AFS Consistency Workshop 2026

Evidence Based Decision Making

*m*SCOA business processes and system specifications, a key to change the current trajectory of LG performance

Presented by:
Thina Naki,
mSCOA Technical Advisors

Institution:
National Treasury

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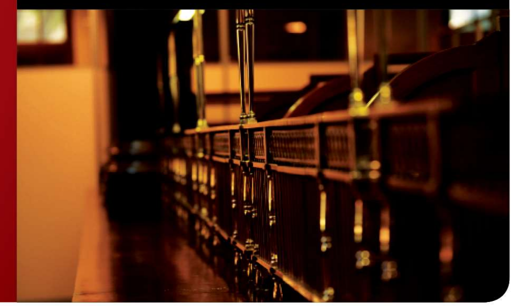

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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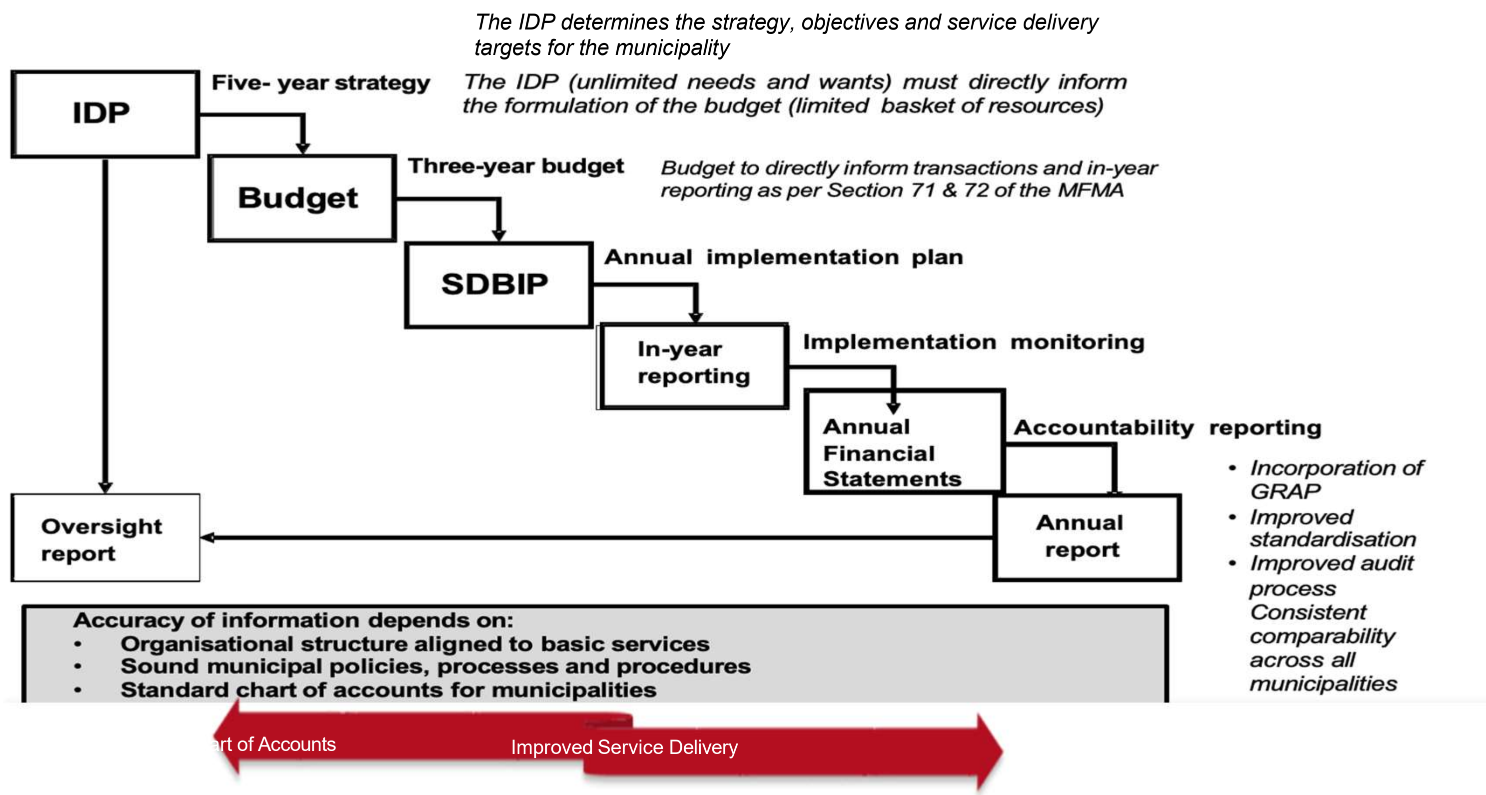
Background to *m*SCOA reform (1)

- The introduction of the MFMA in 2003 laid foundation for the LG financial management reform agenda
- The Minister of Finance has, i.t.o. Sections 216(1) of the Constitution and 168 of the MFMA promulgated the *m*SCOA Regulations on 22 April 2014 (Govt Gazette No. 37577)
- The *m*SCOA Regulations provide for:
  - A national standard for the uniform recording and classification of municipal budget and financial information at a transaction level – *across all municipalities and financial systems*
  - Modernisation of LG business processes (issuing of minimum business processes requirements)
  - Application of basic processes and procedures for the daily operation of the municipality (issuing of minimum technical system specifications requirements)
  - Improvement of the municipal ITC and control environment

Background to *m*SCOA reform (2)

- Municipalities and their entities had to comply with the *m*SCOA Regulations by 01 July 2017
- The minimum business processes and system specification requirements for *m*SCOA were articulated in MFMA Circular No. 80 (2016)
- These requirements bridge the gap between policy and implementation by embedding standardised processes, integrated financial systems and automated controls into every stage of the LG accountability cycle
- 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

*m*SCOA is the bridge between policy and implementation in the LG Accountability Cycle



- *mSCOA, creates the environment to enable the execution of the accountability cycle, from IDP to Annual Report*
- *mSCOA , if well implemented and managed, after future phases have been completed, will provide direct evidence in dashboard format, of the achievement of IDP strategy, objectives and service delivery targets in the municipality*

ONE VERSION OF THE TRUTH

Progress on *m*SCOA implementation

- 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 and increasing audit findings
  - Limited use of data for strategic planning
- These challenges cannot be solved through financial reforms alone. They require digital business transformation
- Poor processes automated through software simply become automated inefficiency

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

- 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
- National Treasury has embarked on a project in Jan 2024 to:
  - Review and update the minimum business processes and technical system specifications in MFMA Circular No. 80 (2016); and
  - Develop standard operating procedures (SOPs) for *m*SCOA;
  - Align the current ICT due diligence assessment for to the updated requirements;
  - Consult with key stakeholders on the updated minimum requirements for *m*SCOA;
  - Provide virtual training on the updated minimum requirements for *m*SCOA to ensure that there is a fair understanding of the requirements by stakeholders.

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

- As part of the review, the initial 15 core business processes (MFMA Circular No. 80) were analysed and refined
- These processes were defined at a high level in the circular, necessitating further unpacking and detailed articulation to support practical implementation
- Emphasis was placed on defining the minimum processes that municipalities and municipal entities should have in place to support effective financial management and internal control operations
- Through this process, the business processes were further streamlined and rationalised into 14 business process groups to a level of detail that clearly articulates the activities required for effective and compliant municipal operations, strengthen internal controls, and enhance auditability across municipalities

Minimum business processes and system specifications for *m*SCOA (1)

1

Corporate Governance
- External Audit Management and Reporting
- Internal Audit Management and Reporting
- IT System Requirements and Management
- Legal Framework Management and Reporting
- Municipal Website Management
- Oversight Committees Management and Reporting
- Performance Management and Reporting
- Records Management
- Reporting Mechanisms
- Risk Management and Reporting

2

Strategic and IDP Planning
- Strategic Planning
- Integrated Development Planning

3

Budgeting and Financial Planning
- Budget Process Planning
- Revenue and Tariff Modelling
- Human Resources (HR) /Payroll
- Operational Expenditure
- Capital Expenditure, Maintenance & Operating Costs
- Inventory Expenditure
- Balance Sheet and Cash Flow Budgeting
- Secondary Costing
- Funding, Reserves and Long-Term Financial Planning
- Budget Reporting
- Public Participation
- Budget Approval and Integration
- In Year Monitoring and Reporting

4

Project Management and Reporting
- Project Planning
- Project Management and Reporting

5

Costing and Management Reporting
- Costing
- Management Reporting

6

Contract Management
- Contract Planning
- Contract Execution
- Contract Monitoring and Reporting
- Contract Close

7

Supply Chain Management and Procurement
- SCM Legal Framework
- Demand Management and Reporting
- Procurement and Reporting
- Supplier Management (Database)

Minimum business processes and system specifications for *m*SCOA (2)

8

Asset Management and Maintenance

- Asset Management Planning
- Assets Acquisition
- Asset Maintenance
- Assets Verification and Condition Assessment
- Asset Disposal
- Asset Management Reporting

9

VRM, Real Estate, Land Use and Building Control

- Valuation Roll Management
- Real Estate
- Land Use Applications, Development Charges & Building Plans
- Wayleave
- Property Rates

10

- **Human Resource and Payroll Management**
- Human Resource Planning
- Employment Practices
- Staff Performance and Development
- Skills Development
- Staff Member Relations
- Leave and Time Management
- Payroll Management and Reporting

11

- **Revenue and Debt Management**
- Revenue Management and Billing
- Debt Collection and Credit Control
- Customer Management
- Indigent Management
- Provision for Bad Debt and Reporting

12

Financial Accounting

- General Ledger Maintenance
- Accounts Receivable
- Accounts Payable
- Annual Financial Statements Reporting
- Consolidation reporting
- Financial Reporting

13

Treasury and Cash Management

- Cash Management and Reporting
- Grant Management and Reporting
- Investment Management and Reporting
- Borrowings and Finance Leases Management
- Reserves Management and Reporting
- Provisions Management and Reporting
- Contingent Liabilities Management and Reporting
- Insurance Management and Reporting
- UIFW Management and Reporting

14

Inventory Management

- Consumables and Materials Management and Reporting
- Water Inventory Management and Reporting
- Land Inventory Management and Reporting

Next phase in *m*SCOA Reform Agenda (3)

- The minimum system functionality requirements enable and enforce the effective implementation of the prescribed business processes within an integrated financial management and internal control environment
- These requirements were designed to ensure that system functionality supports appropriate controls, data validation, workflow management where required, and comprehensive audit trails, thereby reducing the risk of non-compliance and improving the integrity of financial information
- It should be noted that the relationship between business processes and system functionality was intentionally designed to be flexible and integrated:
  - Multiple system functionalities may support a single business process, while a single system functionality may enable multiple business processes across different operational areas.
  - This many-to-many relationship ensures that system functionality is not siloed but rather supports integrated municipal operations and efficient use of system capabilities

Next phase in *m*SCOA Reform Agenda (4)

- 4 position papers were developed to address common challenges, reducing ambiguity, and promoting consistent interpretation that were identified during the consultation process
- These papers provide guidance on the following matters and will be issued as MFMA circulars in 2026:
  - Municipal System Integration
  - Use of Core Solution Chart of Accounts as a Base for Source System Integration
  - Data Migration, Conversion and Management
  - Defining Upgrade versus New System Implementation

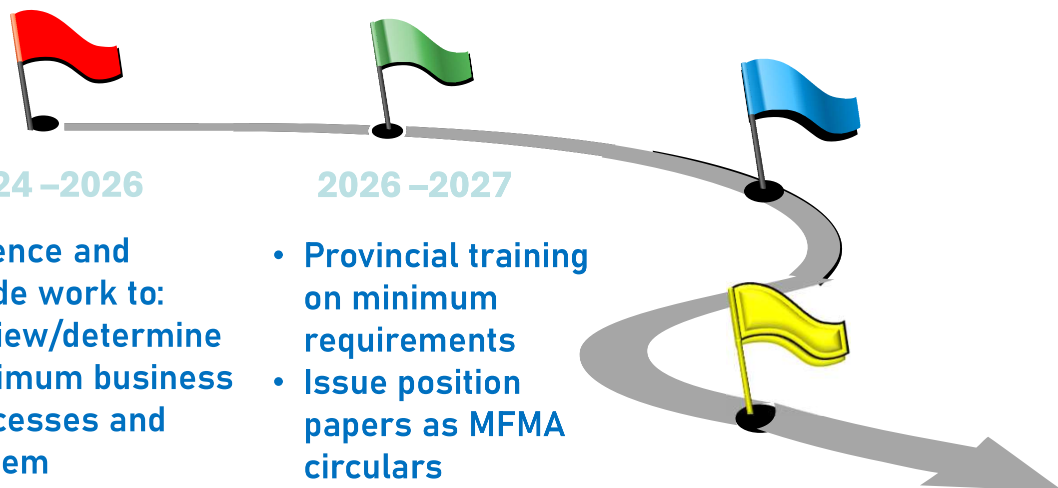
Next phase in *m*SCOA Reform Agenda (5)

- 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 (6)

- The minimum requirements for *m*SCOA establish the foundation for:
  - Integrated financial management
  - Standardised business processes
  - Embedded governance controls
  - High-quality data
- By enabling automation, interoperability, and real-time decision-making, they move municipalities beyond compliance toward digitally enabled institutions that are more transparent, accountable, and financially sustainable.

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

Implementation timeframes (1)

- It is envisaged that a staggered approach with phased-in timelines of 3, 5 and 7-years, based on the complexity and readiness of system functionality, will apply
- This will enable municipalities to plan appropriately for funding, resource allocation, and capacity building, ensuring that implementation remains sustainable and does not place undue financial strain on municipal budgets
- Where phased implementation is applied, the integration between system functionalities should follow in alignment with these timelines
  - In instances where integrating system functionalities fall into different implementation horizons, the integration should be scheduled based on the longer of the applicable timelines
  - This ensures that integration occurs only once all dependent system functionalities are fully developed, stabilised, and compliant, thereby reducing implementation risk, avoiding rework, and ensuring data integrity and audit readiness across the municipal environment

Implementation timeframes (2)

- **3-year implementation horizon:** Prioritise system functionality that is already in place or requires minimal enhancement. Municipalities can focus on configuration, optimisation, and alignment of existing processes and controls to meet regulatory requirements, enabling early compliance with limited financial and operational disruption
- **5-year implementation horizon:** Address system functionality that requires moderate development, enhancement, or integration. Municipalities will need to allocate funding and resources for system upgrades, process refinement, and user training. This timeline supports structured development while maintaining stability in financial and operational environments
- **7-year implementation horizon:** Reserved for complex system functionality that requires significant development, redesign, or new implementation. These may include advanced capabilities, extensive process re-engineering, and high-impact reforms that require substantial funding, procurement processes, and comprehensive change management

What is expected from municipalities in preparation for the next phase of *m*SCOA

- Ensure that all officials across the relevant business units know the updated minimum requirements for *m*SCOA
- Address gaps in the current *m*SCOA implementation (as per the 2014 *m*SCOA Regulations and the requirements in MFMA Circular No 80)
- Once issued, conduct an ICT Due Diligence assessment to determine the gaps in implementation regarding the updated minimum requirements for *m*SCOA and address these gaps in the municipality's *m*SCOA road map

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

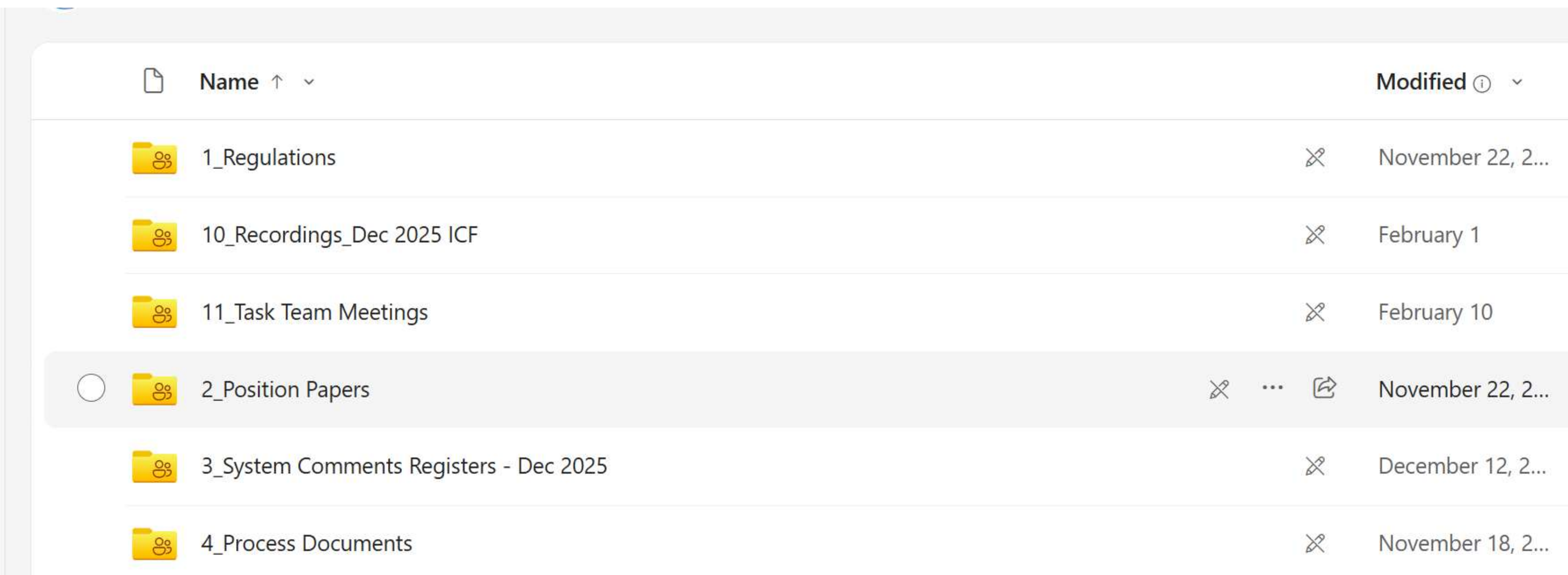
https://municipalmoney.gov.za

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

ANNEXURES

Documentation on minimum business process and technical system specifications requirements (1)

Link to one drive: G1_Draft Regulations - Training



Documentation on minimum business process and technical system specifications requirements (2)

Link to one drive: G1_Draft Regulations - Training

5_System Requirement Documents	November 18, 2...
6_Process Comments Registers - Dec 2025	December 11, 2...
7_System Comments Registers - Feb 2026	January 27
8_Process Comments Registers - Feb 2026	January 27
9_Regulations_Position Papers Comments Registers - Feb 2026	January 30