

National MFMA AFS Consistency Workshop

Preparation of AFS using the *m*SCOA AFS Specimen

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national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



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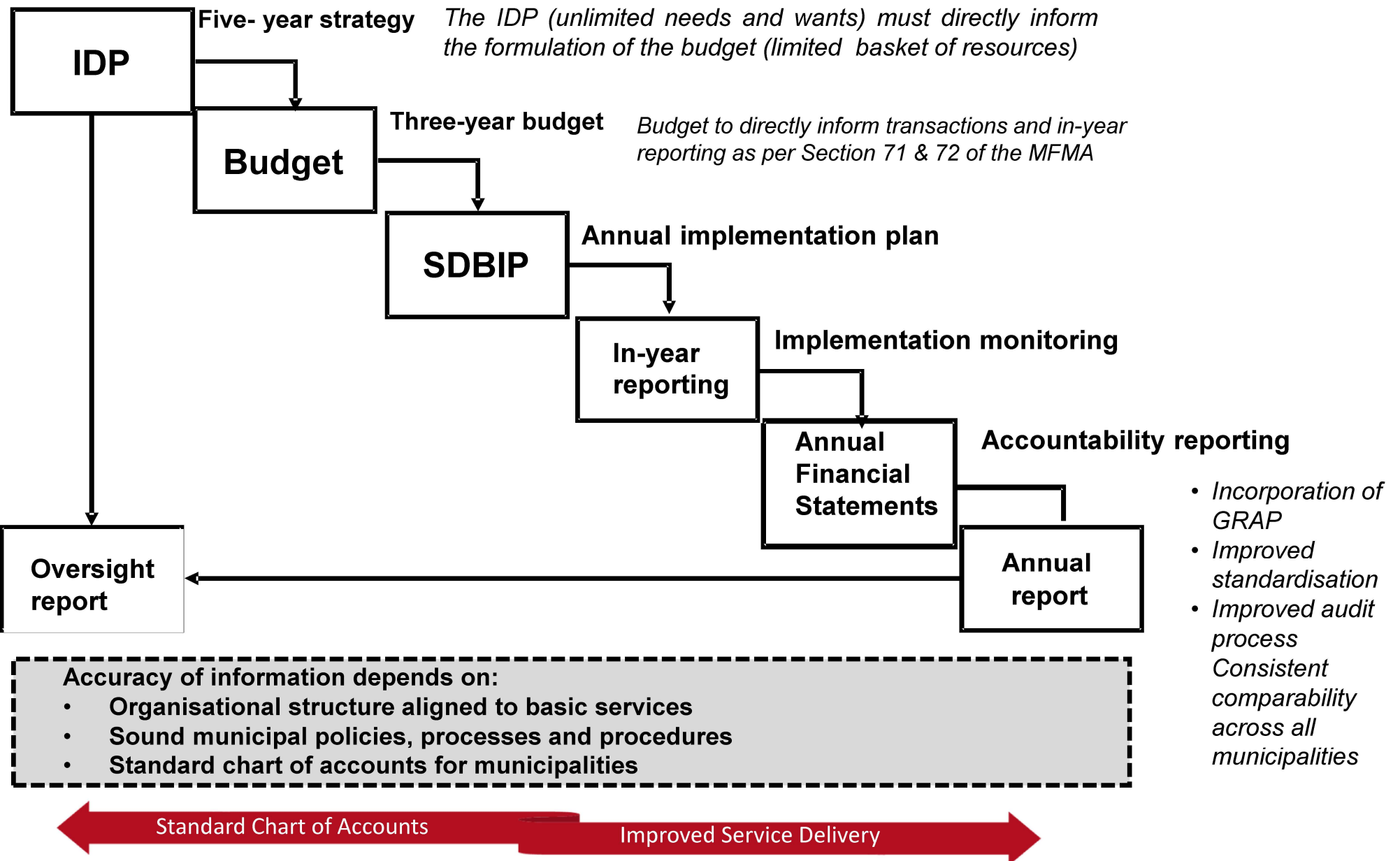
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Introduction

- The objective of these Regulations is to provide for a **national standard** for the **uniform recording and classification of municipal budget** and financial information at a transaction level by prescribing a **standard chart of accounts** for municipalities and municipal entities which-
 - a) are aligned to the **budget formats** and accounting standards prescribed for municipalities and municipal entities and with the standard charts of accounts for national and provincial government; and
 - b) enable **uniform** information sets recorded in terms of national norms and standards across the whole of government for the purposes of national policy coordination and reporting, benchmarking and performance measurement in the local government sphere
- The intention is that municipalities report on the same framework they have reported throughout the year via data string (**single source of reporting**) by using that uniform and standardized classification at least for the Statement of Financial Position, Performance, Changes in Net Assets, Cash Flow Statement and Comparison of Budget and Actuals to bring aligned between, IDP, Budgeting, In-Year Reporting and AFS.
- Present on the updates to the *mSCOA* Annual Financial Statements Specimen for 2025/26 that is based on the GRAP standards, Updates to GRAP, FAQ's issued by the ASB, Chart Changes and all relevant institutions including municipalities and experts in the fields are always considered in compiling the specimen and it is not meant to take away the municipality's responsibility as the preparer of the financial statements.
- The relevant and applicable Accounting Policies must be used and updated to align to the business of the municipalities and in line with the relevant standards
- The relevant and applicable Notes to the financial statements must be used and can be tailored to how the municipalities deem appropriated and in line with the relevant standards
- The *mSCOA* AFS Specimen is not prescriptive with regards to the all aspects and only requires alignment with the *mSCOA* chart and to align with GRAP and MBRR.

Local Government Accountability Cycle



***m*SCOA, GRAP and *m*SCOA AFS Specimen**

What is *m*SCOA?

- *m*SCOA prescribes:
 - uniform chart of accounts
 - standardised budgeting and reporting structures
 - consistent transacting across all municipalities
- *m*SCOA is mainly used for: budgeting, transaction processing, in-year reporting etc

What is GRAP?

- GRAP Prescribes:
 - Recognition - Determining when an item (asset, liability, revenue, or expense) should be included in the financial statements.
 - Measurement - Establishing the monetary value at which these items are recorded (e.g., historical cost vs. fair value).
 - Presentation & Disclosure - Guiding how information is structured in the statements and what additional context must be provided in the notes to the AFS.

***m*SCOA, GRAP and *m*SCOA AFS Specimen**

How they work together?

- **GRAP:** Determines how those transactions must ultimately be reported in the Annual Financial Statements.
- ***m*SCOA:** Captures and classifies transactions correctly in the municipality's financial system.
- The ***m*SCOA AFS Specimen**, is underpinned by *m*SCOA and based on the *m*SCOA Chart, brings standardization, transparency, and comparability to municipal financial reporting. Making it easier to monitor, evaluate, and improve the financial health and governance of all 257 municipalities. NT Updates this for municipalities.
- **GRAP:** Determines the accounting treatment:
 - whether it qualifies as property, plant and equipment
 - initial recognition at cost
 - depreciation over useful life
 - disclosure in the PPE note
- ***m*SCOA:** Determines how the purchase is recorded across the 6 segments.
- Item (Capital: PPE), Function (Waste Management), Fund (Capital Revenue), Project (Relevant Capital Project)
- Recognized as PPE at cost (GRAP 17), depreciated over useful life, and disclosed in the PPE Note. GRAP Reporting
- The *m*SCOA Chart is multidimensional and allow for various types of information to be drawn from system using various combinations of the chart.

***m*SCOA, GRAP and *m*SCOA AFS Specimen**

- **Example – Electricity revenue and consumer debtors**

Transaction

- The municipality bills electricity charges to consumers.
- **mSCOA alignment**
- The billing transaction is classified under: service charges electricity revenue
- item classification – Exchange Receivables - Electricity
- Function: electricity - Project Default

GRAP alignment

- GRAP determines:
- revenue recognition
- receivable recognition
- impairment through expected credit loss model

Relevant standards:

- **GRAP 9, GRAP 104**

AFS specimen alignment

- The amounts are reflected in:
- Service Charges Revenue on the statement of financial performance and notes
- receivables from exchange transactions on the statement of financial position and notes
- impairment allowance disclosures
- credit risk note if required

Alignment

- The mSCOA revenue and receivables classifications must reconcile to the AFS specimen note, while GRAP determines whether the accounting treatment is correct.

***m*SCOA, GRAP and *m*SCOA AFS Specimen**

Example – Grant funding for capital project

Transaction

- The municipality receives a grant for road construction.

mSCOA alignment

- The transaction is classified according to:
- funding source = Capital conditional grant: project = road construction
- item = capital expenditure / grant revenue / unspent liabilities: function = roads transport

GRAP alignment

- GRAP determines:
- when grant revenue is recognized, whether conditions have been met
- whether unspent conditional grants must be recognised as liabilities

Relevant standard:

- – Revenue from Non-Exchange Transactions GRAP 23

AFS specimen alignment

- The transaction may appear in:
- Statement of Financial Performance under transfers and subsidies
- Statement of Financial Position under unspent transfers and subsidies
- Grant disclosure note

Alignment result

- Correct funding classification in mSCOA supports the AFS specimen note, but GRAP determines whether the grant is revenue or a liability at year-end.

***m*SCOA, GRAP and *m*SCOA AFS Specimen**

Why Both Are Important for Municipalities

- **GRAP Ensures**

- ✓ Accurate recognition of assets and liabilities
- ✓ Correct measurement of transactions
- ✓ Complete disclosure notes
- ✓ Fair presentation of the AFS
- ✓ Compliance with accounting standards

- ***m*SCOA Ensures**

- ✓ Standardised budgeting
- ✓ Uniform transacting across all municipality
- ✓ Consistent reporting to National Treasury
- ✓ Reliable financial data
- ✓ Better financial management

- **Role of the AFS Compiler**

- ✓ An AFS compiler should ensure that:
 - Transactions are correctly accounted for in *m*SCOA.
 - The Trial Balance reconciles to the General Ledger.
 - Applicable GRAP Standards are correctly applied.
 - Accounting policies are up to date.
 - Disclosure notes comply with GRAP.
 - The AFS specimen is accurately completed
 - Supporting documentation is available for audit.

- ***Warning: mSCOA is structured but it cannot think.***

*m*SCOA, GRAP and *m*SCOA AFS Specimen

Area	GRAP	<i>m</i> SCOA
Full name	Standards of Generally Recognised Accounting Practice	Municipal Standard Chart of Accounts
Purpose	Accounting framework for financial reporting	Classification framework for budgeting and recording transactions
Focus	How transactions must be recognised, measured, presented and disclosed	How transactions must be classified in the financial system
Used for	Annual Financial Statements	Budgeting, transactional processing, in-year monitoring and reporting
Nature	Accounting standards	Chart of accounts and data structure
Audit relevance	Directly audited against GRAP compliance	Supports financial reporting and controls, but is not itself an accounting standard
Applies to	Public sector entities including municipalities	Municipalities and municipal entities within the <i>m</i> SCOA framework
Output	GRAP-compliant AFS	Standardised budget and transaction data

Benefits of *m*SCOA & *m*SCOA AFS Specimen

When *m*SCOA is fully and properly implemented, the following benefits will be achieved:

- Accurate recording of transactions, therefore reducing material misstatements – more accurate and timely financial management impact positively on audit opinions and management decision making.
- Standardised data enable better policy decisions, higher levels of cooperative government and pro-active and preventative support because of the availability of credible, reliable and timely municipal information.
- Alignment in the LG accountability cycle (one version of the truth).

Benefits of *m*SCOA & *m*SCOA AFS Specimen

The benefits of the *m*SCOA Specimen Annual Financial Statements are as follows:

- The specimen uses the same account GUID's, definitions, and hierarchies as the *m*SCOA Chart, ensuring that the financial statements are a true reflection of the municipality's financial position and performance as per *m*SCOA. Financial data from different municipalities can be compared directly, supporting benchmarking, oversight, and policy-making.
- Strengthen the compliance with GRAP and incorporate *m*SCOA requirements, automate the preparation of the annual financial statements with notes when a municipality has implemented all module within the financial system
- It provides monthly/quarterly Financial Statements when a module to compile financial statements has been implemented by the municipality that reconcile with the framework of the Specimen Financial Statements;
- Improves the percentage of timeous submissions of Financial Statements to the Auditor-General;
- It contributes towards greater transparency for both reporting and comparative analysis purposes;
- Consistency with the Municipal Budget and Reporting Regulation.
- Improves the quality of Financial Statements as this is also updated annually with all relevant updates per the *m*SCOA Chart, GRAP Standards etc.

MFMA Reporting Requirements

MFMA Requirements for preparation of the annual financial statements

- Section 122(1) of the MFMA requires that “Every municipality and every municipal entity must for each financial year prepare annual financial statements which –
 - a) Fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year; and
 - b) Disclose the information required in terms of sections 123, 124 and 125”.

Accounting Policies & Notes to the Financial Statements

Accounting Policies

- **What are accounting policies? Example Page 55**

- A set of specific principles, bases, conventions, rules, and practices applied by a municipality in preparing and presenting its Annual Financial Statements (AFS). These policies serve as the "rulebook" for how the municipality records financial transactions, ensuring that the financial information is relevant, reliable, and comparable across different reporting periods

- **What is included in accounting policies**

- Accounting policies dictate the "lifecycle" of financial data within the municipality's books:
- **Recognition:** Determining when an item (asset, liability, revenue, or expense) should be included in the financial statements.
- **Measurement:** Establishing the monetary value at which these items are recorded (e.g., historical cost vs. fair value).
- **Presentation and Disclosure:** Guiding how information is structured in the statements and what additional context must be provided in the notes to the AFS.
- Judgements made by management in applying the Standards of GRAP, includes decisions on whether certain transactions or events meet the definitions set out in the Standards.
- Key decisions made by management in applying the Standards, such as the recognition of items and the determination of the unit of account
- Information regarding material transactions and events and the entity's decision on the accounting treatment of these transactions and events.

Accounting Policies & Notes to the Financial Statements

Accounting Policies

- **Policy Detail:** The municipality may state that PPE is initially recognized at cost. Subsequently, it is carried at cost less accumulated depreciation and any accumulated impairment losses.
- **Depreciation:** The policy will specify the "useful life" of assets (e.g., 30 years for a building, 10 years for a vehicle).
- Key standards governing accounting policies include:
- **GRAP 3 (Accounting Policies, Changes in Accounting Estimates and Errors):** This is the primary standard that prescribes the criteria for selecting and changing accounting policies, along with the accounting treatment and disclosure of changes.
- **GRAP 1 (Presentation of Financial Statements):** Sets out the overall requirements for the presentation of financial statements, including the requirement to disclose significant accounting policies in the notes.
- **Standard-Specific GRAP:** Individual standards (like **GRAP 17** for Property, Plant, and Equipment or **GRAP 9** for Revenue) provide the technical requirements that a municipality must adopt as its specific policy for those items

Accounting Policies & Notes to the Financial Statements

Notes to the Annual Financial Statements

• What are notes to the financial statements? Example Note 84

- A disclosure note is additional information included in the notes to the Annual Financial Statements (AFS) that explains, supports and provides more detail about the figures presented in the primary financial statements.
- Disclosure notes help users of the financial statements understand:
 - How amounts were calculated.
 - The accounting policies applied.
 - Significant judgements and estimates made by management.
 - Risks and uncertainties affecting the municipality.
 - Additional information that is not presented on the face of the financial statements but is necessary for a fair presentation.
- Disclosure notes generally include:
 - Description of the item reported
 - Accounting policy applied
 - Breakdown (reconciliation) of balances
 - Movements during the year
 - Significant assumptions and estimates
 - Risks associated with the item
 - Additional information required by the applicable GRAP Standard

Preparation process in readiness for the implementation of the NT AFS Specimen - Requirements

- In readiness for this, municipalities are encouraged to undertake a comprehensive review of the transactions of municipalities, to ensure that transactions from sub-modules are posting correctly into the general ledger.
- Where it has been identified that transactions are being posted incorrectly from a sub-module level, this must be corrected on the sub-module level, to ensure that this does not repeat in the future.
- All accounts must be reconciled, and legacy balances must be addressed and cleared accordingly.
- Journals will need to be processed directly into the municipal system to correct any incorrect postings prior to this being populated onto the AFS specimen.
- Municipalities should ensure that the pre-audited and audited AFS reconcile to the pre-audited (PAUD, CRPA and DBPA), audited (AUDA, CRAU, DBAU) and restated (RAUD) data strings submitted to the GoMuni Upload portal as this is part of compliance requirements and will be assessed against the annual financial statements.
- When logging FAQ's – Use the recommended template attached to the presentation.
- **Strongly advise parallel preparation for first year implementation.**

Municipal misunderstanding

- A common misunderstanding is to think that because a transaction is correctly posted in the *mSCOA* system, it is automatically GRAP compliant.

This is not correct

- Correct *mSCOA* classification does **not automatically mean** :
 - correct GRAP recognition
 - correct measurement
 - correct year-end journals
 - correct disclosure
 - correct impairment assessment
 - correct note disclosure
- Municipalities still need GRAP-based year-end assessments and AFS preparation.

Use of the *m*SCOA AFS Specimen

Municipality	Demarcation	Use of AFS Specimen	Audit Opinion
Drakenstein Municipality	WC23	Yes, Partial	Clean
Garden Route District Municipality	DC4	Yes	Clean
Knysna Municipality	WC48	Yes	Unqualified
Mossel Bay Municipality	WC43	Yes	Clean
Oudtshoorn Municipality	WC45	Yes	Unqualified
Overstrand Municipality	WC32	Yes	Clean
Saldanha Bay Municipality	WC14	Yes	Clean
Stellenbosch Municipality	WC24	Yes	Clean
Swartland Municipality	WC15	Yes	Clean
Witzenberg Municipality	WC22	Yes	Clean
Polokwane Local Municipality	LIM354	Yes	Unqualified

Conclusion

- The AFS Specimen provides a clear, standardized template for all municipalities. This reduces the risk of missing required disclosures, misclassifying transactions, or presenting information in a non-compliant way—all common reasons for adverse or disclaimer opinions.
- The AFS Specimen is built on the *mSCOA* Chart, it draws directly from the municipality's transactional data. This means that all financial activities are captured and reported, reducing gaps, inconsistencies, and unexplained balances that often lead to negative audit findings.
- The specimen enables automated extraction of financial data from *mSCOA*-compliant systems. This automation speeds up the AFS preparation process, reduces manual errors, and helps municipalities meet submission deadlines.
- With regular reconciliations and validation checks built into the *mSCOA* and AFS Specimen process, municipalities can identify and address issues (such as unallocated transactions or misstatements) early—before the audit or submission deadline.
- The use of a standardized specimen, supported by National Treasury guidance and training, helps build capacity in municipalities. This improves institutional knowledge, and leads to better quality AFS.
- Once all municipalities use the same format, it's easier for oversight bodies to benchmark performance, identify outliers, and provide targeted support to struggling municipalities.
- Various municipalities have implemented the *mSCOA* Specimen Annual Financial Statements in line with the above and received unqualified audit reports. Discussions will be held with the Auditor General to provide reliance on the use of the *mSCOA* Specimen Annual Financial Statements.

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>



Updates to the AFS Specimen for 2025/26

Summary of GRAP 104

Objective

Establishes requirements for recognising, measuring, presenting and disclosing financial instruments in financial statements

Why the update?

The revised GRAP 104 aligns more closely with modern international financial reporting principles and introduces

Key Changes

- Impairment of receivables (Expected Credit Loss model)
- Introduces a **forward-looking impairment approach**: Recognises expected losses before default occurs
- Classification and measurement of financial instruments

mSCOA AFS Specimen Updates

- Add new accounting policy for "Financial instruments - GRAP 104 Revised"
 - Significant judgements and estimates
 - Update "Key judgements and sources of estimation uncertainty"
- Updated the "Trade and other receivables from exchange transactions and non-exchange" note
- Updated the Change in Accounting Policy Note
- Combine the Notes for Financial instrument and risk management

Updates to the AFS Specimen for 2025/26 (Cont.)

GRAP 104 Impact on the mSCOA Chart

- Irrecoverable debt written off can now be processed against the impairment allowance (asset leg) and not the expenditure Irrecoverable debt write off lines, however there are no Irrecoverable debt written off items under the impairment allowance.
 - ✓ In the interim municipalities can use the reversal items for impairment under the asset leg. Municipalities can then rename these as irrecoverable debt write off item for disclosure in the notes to the AFS.
- The chart currently do not have change in accounting policy line items on Output Tax Accrual: Impairment and Impairment Allowance accounts for Receivables
 - ✓ therefore these transactions has to be posted against opening balance item in the current year.
- Impairment can also be processed on the Cash & Cash Equivalents and investment accounts as well as concessionary loans, and there is no breakdown on the chart that permits this currently.
 - ✓ Other lines must therefore be used to distinguish between the gross balance and impairment.

If any other chart related short coming is identified an FAQ must be logged by the municipalities for implementation with V7.2. Municipalities must implement work arounds for the time being to ensure compliance with GRAP as the chart is only amended on an annual bases.

Updates to the AFS Specimen for 2025/26 (Cont.)

General Information

- No updates

Accounting Officers responsibilities and approval

- No updates

Accounting Officers Report

- No updates

Updates to the AFS Specimen for 2025/26 (Cont.)

Statement of Financial Position

- Short-Term Investments – **Added** the IA Item to the Face of the SOP and included a new Note (Note 4). New Item to be created on the Chart on the same level as Cash and Cash Equivalents.
- Non-Current Assets – Deposits (Note 13.2) – **Added** this IA Item to the face of the SOP. This was already approved by the technical committee with V6.9, however only included in V7.1
- Employee Benefit (Note 36) now reflect on the face of the SOP.

Updates to the AFS Specimen for 2024/25 (Cont.)

Statement of Financial Performance

- Added the following to the face of the Statement of financial Performance and have separate disclosure notes.
 - Construction Contract Revenue (Note 49)
 - Development Charges (Note 50)
- Added Interest Earned on Shared Services Receivables in line with chart changes (Note 42.1)
- Gains/Losses were updated to reflect Gains/Losses on Disposal of Fixed and Intangible Assets respectively (Note 56.1 & 56. 2).

Updates to the AFS Specimen for 2024/25 (Cont.)

Statement of Changes in Net Assets

- The following lines were included:

Balance as at 30 June 2025 as restated

Change of accounting policies-GRAP 104

Balance as at 01 July 2025 as restated

Cash Flow Statement

CASH FLOW FROM INVESTING ACTIVITIES – Receipts

- The following items were added:
 - Insurance Refund Capital
 - Interest on Short Term Investment (Greater than 90 days) and Long-Term Investments

CASH FLOW FROM INVESTING ACTIVITIES – Payments

- The following items were added:
 - Retention (Capital)

Segment Reporting

- No update

Updates to the AFS Specimen for 2025/26 (Cont.)

Comparison of Budget and Actual Amounts

- The relevant line updated were done as per the Statement of Financial Position, Performance and Cash Flow Statement.

Updates to the AFS Specimen for 2025/26 (Cont.)

Notes to the Annual Financial Statements

Accounting Policies

- Add new accounting policy for "Financial instruments - GRAP 104 Revised"
 - Significant judgements and estimates
 - Update "Key judgements and sources of estimation uncertainty"

New standards and interpretations

- **No update**
- Added within Note 3 for Cash and Cash Equivalents an impairment reconciliation
- Added Note 4 for Short-Term Investments
- Note 5 - Included the Input VAT Accrual within Trade and Other Receivables from Exchange Transactions
- Note 5 – Included an Impairment Reconciliation for Trade and Other Receivables from Exchange and Non-Exchange Transactions
- Note 5 - Financial Assets, Gross carry amount & Loss Allowance Reconciliation
- Added Note 7 for Statutory Receivables
- Note 14 – Included and Impairment Reconciliation of Non-Current Trade and Other Receivables from Exchange Transactions
- Note 30 – Trade and Other Payables from Exchange Transactions - Included a Financial liability reconciliation

Updates to the AFS Specimen for 2025/26 (Cont.)

Notes to the Annual Financial Statements

- Note 31 - Trade and Other Payables from Non-Exchange Transactions - Included a Financial liability reconciliation
- Added Note 32 for Statutory Payables
- Added Note 36 for Employee Benefits
- Note 84 – Change in Accounting Policies – Updated the GRAP 104 Financial Instruments (Revised 2019)
- Combined Note 92 & 93 for Financial Instruments Risk Management

Recommended FAQ Template

Comments based on Accounting Standards and Legislation for *m*SCOA AFS Specimen

Nr	Affected Area	Comments	Recommendations
1	Note 2.1 Standards and Interpretations issued, but not yet effective	In terms of GRAP 3, the following disclosures are required for Standards of GRAP that are not yet effective: GRAP 3.32 When an entity has not applied a new Standard of GRAP that has been issued but is not yet effective, the entity shall disclose: (a) this fact; and (b) known or reasonably estimable information relevant to assessing the possible impact that application of the new Standard will have on the entity's financial statements in the period of initial application.	National Treasury should consider updating the specimen to require the disclosure of the nature of the impending change or change in accounting policy and the date by which the entity plans to initially apply the standard or interpretation.

NB: Comment must include the relevant GRAP Standard or relevant legislation reference applicable, no input will be accepted without that.

Preparation process in readiness for the implementation of the NT AFS Specimen

Start with a Strong Foundation: Understand *m*SCOA Deeply

- **Revisit *m*SCOA Fundamentals:** Before diving into the AFS Specimen, ensure your team has a solid grasp of the *m*SCOA Chart of Accounts, its segments (Function, Item, Funding, Region, Project, Municipal Standard Classification), and how transactions are classified. The AFS Specimen is a direct output of *m*SCOA data. **MONTHLY *m*SCOA MASTERCLASSES**
- **Data Quality is King:** Emphasize the importance of accurate and consistent data capturing at the transactional level. Garbage in, garbage out applies here. If your daily transactions aren't correctly linked to *m*SCOA, your AFS will reflect those errors.

Phased Approach & Pilot Projects

- **Don't Rush:** Avoid trying to implement everything at once. Consider a phased approach, perhaps starting with a specific section of the AFS or a smaller, less complex municipality if you're part of a larger group.
- **Pilot Run:** If feasible, conduct a "dry run" or pilot compilation using historical data before the actual reporting period. This helps identify issues early without the pressure of a deadline.

Invest in Training and Capacity Building

- **Comprehensive Training:** Provide thorough training for all relevant staff – from those capturing daily transactions to those responsible for AFS compilation and review. Focus not just on *how* to use the system, but *why* certain classifications are made. **MONTHLY *m*SCOA MASTERCLASSES**
- **Cross-Functional Teams:** Encourage collaboration between finance, supply chain, asset management and other departments. Financial reporting is a team effort, and understanding each other's roles in data generation is key.

Preparation process in readiness for the implementation of the NT AFS Specimen

Use of Technology and Automation

- **System Capabilities:** Understand your financial system's capabilities regarding *mSCOA* and AFS generation. Does it have built-in reports that align with the specimen? Can it automate data extraction?
- **Minimize Manual Intervention:** The goal is to reduce manual adjustments and reconciliations. If you find yourself doing a lot of manual work, it often points to an issue in your *mSCOA* linkages or business processes.

Reconciliation and Validation

- **Regular Reconciliations:** Implement daily/weekly/monthly reconciliations between your general ledger and subsidiary ledgers, and ensure these align with *mSCOA* classifications.
- **Validation Checks:** Develop internal validation checks to ensure data integrity before AFS compilation. This could involve checking for unallocated transactions, incorrect segment combinations, or unusual balances.
- **Trial Balance/Data Strings to AFS Alignment:** Pay close attention to how your *mSCOA*-compliant trial balance links to the AFS Specimen line items. This is where many errors can occur if the linkages isn't precise.

Preparation process in readiness for the implementation of the NT AFS Specimen

Engage Stakeholders and Request Support

- **National Treasury Guidance:** Regularly consult National Treasury's *mSCOA* and AFS Specimen guidelines, circulars, and FAQs. They are the primary source of truth.
- **Municipal to Municipal Support:** Connect with other municipalities that have already implemented the AFS Specimen. Learn from their experiences, challenges, and successes.
- **AGSA Engagement:** Engage with your auditors early in the process. Their insights can be invaluable in identifying potential issues and ensuring your approach meets audit requirements.

Change Management and Communication

- **Communicate Benefits:** Clearly articulate the benefits of the AFS Specimen to all staff. Understanding the "why" can help overcome resistance to change.
- **Address Concerns:** Be prepared to address staff concerns and provide ongoing support. Change can be challenging, and a supportive environment is crucial.

Post-Implementation Review

- **Lessons Learned:** After your first AFS compilation using the AFS specimen, conduct a thorough review. What went well? What were the biggest challenges? What can be improved for the next cycle?
- **By focusing on these areas, first-time implementers can navigate the process more effectively, leading to more accurate, compliant, and comparable financial statements.**