CIGFARO ANNUAL CONFERENCE 2025

Driving Transformation: Exploring mSCOA Through the Lens of Business Reform

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national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

2030 NDP

30 YEARS OF FREEDOM

Background

The Minister of Finance has, in terms of section 160(1) of the Constitution and section 168 of the MFMA promulgated the *m*SCOA Regulations on 22 April 2014 (Government Gazette No. 37577).

Background

- The minimum business processes and system specifications for *mSCOA* currently articulated in MFMA Circular 80 is being reviewed and updated to incorporate new legislative requirements that was issue since the circular was published on 08 March 2016.

The need for *mSCOA* reform

There was a lack of unified norms, standards and classification frameworks across all of local government.

Aggregation and comparison of municipal information difficult.

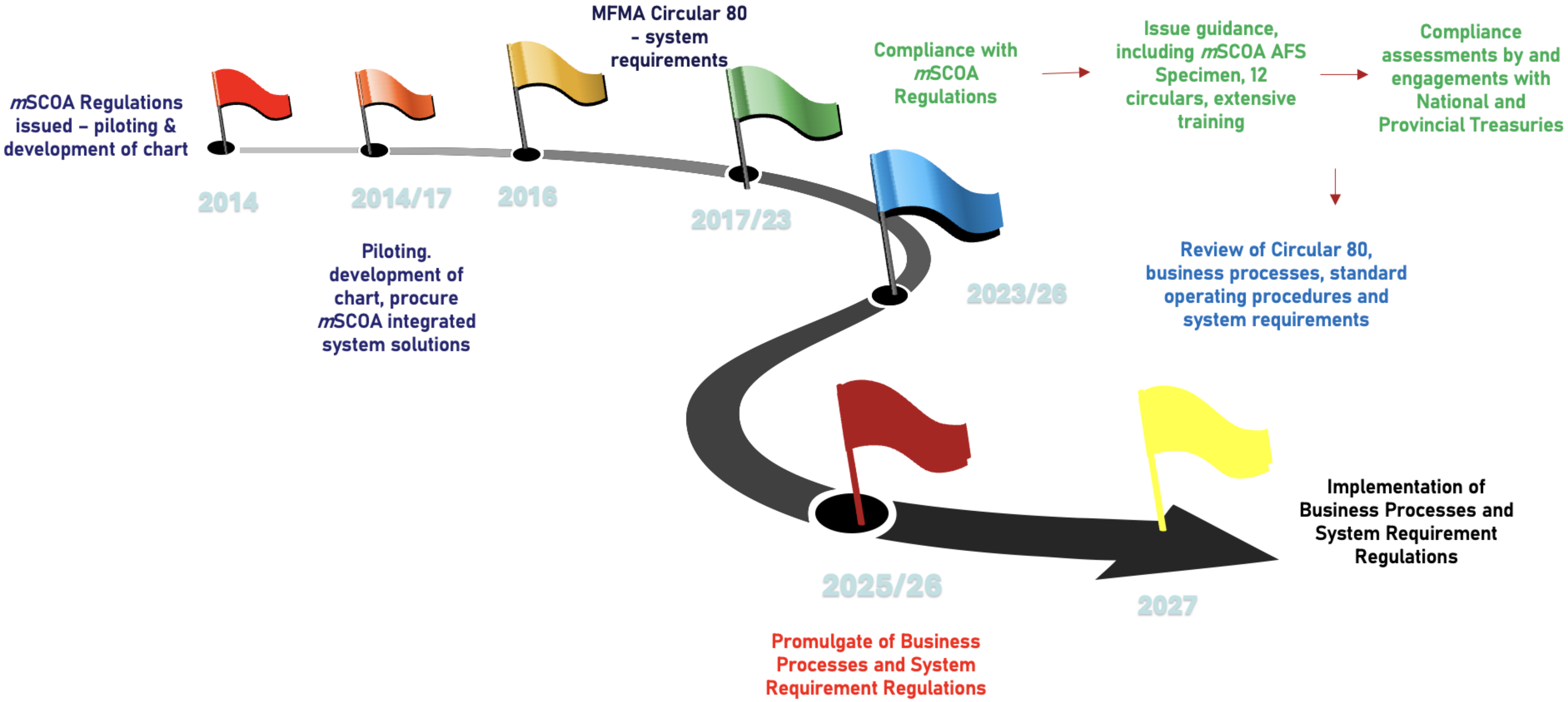
Inconsistency in information year-on-year impacted negatively on trend analysis.

Poor data integrity and irregular reporting impacted on the accuracy of information to the legislatures.

Financial systems did not meet the financial management and reporting requirements of local government as informed by the legislative framework such as Municipal Budget and Reporting Regulations and GRAP.

To ensure that there is a golden thread throughout the LG Accountability Cycle – i.e. one version of the truth.

The *m*SCOA Journey to date



Preparation for the Regulating the minimum *mSCOA* requirements

- In preparation for the new regulations, municipalities must ensure:
  - They comply with the minimum business processes and system requirements as articulated in MFMA Circular 80 and its Annexure B.
  - Address any shortcoming in their *m*SCOA implementation in their *mSCOA* roadmap and drive compliance through their *mSCOA* Steering Committees

Regulating the minimum *mSCOA* requirements

- The Regulations prescribes the standard chart of accounts that must be used by municipalities and their entities to budget, transact and report.
- The *mSCOA* Regulations are not limited to a standardised financial classification but incorporates:
  - Modernisation of Local Government business processes (regulation of minimum business processes and system specifications);
  - Application of basic processes and procedures for the daily operation of the municipality; and
  - Improvement of the municipal Information Communications and Technology (ICT) and control environment.

Regulation of the Minimum System Specifications that underpin *mSCOA*

- The regulation will standardise, enforce compliance, and improve data quality, financial transparency, and accountability across the local government sphere.
- Improved oversight function by Council as the required information will be tabled for policy decisions, tariff modelling, unfunded mandates and monitoring;
- Ensure alignment and implementation of the IDP as all expenditure, both capital and operating, will be driven from a project perspective;
- Improved measurement of the impact on service delivery in the community through the Regional Segment.

Regulation of the Business Processes that underpin *mSCOA*

MFMA Circular 80 Business Processes			
1	Corporate Governance	9	VRM, Real Estate, Land Use and Building Control Management
2	Strategic and IDP Planning	10	Human Resource and Payroll Management
3	Budgeting and Financial Planning	11	Revenue and Debt Management
4	Project Management and Reporting	12	Financial Accounting
5	Costing and Management Reporting	13	Treasury and Cash Management
6	Contract Management	14	Inventory Management
7	SCM and Procurement Management		
8	Asset Management and Maintenance		

Corporate governance

Figure 2: Corporate Governance

Council and oversight committees

- Council and oversight committee reporting is a fundamental accountability process that ensures transparent governance, strengthens financial oversight, and reinforces the role of elected officials in monitoring municipal performance and compliance
- Council must review the existing committees to ensures that these structures remain effective, relevant, and aligned with the evolving needs of the municipality and its community,
- Ensure that improvements are implemented where gaps are identified

Council and oversight committees

- Ensure functioning of Council, Audit Committees, MPAC, Risk Committees, and other relevant governance forums by establishing and maintaining a formal meeting timetable which enables alignment with legislative requirements, planning and budgeting cycles, and key reporting deadlines, thereby supporting informed decision-making and strengthened oversight.
- Promotes institutional accountability by ensuring that the intended outcomes of oversight processes are achieved, challenges are addressed, and follow-through is demonstrable by monitoring council resolutions
- Preparation of the oversight report
  - This is the final major step in the annual reporting process, closing the loop on the evaluation of service delivery and financial performance
  - It must be prepared by the accounting officer and mayor.
  - The oversight report represents the Council's independent assessment of the performance and accountability of the executive and administration.

Strategic and IDP planning

Figure 2:

Strategic and IDP Planning

Strategic and IDP planning

- The log term strategic plan is a 15 – 30 year plan, which informs successive IDPs and guides strategic investment, infrastructure development, and spatial transformation.
- The **Integrated Development Plan (IDP)** is the main planning instrument for municipalities. Under *m*SCOA, every project and programme in the IDP must be **linked to the correct segments** (e.g., function, funding source, project, item).
- This alignment ensures that **plans are translated directly into budgets** in a standardised way, reducing the risk of mismatches between what is promised in the IDP and what is actually budgeted.
- It makes the **performance monitoring** of IDPs easier because expenditures and outcomes can be tracked at project level, with full transparency across all municipalities.
- Communities and councils can hold management accountable because **plans, budgets, and spending are in the same structure**, allowing for more meaningful oversight.

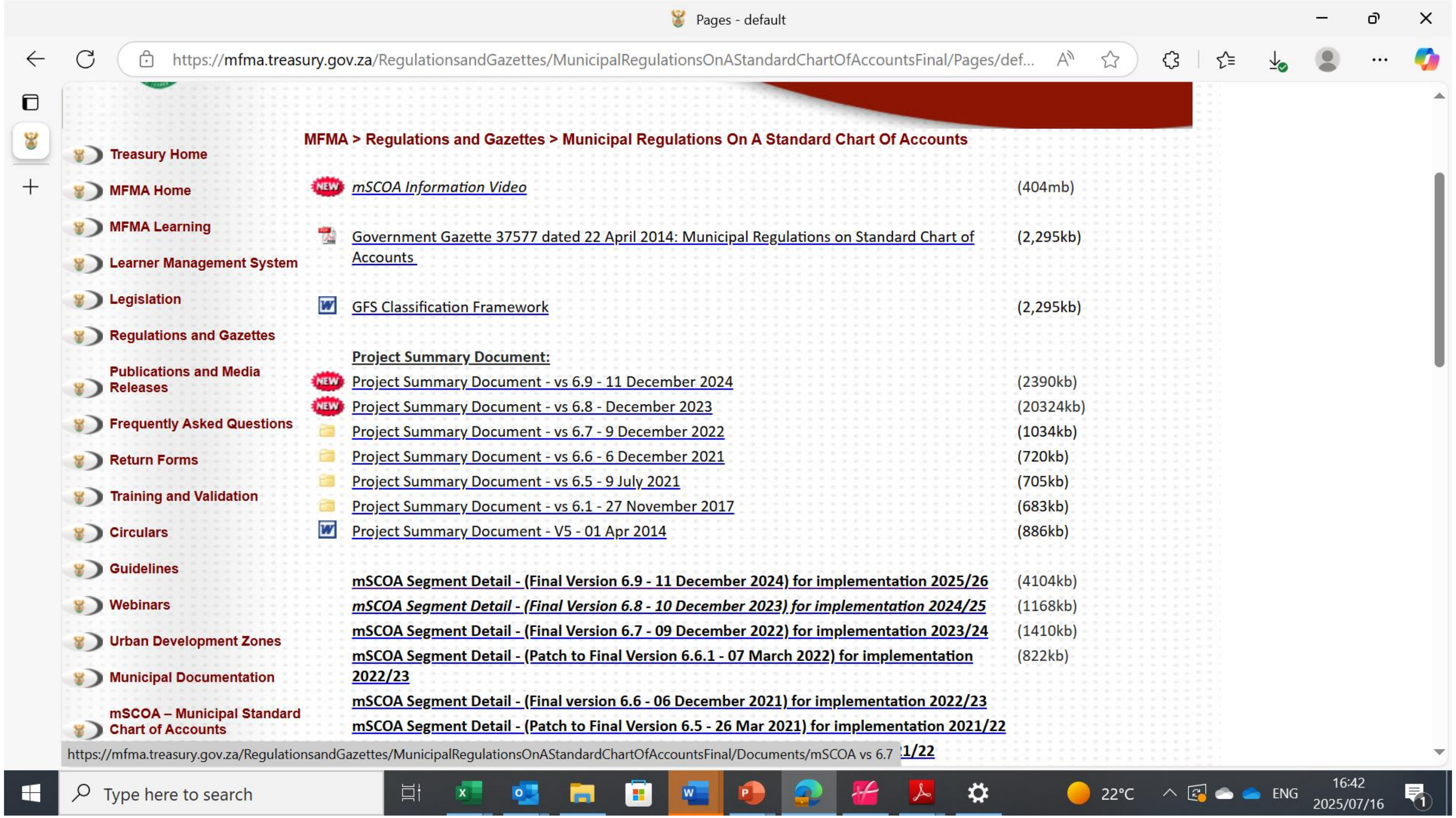
Participation process in the consultation processes

- Attend Integrated Consultative Forum (ICFs) meetings and familiarize themselves with the contents, to comment and further ensure that the draft regulation is incorporated into the municipality's own *mSCOA* roadmap.
- Provide comments on the comment documents to the regulations dedicated email address
- mscoaregs@treasury.gov.za

Note:

- Comments Deadline : 10 October 2025
- Comments should be directed at the specific functionalities or process steps proposed. Indicate which aspects are not supported and provide clear reasoning.
- Refrain from referencing internal system names or existing manual processes. The aim is to evaluate the proposed functionality on its own merit, not to compare or defend existing local processes or tools being applied within the municipality currently.
- Where there are concerns or objections, municipalities are encouraged to suggest alternative approaches or amendments that would improve alignment with legislation, enhance practicality, or support implementation feasibility. The intention is to support greater alignment and use of technology for the betterment of all municipalities, while preventing unnecessary duplication of activities and ensuring that solutions are scalable, efficient, and sustainable.
- The system requirements have been provided in excel format to enable comments to be provided by system functionality requirement.

Information on the MFMA Webpage



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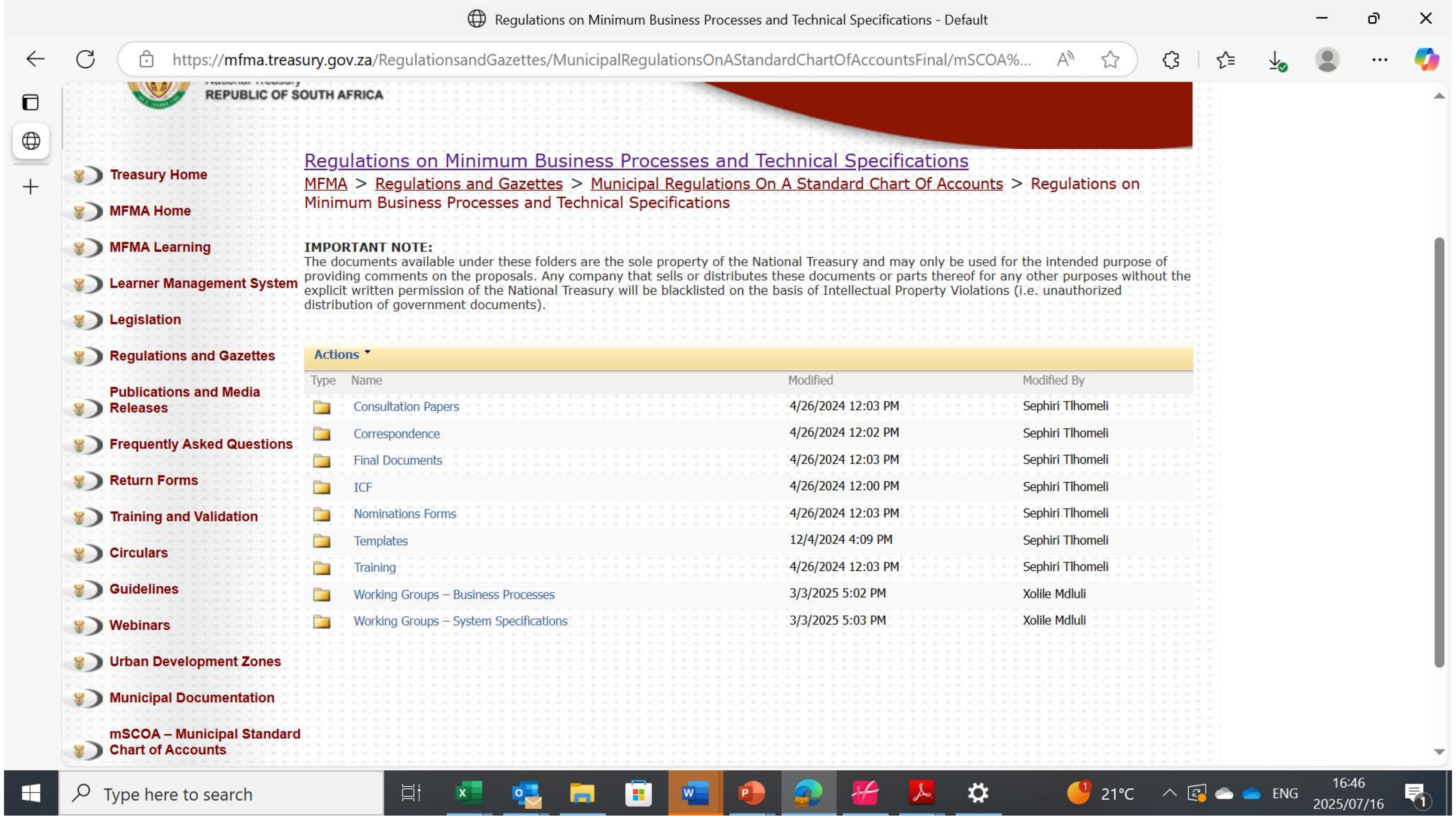

Regulations on Minimum Business Processes and Technical Specifications - Default

https://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/mSCOA%...

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Regulations on Minimum Business Processes and Technical Specifications

MFMA > Regulations and Gazettes > Municipal Regulations On A Standard Chart Of Accounts > Regulations on Minimum Business Processes and Technical Specifications

IMPORTANT NOTE:
The documents available under these folders are the sole property of the National Treasury and may only be used for the intended purpose of providing comments on the proposals. Any company that sells or distributes these documents or parts thereof for any other purposes without the explicit written permission of the National Treasury will be blacklisted on the basis of Intellectual Property Violations (i.e. unauthorized distribution of government documents).

Actions

Type	Name	Modified	Modified By
	Consultation Papers	4/26/2024 12:03 PM	Sephiri Tlhomeli
	Correspondence	4/26/2024 12:02 PM	Sephiri Tlhomeli
	Final Documents	4/26/2024 12:03 PM	Sephiri Tlhomeli
	ICF	4/26/2024 12:00 PM	Sephiri Tlhomeli
	Nominations Forms	4/26/2024 12:03 PM	Sephiri Tlhomeli
	Templates	12/4/2024 4:09 PM	Sephiri Tlhomeli
	Training	4/26/2024 12:03 PM	Sephiri Tlhomeli
	Working Groups – Business Processes	3/3/2025 5:02 PM	Xolile Mdluli
	Working Groups – System Specifications	3/3/2025 5:03 PM	Xolile Mdluli

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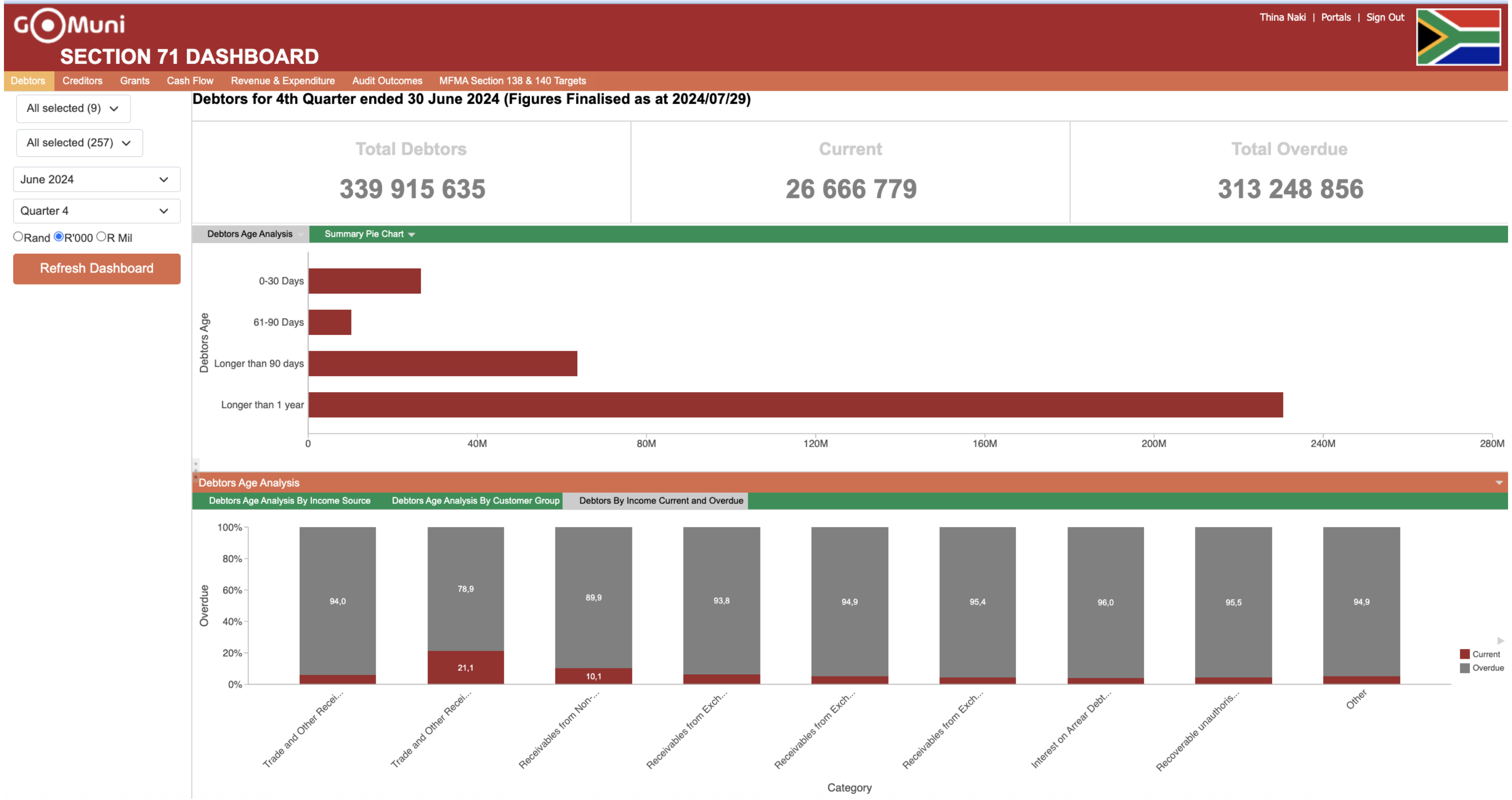
Information on the MFMA Webpage

- MFMA provides for monthly and quarterly reports on budgets of municipalities including conditional grants to be submitted in council/Mayor
- Assist with providing information for oversight by various stakeholders
- Sections 71 of MFMA emphasise accountability, regular monitoring and performance reporting on a monthly basis

Information on the MFMA Webpage



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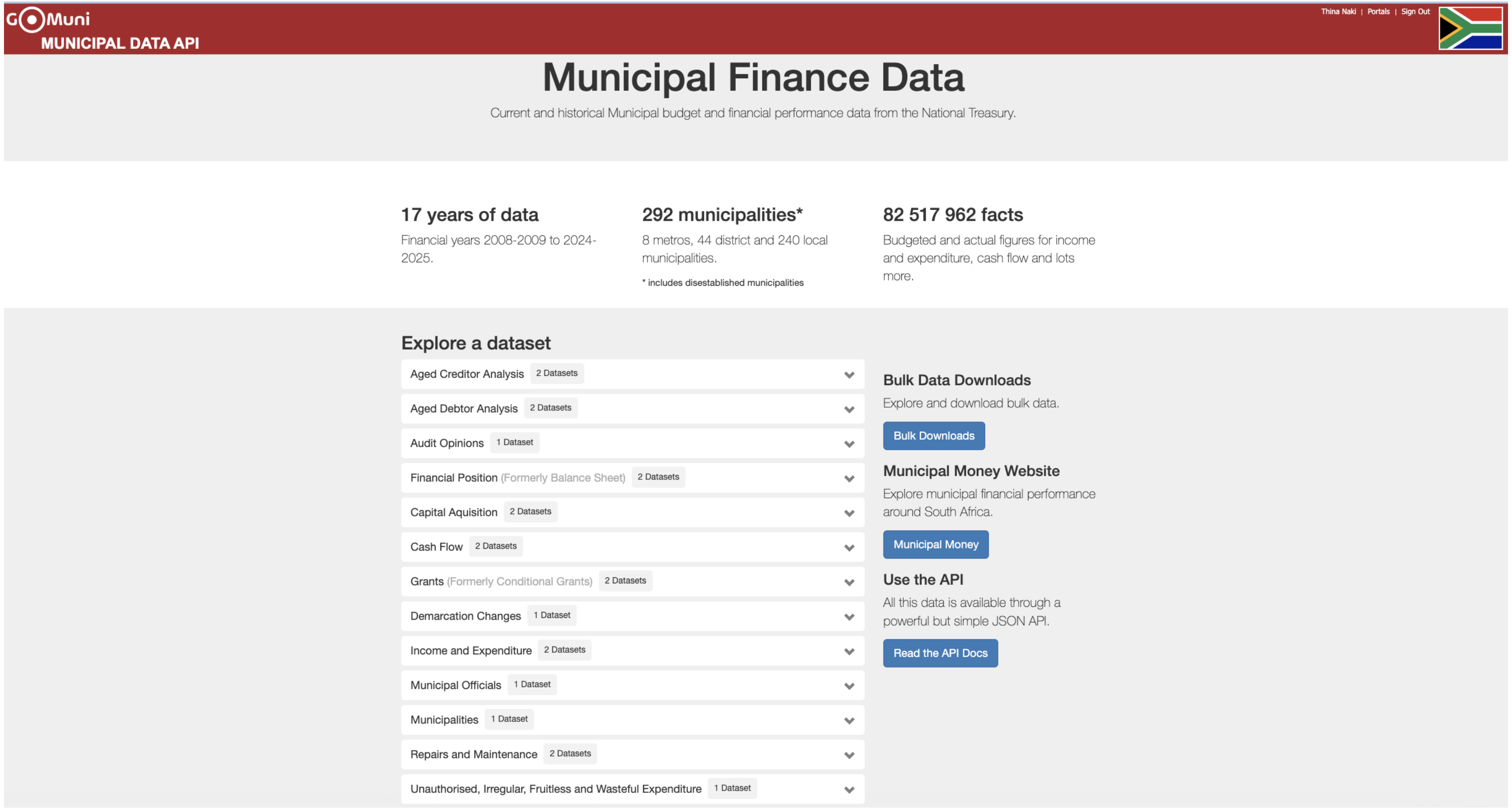

Embrace the change

*m*SCOA is not a finance reform but a business reforms as it impacts on **<u>ALL</u>** business units within the municipality.

- The leadership of the municipality must drive the implementation of the reform
- Implement effective change management to prepare staff for the changes and counter possible resistance to change.

THANK YOU

For additional information on municipal matters, visit the MFMA Webpage at http://mfma.gov.za or

GO Muni

https://lg.treasury.gov.za/ibi_apps/welcome

Municipal Money

https://municipalmoney.gov.za

For additional information on national and provincial budgets, visit: https://vulekamali.gov.za

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