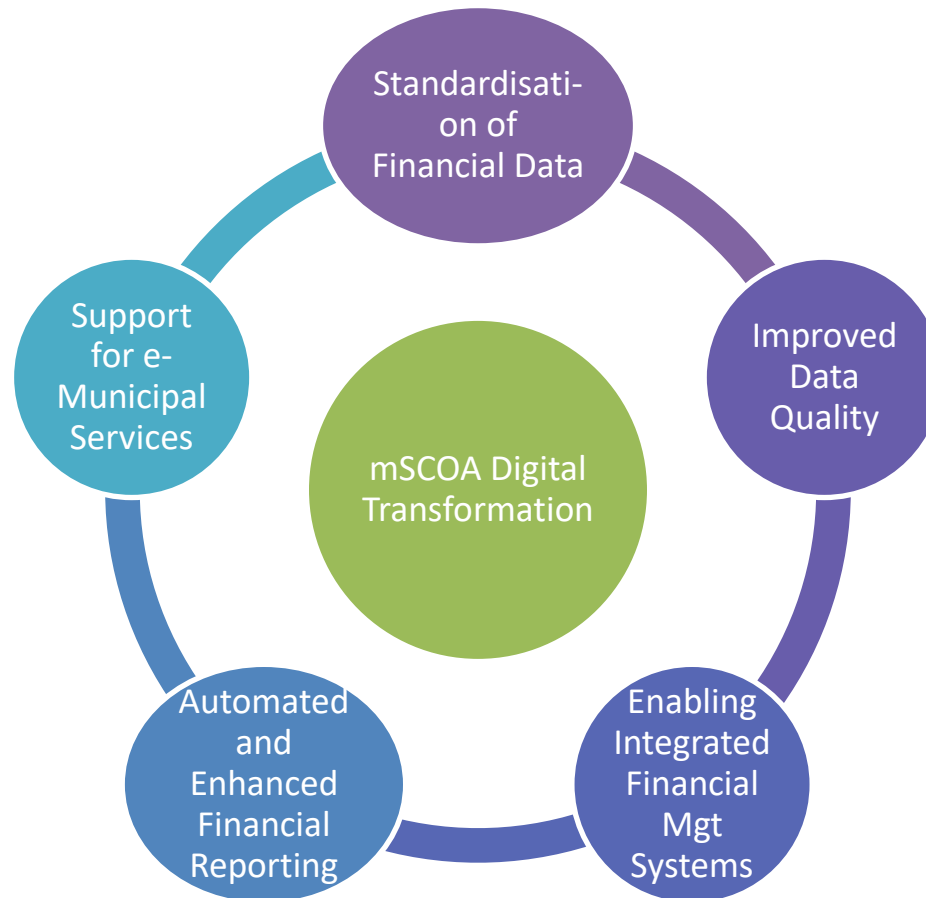
It's not just a technical standard.

mSCOA is a standardized chart of accounts classification framework for all South African municipalities and municipal entities, mandated by the National Treasury in terms of the Municipal Finance Management Act (MFMA).

It provides a uniform classification system for financial transactions, budgets, actuals, and reporting across seven segments. In addition, the regulation recommends fifteen key business processes that incorporates all business activities across functions and supports the regulation as a business reform and not only a financial reform.

# Role of mSCOA in Digital Transformation of Financial Mgt

mSCOA acts as the **backbone and common language** that facilitates and accelerates digital financial transformation in several keyways;



## Challenges with Implementing mSCOA

While mSCOA is a digital enabler, its implementation has not been without challenges, particularly in smaller or less capacitated municipalities.

These include:

- **Training and Capacity Building:** Staff need to be trained on the new classification system and the use of the mSCOA-compliant financial systems.
- **System Upgrades/Replacements:** Many municipalities had to invest significantly in new ERP or financial management systems.
- **Change Management:** Overcoming resistance to new processes and technologies.

# Key Technologies for Smart Cities

- Internet of Things (IoT)
- Artificial Intelligence & Machine Learning
- Big Data Analytics
- High-Speed Communication Networks
- Blockchain
- Cloud Computing
- Mobile Devices and Citizen-Centric Platforms
- Intelligent Transportation Systems (ITS)



# Cloud ERP vs. On-Premise ERP

The decision on which ERP to go for is often not just a software choice, but a strategic decision that acts as a powerful **enabler** or, if mishandled, a **bottleneck** for broader digital initiatives.

## Cloud ERP (Software-as-a-Service - SaaS ERP)

**Key Characteristic** : The ERP software and database are hosted by 3<sup>rd</sup> party cloud provider and accessed by users over the internet

## On-Premise ERP

**Key Characteristic**: The ERP software runs on an entity's own server infrastructure. The entity is responsible for all aspects of managing, maintaining, and securing the system.

# Cloud ERP vs. On-Premise ERP

## Making the Choice

Entities should ideally opt for an option that enables the organization to:

- Move faster.
- Leverage modern technologies.
- Free up resources for innovation.
- Become more data-driven.
- Deliver enhanced services or products.

## Market Trend

The overwhelming trend in the market is towards **Cloud ERP**. Its advantages in terms of cost, scalability, accessibility, and reduced IT burden are very compelling for most entities seeking to digitally transform financial management and integrate various business processes.

However, for very large entities with highly specific or extremely stringent data sovereignty requirements, on-premise (or a hybrid approach) may still be considered.

# Understanding e-Municipal Services

Digital delivery of municipal services to citizens, businesses, and other stakeholders.

The case for e-Municipal services

- Transformation from traditional "paper and pen" processes to digital platforms.
- Customer engagement and Convenience (24 x 7 x 365), no need to visit your Customer Care Center to obtain services.
- Efficiency: Automation and streamlined processes lead to faster service delivery, reduced administrative burdens, and cost savings
- Transparency and Accountability: Digital records and processes can increase transparency in municipal operations and improve accountability for service delivery.
- Improved debt collections and reduced debtors' days provides better funding to improve services
- Reduced bank charges and third-party service fees

# Types of Municipal e-Services

## Financial and Billing

- Online payment of rates, utility bills (water, electricity, refuse)
- Access to account statements and historical billing
- Indigent Applications (ID, Deeds, Credit Checks, Income verification etc)
- Meter Reading applications

## Incident Management

- By Law Violations/Lodge complaint
- Fault Logging
- Reporting potholes, waste removal issues, broken traffic lights etc
- Burial applications

## Permits and Licenses

- Online applications for business licenses, permits, building plan approvals
- Tracking status of applications

## Procurement

- Online portal for business to view and apply available RFQs and Tenders
- Supplier Database registrations

# Automated Financial Reporting

**Automated financial reporting** involves leveraging technology and software to streamline, enhance the accuracy of generating financial statements, reports, and analyses.

**mSCOA** provides a standardized framework for recording and classifying municipal financial information, leading to a more consistent approach across all municipalities. The standardized data format enables more effective analysis of financial performance and comparisons between different municipalities.

## Enabling Technologies

- Integrated ERP Systems with strong built-in reporting capabilities
- Business Intelligence and Analytic Tools e.g. Power BI and reporting hubs that connect to the ERP
- AI and Machine Learning (ML) typically used for fraud detection, exception reporting and predictive analysis
- Spreadsheet Automation Tools - Macros and Excel add-ins can automate many reporting tasks

# Automated Financial Reporting

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## Benefits of Automated Financial Reports:

- Real-Time access to information allowing for quicker decision making
- Increased Accuracy and Reliability by eliminating human factor
- Consistency in Reporting through uniform rules and data definitions
- Reduce Risk of Non-Compliance with Reporting Requirements
- Cost Reductions through time savings

# Questions & Discussions

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# THANK YOU

