

# Muni and Vendor Masterclass

Guidance on MFMA Circular No.132

Presented by:  
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**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



# ***Release of the mSCOA Chart – Version 7.1***

# Release of the *m*SCOA Chart – Version 7.1

- Version 7.1 of the *m*SCOA chart was released with this circular.
- This version must be used to compile the 2026/27 MTREF Budget.
- The linkages to chart version 7.1 can be downloaded from the Local Government Database and Reporting System (LGDRS) on the following link under the *m*SCOA/ List *m*SCOA WIP account linkages menu option:

[https://lg.treasury.gov.za/ibi\\_apps/signin](https://lg.treasury.gov.za/ibi_apps/signin)



Take Note !

***Municipalities must therefore use the linkages on GoMuni referred to above and not the formulas in the regulated Municipal Budget and Reporting Regulation (MBRR) Schedules when generating their data strings.***

# MBRR Schedules

- The MBRR Schedules (A to F) and non-financial data string (A1S) will be aligned to chart version 7.1
- A protected version of these Schedules for version 7.1 of the A1S is on the MFMA Webpage and the LGDRS under GoPublic / Explore mSCOA on the links below:
  - <http://mfma.treasury.gov.za/RegulationsandGazettes/Municipal%20Budget%20and%20Reporting%20Regulations/Pages/default.aspx>
  - [https://lg.treasury.gov.za/ibi\\_apps/portal/Explore\\_mSCOA](https://lg.treasury.gov.za/ibi_apps/portal/Explore_mSCOA)
- It is important the municipalities verify that the A1D&F data string does not contain spaces and special characters prior to submission to the GoMuni Upload portal, as this will result in the data not pulling through on table A10 of the A1 system generated schedule

# Frequently Asked Questions (FAQ) Process

- To ensure that all integrated municipal system solutions have incorporated the required changes for *m*SCOA chart version 7.1, several municipalities across all systems are required to submit test data to the LGDRS in January and February 2026. Communication in this regard has been sent in January 2026.
- For new *m*SCOA chart changes to be considered for version 7.2 of the chart, a Frequently Asked Questions (FAQ) must be logged by 31 August 2026 on the *m*SCOA FAQ database on GoMuni.
- The issue must be logged with all relevant details and supporting documents
- The *m*SCOA FAQ portal can be accessed by all registered GoMuni users on the following link: [https://lg.treasury.gov.za/ibi\\_apps/signin](https://lg.treasury.gov.za/ibi_apps/signin)

# Frequently Asked Questions (FAQ) Process

- When a FAQ is logged, it is considered by the FAQ committee after it has been investigated.
- If the FAQ members do not find grounds for a chart change, the FAQ will be closed with an explanation.
- If there is merit for a chart change in the next version of the chart, the matter is referred to the *m*SCOA Technical and Steering Committees for recommendation and approval.
- This process concludes annually by the end of October. The FAQ process will therefore not provide quick responses to queries.
- If a query pertains to GoMuni related issues (such as the **A**, **B** and **C** Schedules) and not a chart change, then an email with all relevant detail, supporting documents and screenshots must be sent to [lgdataqueries@treasury.gov.za](mailto:lgdataqueries@treasury.gov.za).

# ***Important changes to the mSCOA Version 7.1***

# Capitalisation of conversion costs to water inventory

- MFMA Budget Circular No 129 dated 6 December 2024 detailed the requirements for the accounting treatment of water inventory costs in terms of Generally Recognised Accounting Practises (GRAP) 1.104, 12 (paragraphs 19 to 28) and 17.22. *mSCOA* chart version 7.1 addresses the capitalisation of conversion cost from the nature of the expense to Water Inventory as required in terms of these GRAP standards.
- In addition, the Accounting Standards Board (ASB) FAQ 3.3 guides the measurement of Water Inventory as follows:
  - *Entities need to develop their own accounting policies to measure water using the principles in GRAP 12.*
  - *After the entity demonstrates that it can recognise the water, it is initially measured as follows:*
    - *Costs incurred to bring the inventory to its current location and condition including related infrastructure costs. Some examples include costs of extraction and depreciation; plus*
    - *Costs of conversion.*

# Capitalisation of conversion costs to water inventory

- As per the guidance provided in the GRAP standards and ASB, the capitalisation of conversion costs should align with the principle applied to Employee Related Costs (Cost Capitalisation to PPE).
  - The following credit accounts have been included in version 7.1 of the *mSCOA* chart:

	Account	Change in chart version 7.1
1	Basic Salary - Capitalisation of Costs to Property, Plant and Equipment (PPE), Water Inventory	<ul style="list-style-type: none"> <li>Credit account adjusted</li> <li>Updated the description and definition to include Water Inventory for all posting levels</li> </ul>
2	Capitalisation of Electricity Costs	Credit account added
3	Contracted Services (Maintenance)	Credit accounts added for: <ul style="list-style-type: none"> <li>Capitalisation of Maintenance of Building and Facilities</li> <li>Capitalisation of Maintenance of Equipment</li> <li>Capitalisation of Maintenance of Unspecified Assets</li> </ul>
4	Capitalisation of Depreciation of Water Treatment Works	Credit accounts added
5	Operational Costs	Credit accounts added for: <ul style="list-style-type: none"> <li>Capitalisation of Courier and Delivery Services Costs</li> <li>Capitalisation of Vehicle Tracking Costs</li> <li>Capitalisation of Wet Fuel Costs</li> <li>Capitalisation of Licences Costs</li> </ul>

# Capitalisation of conversion costs to water inventory

- The chart was also updated to allow for the accumulation of the following additions to water inventory: system input volume:
  - Water Treatment Works: Acquisitions;
  - Bulk Purchases: Acquisitions; and
  - Natural Resources: Acquisitions.

# Alignment of the cash flow linkages

In terms of GRAP 2, cash flows should be classified in accordance with the nature of the activity to which they relate (operating, investing or financing) which requires that:

- The item for *Interest, Insurance Refund and Retentions* must be accounted for both operating and investing activities based on the nature of the transactions; and
- The Interest on Short-Term investment (greater than 90 days) and Long-Term Investments must be populated within investing activities. Short-Term Investments is disclosed on the Statement of Financial Performance.

# Alignment of the cash flow linkages

To give effect to this GRAP standard, a new operational funding source, Insurance Refunds, has been created under the Investing Activities of MBRR tables A7 and SA30. Therefore, with effect from version 7.1 of the *m*SCOA chart:

- The VAT Receipts will be populated using the Bank Deposits (IA001001 – "DEPOSITS") and VAT Receipt funding source. The VAT Control account receipts will not be used for this purpose;
- Construction Contract Revenue will no longer form part of Sales of Goods and Rendering of Services. A new funding source was created to separately populate Construction Contract Revenue as part of Other Revenue on the MBRR supporting table SA30; and
- Development Charges will no longer form part of Operational Revenue. A new funding source was created to separately populate Development Charges as part of Other Revenue on MBRR supporting table SA30.

The structure of the MBRR table A7 and its related cash flow linkages has also been aligned with the *m*SCOA chart version 7.1. The updated linkages to the MBRR supporting table SA30 are attached as Annexure H: Cash Flow Linkages.

# Intercompany Transfers

- In terms of the MFMA, municipalities with entities must submit budgets, in-year Section 71 reports, annual financial statements and annual reports for the parent municipality, as well as consolidated documents for both the parent and its entity
- Furthermore, in accordance with GRAP 35 paragraph 39, a controlling entity shall prepare consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.
- The consolidation procedures prescribed in GRAP 35 paragraph 41(a) and (c) state that consolidated financial statements combine like items of assets, liabilities, net assets, revenue, expenses, and cash flows of the controlling entity with those of its controlled entities.

# Intercompany Transfers

- Consolidated financial statements should eliminate in full intra-economic entity assets, liabilities, net assets, revenue, expenses, and cash flows relating to transactions between entities of the economic entity (surpluses or deficits resulting from intra-economic entity transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full).
- Intra-economic entity losses may indicate an impairment that requires recognition in the consolidated financial statements.

# Intercompany Transfers

- To support the implementation of the process outlined in GRAP 35 paragraph 41(c), *m*SCOA chart version 7.1 has been revised to enable the proper recording and reporting of all intercompany and parent–subsidiary transactions. These revisions introduce new and updated items relating to assets, liabilities, net assets, and expenses, which may be found on the *m*SCOA chart version 7.1 and represented as follows:
  - Assets: Non-current Assets: Intercompany/Parent-subsidiary Transactions;
  - Assets: Current Assets: Intercompany/Parent-subsidiary Transactions;
  - Liabilities: Non-current Liabilities: Intercompany/Parent-subsidiary Transactions and Net Assets: Intercompany/Parent-subsidiary Transactions; and
  - Expenditure: Intercompany/Parent-subsidiary Transactions.

# Intercompany Transfers

- The intercompany items available on the chart makes provision for the elimination of transactions between the entity and the parent
- Consideration should be done where possible during the preparation of your respective budget to ensure budgeted financial information between municipalities and their entities is accurately reflected and remains consistent across all reporting levels.
- In terms of MBRR No. 39, the annual budget and supporting documentation of a municipal entity must be in the format specified in Schedule D and include all the required tables, charts and explanatory information considering any guidelines issued by the Minister in terms of section 168(1)(a) of the MFMA.
- Municipalities with entities must submit the necessary documents to the GoMuni Upload portal in accordance with the prescribed Regulations.

# *Improving mSCOA Implementation*

## *m*SCOA e-Road Map

- Municipalities are required to develop and implement a *m*SCOA road map to address gaps in the implementation of the *m*SCOA Regulations and the minimum business processes and system specifications articulated in MFMA Circular No 80 and its Annexure B.
- The *m*SCOA road map has been incorporated as a module into the web-based Financial Management Capability Maturity Model (FMCMM).

## *m*SCOA e-Road Map

From the 2026/27 MTREF, all municipalities will be required to prepare their *m*SCOA road maps on the FMCMM web-based platform. The web-based *m*SCOA Road Map assesses compliance with regards to *m*SCOA implementation for the following focus area:

- System landscape, i.e. the ICT architecture that enables compliance with the *m*SCOA requirements articulated in MFMA Circular No 80 and its Annexure B;
- Governance and institutional arrangements to drive compliance with the *m*SCOA requirements articulated in MFMA Circular No 80 and its Annexure B;
- The functionality of the integrated system solution, as per the requirements articulated in MFMA Circular No 80 and its Annexure B; and
- Proficiency of municipal officials in utilising the integrated financial system solution.

## *m*SCOA e-Road Map

- Gaps in implementation will require the development of an action plan in the FMCMM web-based platform. Progress on the implementation of the *m*SCOA road map will be monitored via the FMCMM platform by National and Provincial Treasuries.
- From the 2026/27 financial year, this will form the basis for decisions on the withholding of the equitable share pertaining to *m*SCOA non-compliance, as well as the *m*SCOA compliance certificate to be issued by the National Treasury in respect of the Metro Trading Services reform.

# Regulation of the minimum business process and system specifications for *m*SCOA

- The National Treasury will conclude the consultation and preparatory work to regulate the minimum business process and system requirements for *m*SCOA in 2026/27.
- Once promulgated, the regulations will be applicable to municipalities and their entities.
- Municipalities are encouraged to start preparing for these regulations by addressing gaps in the current *m*SCOA implementation and resolving them prior to the promulgation of the regulations on the minimum business process and system requirements for *m*SCOA.

# Regulation of the minimum business process and system specifications for *m*SCOA

All consultation documents that were presented at the Integrated Consultative Forums (ICF) can be located on the MFMA Webpage under *m*SCOA – Municipal Standard Chart of Accounts/ Regulations on Minimum Business Processes and Technical Specifications for *m*SCOA/ Working Groups on the following link:

<https://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/mSCOA%20Minimum%20Requirements/Forms/AllItems.aspx>

- The draft documents are also available on the *m*SCOA one drive for comments and inputs on the following link and provide sufficient guidance to municipalities and system vendors to prepare for the new regulations prior to promulgation:

[E1\\_Draft Regulations - Consultation – Shared](#)

The deadline for all comments and submissions requested was **31 January 2026** and must be submitted to [mscoa@treasury.gov.za](mailto:mscoa@treasury.gov.za) to allow for consolidation and inclusion in the final regulations.

# *Improving mSCOA Data Strings Credibility*

## Introduction of the 3<sup>rd</sup> Validation rule

- Currently, the LGDRS implements automated stage 1 and 2 validations to ensure that credible data strings are submitted to the GoMuni Upload portal. The stage 1 validations verifies that the file structure is correct, while the stage 2 validation verifies that the *mSCOA* chart has been used correctly across 18 validation areas. Details on the stage 2 LGDRS validations are attached as **Annexure I**.
- A third stage automated validation will be introduced from the 2026/27 MTREF to validate the credibility of *mSCOA* data strings. Details in this regard will be communicated when available.

# THANK YOU

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



[https://lg.treasury.gov.za/ibi\\_apps/welcome](https://lg.treasury.gov.za/ibi_apps/welcome)



<https://municipalmoney.gov.za>

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



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