PUBLIC SECTOR FINANCE SEMINAR

Panel discussion on driving financial sustainability through innovation and reform – the way forward on digital transformation in public sector

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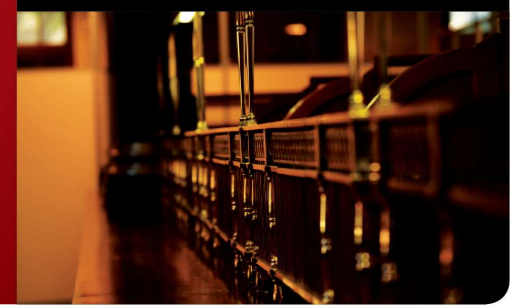


national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Preview to *mSCOA*

- While significant progress has been made to modernize LG over the last 20 years, municipalities are still faced with many challenges, including:
  - Weak financial sustainability
  - Poor quality decision-making
  - Manual and duplicated business processes
  - Disconnected financial and operational systems
  - Inaccurate and untimely reporting
  - Weak accountability
  - Increasing audit findings
  - Limited use of data for strategic planning
- These challenges cannot be solved through financial reforms alone. They require digital business transformation

Preview to *mSCOA* (2)

- The Municipal Standard Chart of Accounts (*m*SCOA) Regulations was promulgated on 22 April 2014 (Government Gazette No. 37577)
- Municipalities and their entities had to comply with the *m*SCOA Regulations by 01 July 2017
- The minimum business processes and technical system specification requirements for *m*SCOA were articulated in MFMA Circular No. 80 (2016)
- These minimum requirements provide the foundation for digital transformation, financial sustainability and innovation in local government
- Municipal system vendors operating in the space of LG reinvested and redesigned their systems solutions to conform to the *m*SCOA Regulations and MFMA Circular No. 80

The way forward on digital transformation in public sector

Next phase in *m*SCOA Reform Agenda (2)

- The *m*SCOA Regulations states that the Minister of Finance may, by notice in the Gazette, determine the minimum business process and system requirements for municipalities and municipal entities to enable implementation of the regulations
- The minimum business processes and technical system specification requirements were articulated in MFMA Circular No. 80 (2016)
- Municipal system vendors operating in the space of LG were required to reinvest and redesign their systems solutions to conform to the *m*SCOA Regulations and MFMA Circular No. 80
- All 257 municipalities are implementing the *m*SCOA Regulation (2014), but levels of compliance differs.

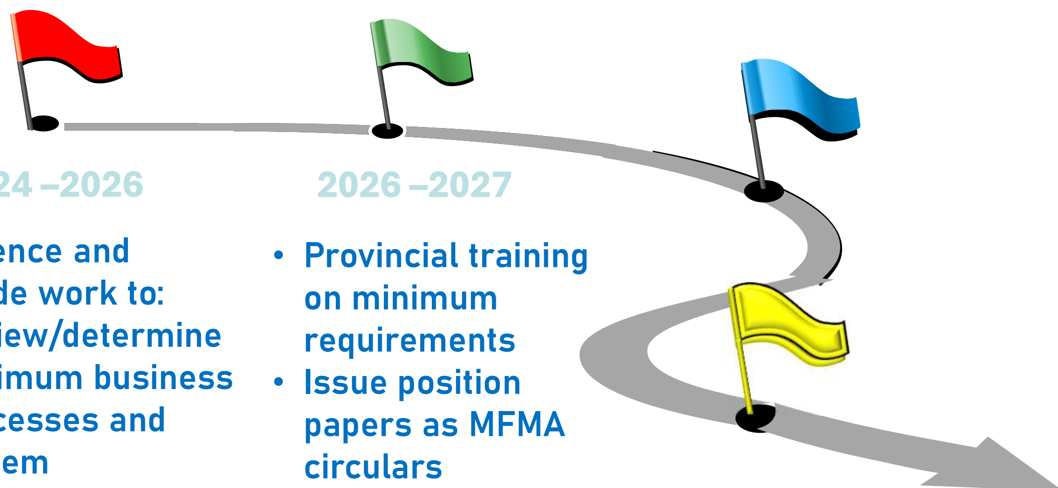
Next phase in *m*SCOA Reform Agenda (1)

- National Treasury has embarked on a project in Jan 2024 to:
  - Review the minimum business processes and technical system specifications in MFMA Circular No. 80 (2016); and
  - Update these minimum requirements to include legislation and other requirements that became/will become applicable after MFMA Circular No. 80 was issued
- To date, the following consultation has taken place with various stakeholders, including municipalities, various NT units, PTs, system vendors, AGSA, SARS, STATSSA, DCoG, DWS, etc.:
  - Technical working groups (88 engagements)
  - Integrated Consultative Forums (14 engagements)
  - Stakeholders Engagements (18 engagements)
  - Special Task Team meetings (10 engagements)
  - Training sessions (7 sessions)

Next phase in *m*SCOA Reform Agenda 32)

- The minimum requirements for *m*SCOA is key in the digital transformation to change the current trajectory of LG performance
- It will move municipalities away from simply complying with *m*SCOA towards using standardised business processes, integrated systems and quality data to improve governance, service delivery and financial sustainability
- Many of the root causes identified by the Auditor-General and National Treasury will be addressed.
- When fully implemented, the minimum requirements for *m*SCOA will enable municipalities to move from fragmented, paper-based administration to integrated, data-driven financial management and the benefits thereof

Timelines for issuing of the minimum business process and technical system requirements for *m*SCOA



2024 – 2026

Commence and conclude work to:

- Review/determine minimum business processes and system requirements for *m*SCOA
- SOPs
- Position Papers
- ICT Due Diligence Assessment

2026 – 2027

- Provincial training on minimum requirements
- Issue position papers as MFMA circulars
- Issue updated ICT Due Diligence Assessment

2027 – 2030

- Issue minimum requirements for implementation
- Readiness Workshops
- Readiness assessments (by municipalities and vendors)
- Monitoring of progress against *m*SCOA Road Maps
- Handholding
- Issue transversal tender

2030 - 2035

- Phased implementation: 3 – 7 years
- Handholding
- Training
- Compliance Assessments

Key Benefits of the *m*SCOA Reform

- Accurate recording of transactions, therefore reducing material misstatements
- Reduce the month/year end reconciliation processes and journals processed – more accurate and timely financial management impacting positively on audit opinions
- Improved quality of information for budgeting and management decision making
- Improved oversight function by Council as the required information will be tabled for policy decisions, tariff modelling, unfunded mandates and monitoring
- *m*SCOA, because of the multi-dimensional reporting across segments, brings seamless alignment in the accountability cycle of a municipality
- 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
- *m*SCOA standardises all municipal- and the whole-of-government reporting
- *m*SCOA relieves reporting fatigue and the cost of reporting. *m*SCOA does not fix historic information but it now forces credible information through its validation principles
- Provides for evidence-based financial management in municipalities. This means improved municipal benchmarking, policy making and interventions

THANK YOU

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

GOMuni

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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SA Online Budget Data