

# ***m*SCOA MASTERCLASS**

## **Guidance on period closure procedures**

PRESENTED BY:

NAME: Zaheer  
SURNAME: Khan

Title: *m*SCOA  
Technical Advisor

Date: 04 July 2025

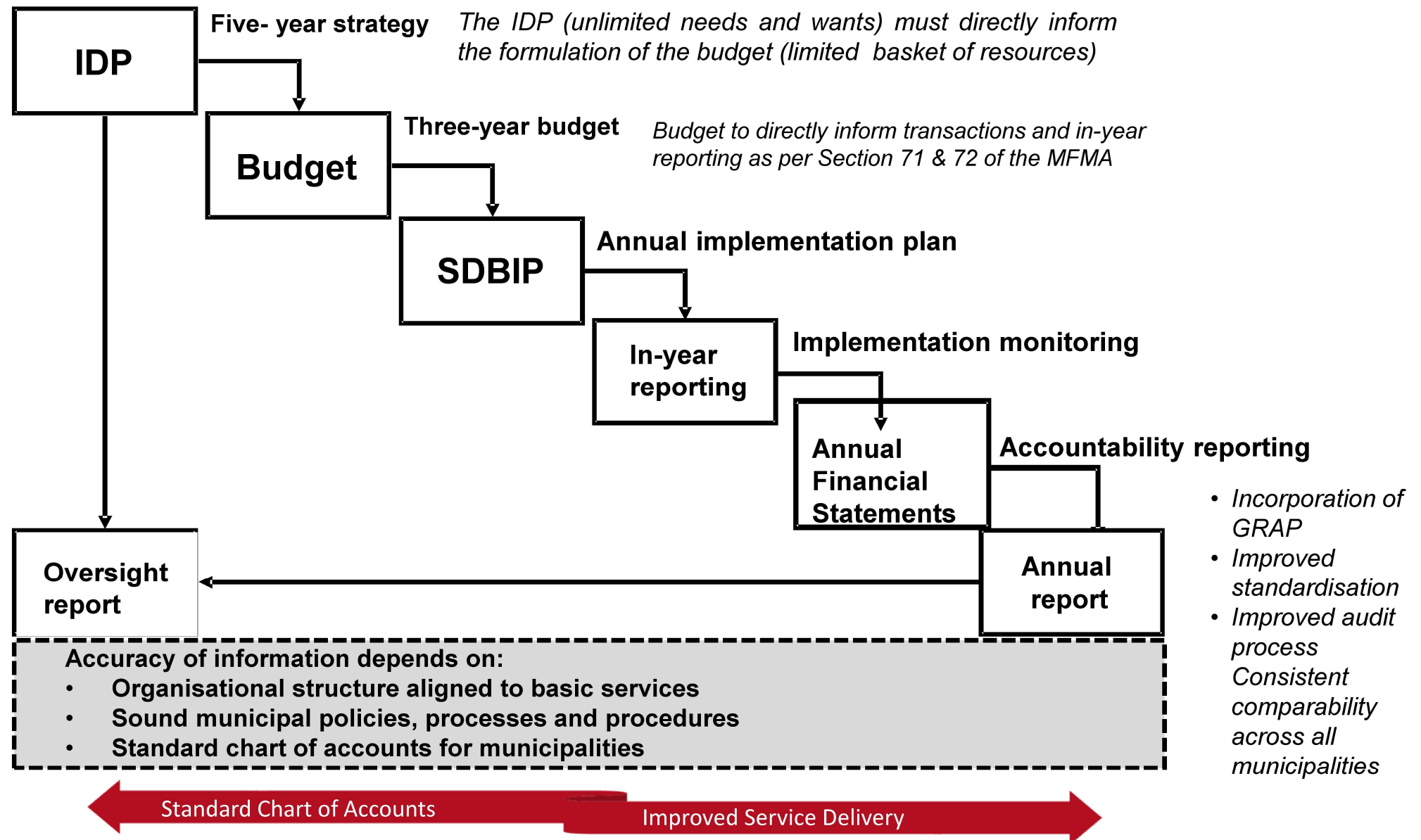


**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



# The Local Government Accountability Cycle



# Content

- Purpose of the Circular
- Legislative Requirements
- Problem Statement
- Submission *m*SCOA of data strings
- Closing Procedures
  - The key principles of period closures as it related to *m*SCOA
  - Annexure A – a detailed checklist
  - Additional requirements when it comes to period closure
    - Locking the budget
    - Monthly Reconciliations and closure
    - Year-end period closure
- Conclusion

# Purpose of the Circular

- To provide guidance to municipalities on ***closure procedures to follow prior to submitting budget, in-year and year-end data strings*** in terms of the Municipal Standard Chart of Accounts (*mSCOA*) to the GoMuni Upload portal.

# Legislative Requirements

- **In terms of the MFMA:**
- Section 22(b)(i) and 24(3):
  - Requires that the accounting officer of a municipality ***must submit the annual tabled and adopted budget*** to the National and Provincial Treasury in the prescribed format.
- Section 65(2)(j):
  - Further requires that the accounting officer of a municipality ***must take all reasonable steps to ensure that all financial accounts are closed at the end of each month and reconciled with its records.***
- Section 71(1):
  - Requires that the accounting officer of a municipality must, by no later than 10 working days after the end of each month, ***submit a statement in the prescribed format on the state of the municipality's budget.***
    - The **MBRR** prescribe the municipal ***budget and reporting formats***,
    - While the **mSCOA Regulations** prescribe the ***uniform recording and classification framework*** that must be used by all municipalities and municipal entities to plan, budget, transact and report financial and non-financial information.
- Section 126(1)(a):
  - Requires that the ***Annual Financial Statements (AFS)*** must be prepared within two months after the close of the financial year-end and submitted to the Auditor General of South Africa (AGSA) for auditing.

# Problem Statement (1)

- Municipalities have been submitting mSCOA data strings ***without performing the necessary closure for the respective periods in their financial systems.***
- This is evident when ***comparing the PDF source documents to the A, B and C Schedules generated from the Local Government Database and Reporting System (LGDRS).***
- The ERP system must contain the ***functionality*** for:
  - ***Period closures*** (i.e. budget process, month-end and year-end) and ***certification*** within the statutory reporting dates; Municipalities must lock their month-end or year-end ledgers to prevent post-facto changes. Any errors identified by National or Provincial Treasury must be addressed swiftly, with corrections made before final submission.
  - ***Reconciliations and balancing*** of the sub-system and the General Ledger of the core ERP System (control accounts) as a condition of all period closures; Finalised financial data strings — covering budget, in-year performance (section 71), debtors/creditors, conditional grants, etc. — must be accurately submitted to the Local Government (LG) portal
  - ***System generated transfer of opening balances to month 1 in the following year*** after the year-end closures of period 12 as at 30 June (of the current year); Data must undergo internal quality checks to ensure transaction-level integrity and compliance with mSCOA classifications.
  - ***Automated roll-over of the closing balance from month 12 into period 13*** of the current financial year and month 01 of the new financial year; and :
  - ***Automated roll-over of the closing balance from period 13 to 14 and 15 of the current financial year*** and the corresponding month in the new financial year.

# Problem Statement - Continue

- Submitting data strings without ensuring that sub systems are closed off monthly and at year-end, impacts on the credibility of the data submitted to the LGDRS as transactions that were not processed are not included in the data string submission.
- Municipalities and municipal entities ***are required to operationalise daily business processes and procedures*** that incorporate:
  - regular reconciliations,
  - correct and accurate allocation and classification of transactions based on the *m*SCOA classification framework.

# Closure Procedures

## Purpose of Closure periods

- Communicates mandatory year-end closing processes and timelines for municipalities, aligned with mSCOA regulations

## Applicability of circular

- Applies to **all municipalities and municipal entities** preparing their financial year-end (ending 30 June 2025), ensuring compliance with MFMA and mSCOA rules

## Key Directives

- **Monthly budget & closing:** Municipalities must lock their month-end or year-end ledgers to prevent post-facto changes.
- **Data string submission:** Finalised financial data strings — covering budget, in-year performance (section 71), debtors/creditors, conditional grants, etc. — must be accurately submitted to the Go Muni portal.
- **Validation audits:** Data must undergo internal quality checks to ensure transaction-level integrity and compliance with mSCOA classifications.
- **Conditional grant reporting:** Submit precise grant expenditure data strings in accordance with guidance issued effective from May 2022
- **Rectification process:** Any errors identified by National or Provincial Treasury must be addressed swiftly, with corrections made before final submission.



# Closure Procedures

- **Compliance Oversight**

- Non-compliance may lead to enforcement actions by National/Provincial Treasury — including system lockdowns or withholding of grants

- **Underlying Rationale**

- **Uniformity & comparability:** Full adoption of mSCOA ensures consistent transaction recording across all municipalities.
- **Transparency & accountability:** Locking data and submitting via standardized formats bolsters oversight and public trust.
- **Early detection of anomalies:** Timely flagging of irregular expenses, unused or overspent budgets, and reporting gaps aids in pre-empting audit issues.

*mSCOA Circular 15* mandates that all municipalities finalise and lock their year-end ledgers, prepare fully compliant mSCOA data strings (including conditional grants), and address flagged errors before final submission—failing which may trigger intervention by Treasury. These steps strengthen discipline, data integrity, and transparency in municipal financial reporting.

# Closure Procedures

Financial accounting incorporates a host of policies, processes, and procedures to operationalise the effective and efficient recording and accounting of daily financial transactions as well as ***month and year end closure procedures, transactions, and reconciliations***.

Key **principles** of period closures as it related to *m*SCOA are:

- Budgeting, transacting and reporting ***must be in and directly from*** the core financial system;
- Monthly period closure and certification must be done within the statutory reporting dates.
  - No backdating of transactions is allowed in terms of the *m*SCOA reform.
  - All corrections must be processed in the form of a journal across the six (6) segments in the relevant month;
- Balancing of the sub-systems with control accounts must be a condition of any period closure;
- Year-end closures for period 12 as at 30 June (of the current year) result in a transactional transfer of opening balances to period 01 in the following year; and
- Changes after year-end closure must be affected in period 13, 14 and 15 and changes must be reflected in the corresponding month of the new financial year.

# Submission *m*SCOA of data strings

The *m*SCOA data strings to be submitted on the dates as per the MFMA and MBRR requirements are indicated in the table below:

Report	Due Date	<i>m</i> SCOA strings required
Tabled Budget	Immediately after approval by council	TABB, PRTA
Adopted Budget	Ten (10) working days after approval by council	ORGB, PROR
In-year Reporting	Ten (10) working days after the end of month	M01 – M12, CR01 – CR12 DB01 – DB12, BMQ1 – BMQ4 IMQ1 – IMQ4
Adjustment Budget	Ten (10) working days after approval by council	ADJB, PRAD
Pre-audit AFS	Ten (10) working days after submission to AG	PAUD, CRPA, DBPA RAUD, CRAU, DBAU
Audited AFS	Ten (10) working days after receipt of audit opinion and report	AUDA, CRAU, DBAU
Restated AFS	10 working days after submission to AG (following year)	RAUD

# Annexure A to the Circular

**Annexure A** is a detailed checklist to assist municipalities to:

- Plan and execute the required closure procedures
- Lock the budget
- Close and reconcile the accounts on the financial system at month-end, quarterly and year-end **prior** to generating and submitting the *mSCOA* data strings to the GoMuni Upload portal.

The ***timeframes*** in the checklist should be aligned to the MFMA calendar as well as the MBRR due dates.

**Controls** to ensure that these procedures for period closure are implemented and ***should be built into all municipal financial systems*** as per MFMA Circular No. 80.

# Locking the Budget

The accounting officer of the municipality must certify that:

- The adopted budget for the forthcoming financial year is correctly captured and locked on the municipality's financial system.
- This certificate must be signed by the accounting officer and uploaded on the GoMun Upload portal with the adopted budget documentation for the next financial year.

Once the budget is locked changes can only be done via virements or an adjustments budget in accordance with the guidance provided in *mSCOA Circular No 8* (dated 29 April 2020).

- The changes will be reflected in the Adjustments Budget (ADJB) and must be in terms of section 28 of the MFMA.

# Locking the Budget: VAT Treatment (1)

- Municipalities are also reminded to review and update their *mSCOA* VAT indicators in line with the annual *mSCOA* chart version before the implementation of the new MTREF budget.
- This is important from an unauthorised, irregular, fruitless and wasteful (UIFW) expenditure preventative control perspective and to ensure that municipalities do not declare output tax that should not be declared.
- The *mSCOA* VAT **design principles** are as follows:
  - The sub-function is used to determine the principle VAT treatment for output tax purposes, as the sub-function should be used to determine the principle input tax considerations;
  - Municipal departments activities should be a mirror image of the definition scope of a sub-function;
  - The VAT indicators are required as per Section 88 of the Tax Administration Act;
  - VAT design principles should be based on the municipal legislative framework, the VAT Act, related VAT materials, GRAP, and budget reporting principles;

# Locking the Budget: VAT Treatment (Continue)

- Any interpretation of the VAT indicators should be done in terms of the relevant VAT legislative instruments. These instruments include the VAT Act, SARS general binding rulings, and SARS interpretation notes; and
- The VAT report requirements from the system should ease VAT administration. SARS has compiled a document with the minimum *mSCOA* reporting fields to assist them in VAT audits.
- It must also be emphasized that municipalities and their entities are responsible for VAT compliance regardless of the VAT indicators reflected in the *mSCOA* framework.
  - **Therefore**, municipalities need to remain abreast with the relevant legislation and ensure that they update the VAT configurations on an annual basis.

# Monthly Reconciliations and Closures

Before the financial accounts are closed at the end of each month and reconciled with its records and the monthly data strings are submitted to the GoMuni Upload portal, there are several procedures that must be followed to ensure that the information submitted is credible and is a true reflection of the transactions that have been captured on the financial system of the municipality.

These procedures pertain to the following business processes/ sub-processes and details on each of these are provided in the checklist in **Annexure A**:

- General Ledger;
- Bank and cash reconciliation;
- Investments;
- Trade payables / Creditors;
- Trade receivables / Debtors and consumer deposits reconciliations;



# Monthly Reconciliations and Closures

- Payroll;
- VAT;
- Fixed assets;
- Inventory;
- Leases and other liabilities;
- Unspent conditional grants;
- Clearing of control accounts; and
- Income and expenditure.

# Year-end period closure (1)

- **At financial year ends in month 12 (as at 30 June of the financial year):**
  - The closing balances of month 12 must be programmatically transferred in the core financial system to the opening balances of the new financial year in month 01 of the new reporting period.
  - This will ensure that the opening balances are included in the designated posting levels for opening balances in the data strings submitted. **Importantly:**
    - The closing balances from the prior period must agree to the opening balances of the current period of month 01 of the new financial year; and
    - The opening balances must agree to the sub-modules for each account balance such as Debtors sub-modules, etc.

# Year-end period closure (2)

## When the AFS are then prepared during July and August annually (period 13):

- Any transactions that were processed as part of the preparation and auditing of the AFS after year-end (month 12) in period 13, 14 and 15 must be reflected in the corresponding month of the new financial year by using net movements.
- The net movements will result in either an increase or decrease in the new financial year in the corresponding month of month 01 to 03 of the current financial year. E.g. changes in period 13 must be reflected in month 02 or 03 of the new financial year.
- The following movement accounting principles must be applied to ensure that the A1 Schedule and cash flow movements populate correctly via data strings submissions:
  - The **opening balance** of a specific account (Balance Sheet items) must be brought forward;
  - **Deposits:** Increases must be carried forward in the opening balance of the said account. If deposits relate to assets, there will be a debit balance and if it relates to liabilities, there will be a credit balance;
  - **Withdrawals:** Decreases must be carried forward in the balance of the account. If withdrawals relate to assets, there will be a debit balance, if it relates to liabilities, there will be a credit balance; and
  - **Other movement accounts** include monthly billing, collections, acquisitions, prior period corrections, increases, reversals, etc.

# Analyse the *m*SCOA data strings

## Treatment of Opening Balances

### Opening balance schematics

#### OLD YEAR

	<u>P12</u>	<u>P13</u>	<u>P14</u>
Movement	-	50	30
Closing balance	1,000	1,050	1,080

#### NEW YEAR

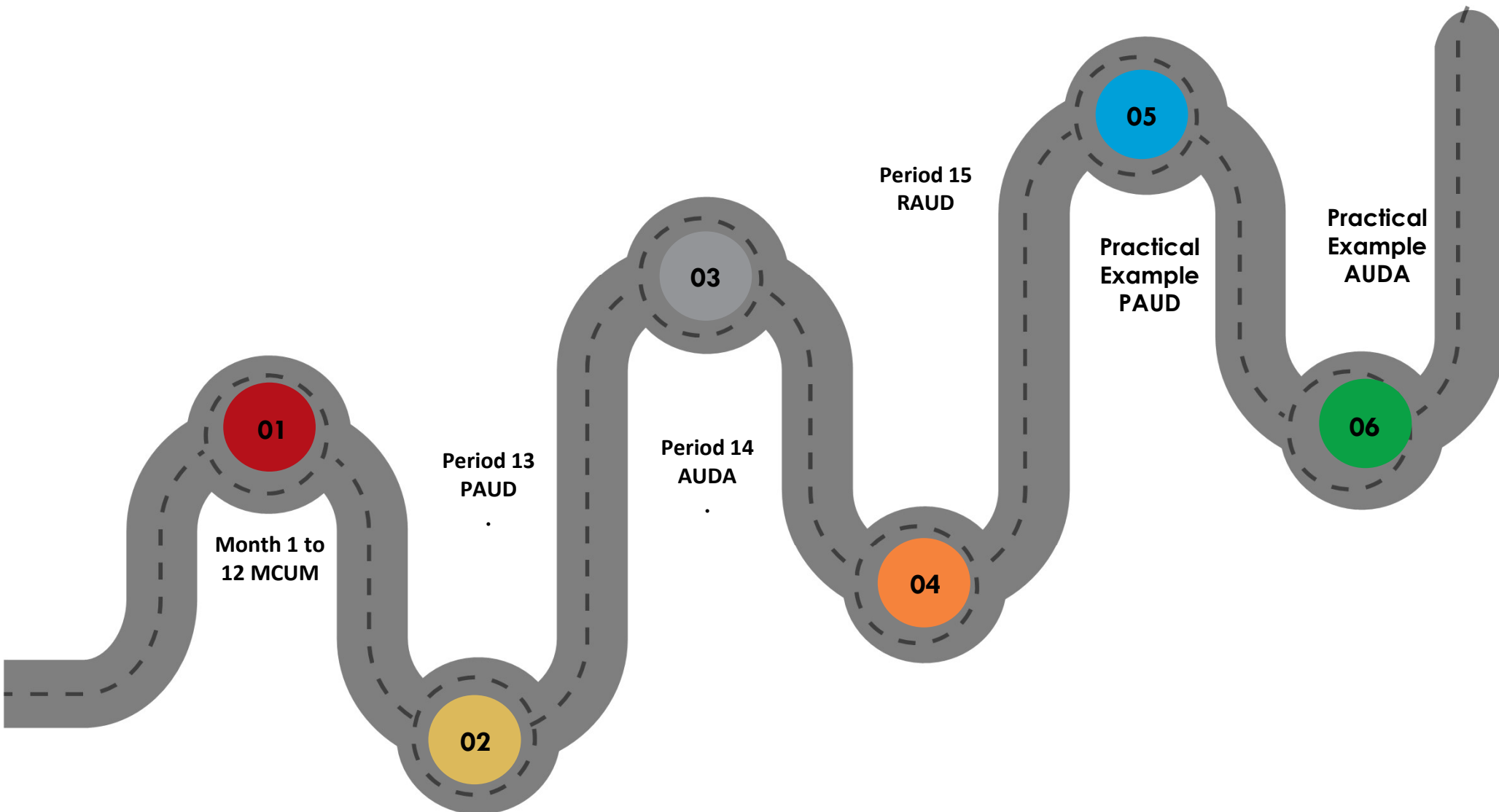
	<u>P01</u>	<u>P02</u>	<u>P02</u>	<u>P02</u>
Open balance	1,000	50		30
Movement	100	300	-250	100
Closing balance	1,100	1,450	1,200	1,330

# Year-end period closure (3)

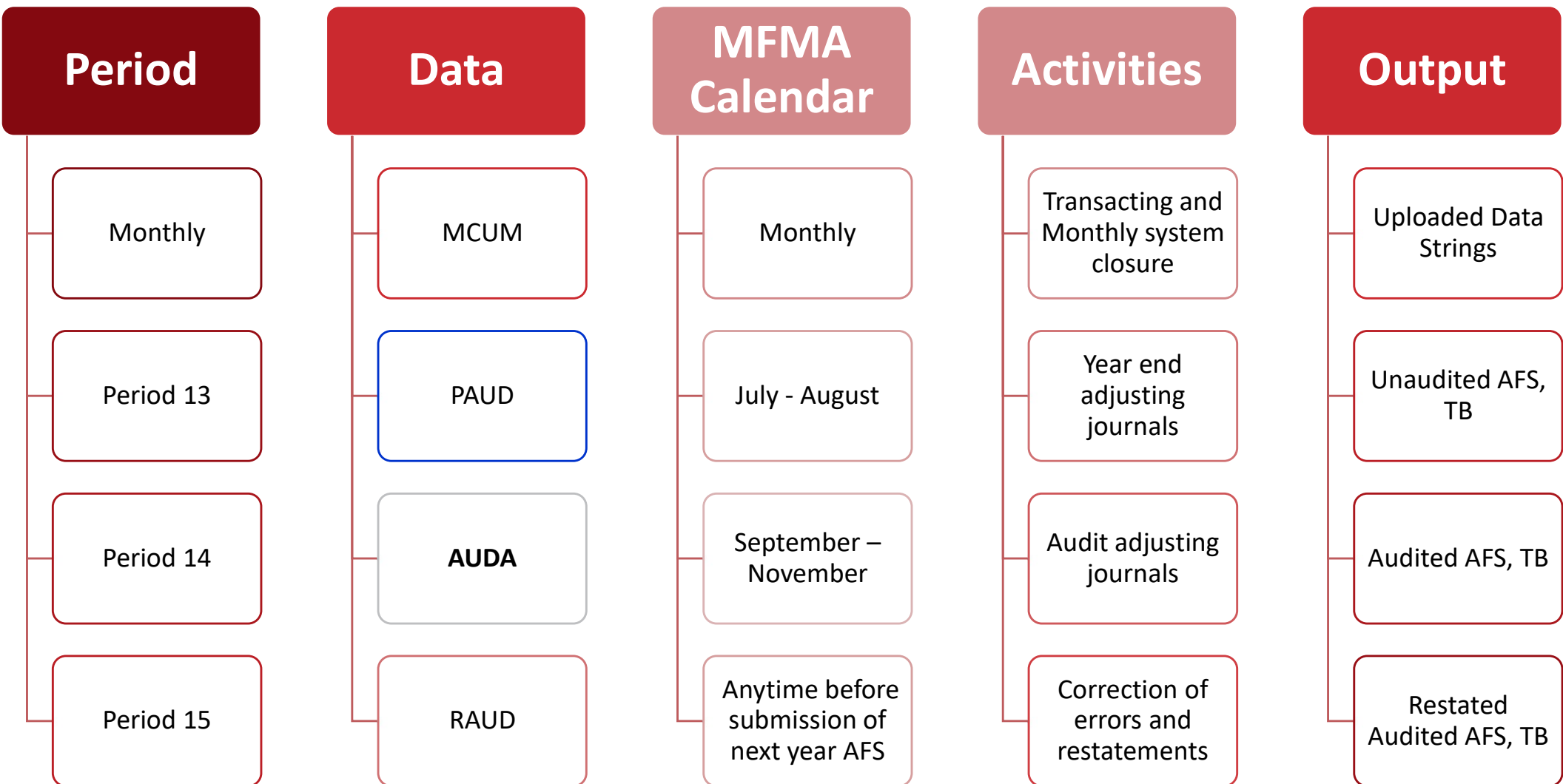
- **During the audit:**

- Audit approved journals must be processed in period 14.
- A similar process is applicable when restatements of previous financial year figures occur and when material errors are identified which impacts on the previous years' AFS and must be corrected in period 15.
- The AFS submitted to AGSA must reconcile with the pre-audited (PAUD, CRPA and DBPA) and restated (RAUD) data strings.
- The audited AFS must reconcile with the audited (AUDA, CRAU, DBAU) and restated (RAUD) data strings.
- These data strings must be submitted to the GoMuni Upload portal.
- The use of the *mSCOA* AFS Specimen that is issued annually by the National Treasury will enable the reconciliation between the pre-audited AFS and the PAUD data string.
- Municipalities must ensure that the changes captured in the PAUD, AUDA and RAUD are processed in the current financial year against the opening balances since the changes made in the prior year will impact on the opening balances of the current year.

# Sequence of data strings submissions



# Submissions



# Month 1 to 12 = MCUM

- The data in Trial Balance extracted from the core financial system must agree to the data strings submitted to the portal.
- M12 must be closed within the 10 days period and cannot be opened once the data strings have been submitted.
- M12 Balance Sheet closing balances of the previous year rolled into M01 of the current year (Automated Process).
- If not, automated journal needs to be processed, that is at an additional cost
- Validation rules built into the GoMuni will detect an unbalanced TB and the submission status will be yellow



# Conclusion

Municipalities ***must implement period closure procedures*** as required in terms of legislation and the guidance provided in this circular ***to ensure that the information submitted to the LGDRS is credible and align to the source documents submitted to Council and AGSA.***

Accounting Officers and Chief Financial Officers are reminded that the ***provision of incorrect information to the National Treasury and other organs of state, whether deliberately or negligently, constitutes financial misconduct*** in terms of Chapter 15 of the MFMA.

# THANK YOU



For additional information on national and provincial budgets, please visit our new budget [data portal](https://vulekamali.gov.za):  
<https://vulekamali.gov.za>

[www.municipalmoney.gov.za](https://www.municipalmoney.gov.za)

open **local government budget** data portal

Explore easy-to-understand, verified financial  
information for **every single municipality**  
in South Africa in one place.



For information on local government finances, please  
visit: <https://municipalmoney.gov.za>



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

