

Minimum Business Processes and System Requirements...mSCOA *compliance*

Updated Circular to MFMA Circular No. 57

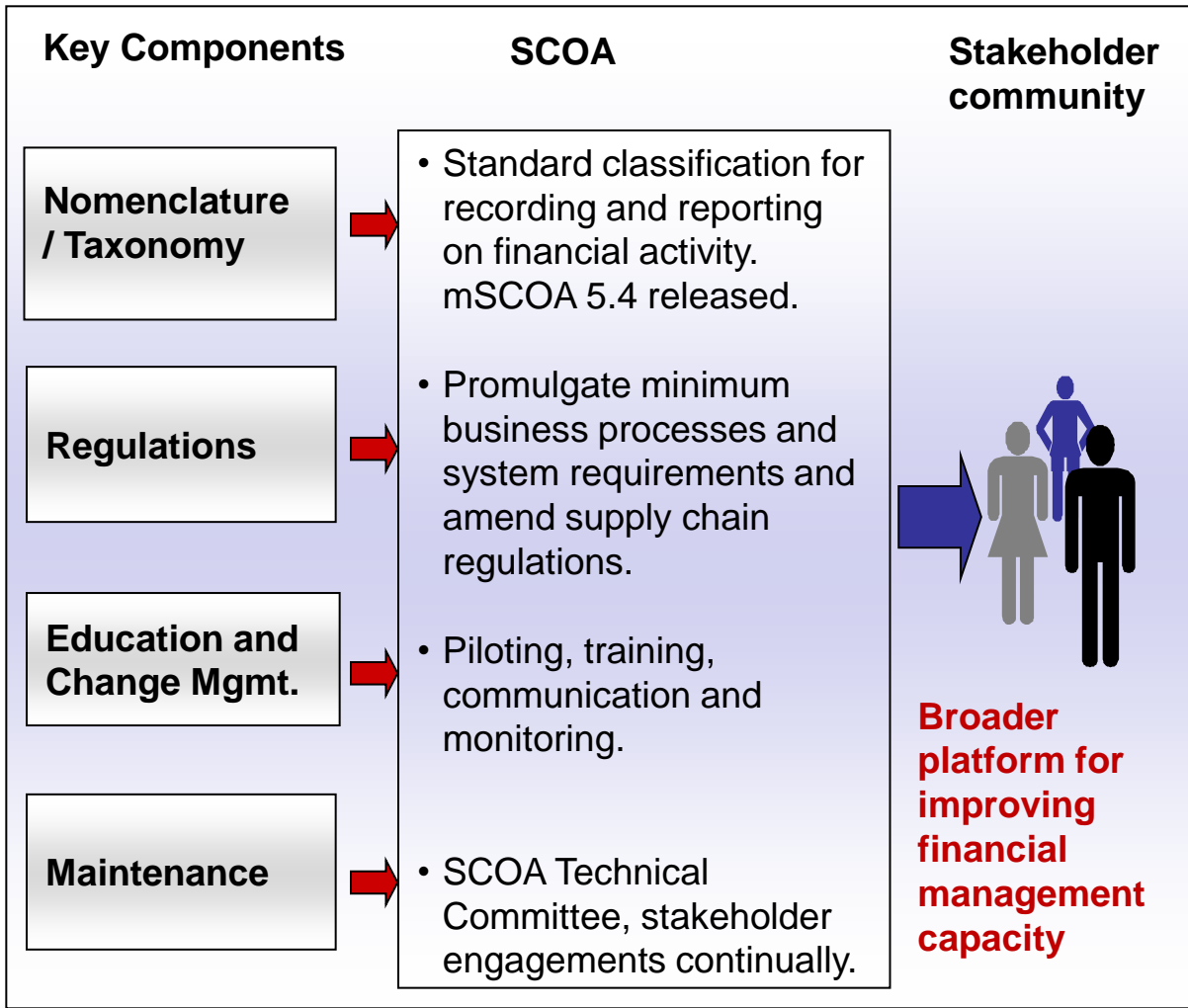
Presented by National Treasury – 1 December 2015



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Broad Overview – General Principles

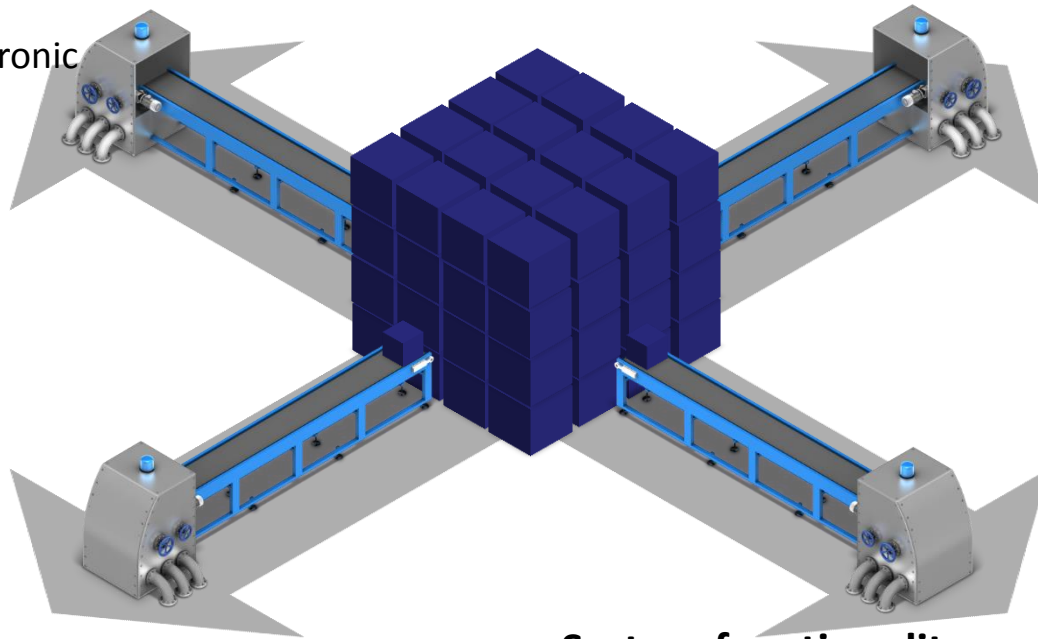


- **More effective and efficient resource management in local government**
- **Improved data comparability between municipalities**
- **Greater consistency in approach to financial management**
- **Greater mobility of financial practitioners in Local Government**

Achievements and continuous monitoring

Segmented transactions and data submissions

Focus factual transactional functionality of systems and the required segmented data extraction ability.
Monitor and finalize electronic submission protocols including consequences for failure to submit.



Classification framework finalization

Release mSCOA version 5.4
Monitor and lock down by 1st quarter

Legal Framework

Regulation 37577 that supports and give effect to the Constitution , MFMA and System acts.

System functionality and business processes

Subject matter of the presentation and discussion at ICF 7 on 1 December 2017. Follow-up Circular to MFMA Circular 57 to be issued in January 2017

Accountability for mSCOA

- The municipality and municipal entity remains ultimately responsible and accountable to implement mSCOA across its business and system(s).
- The ordinary regulatory oversight bodies (e.g. the Auditor General, National Treasury, SARS, DWA, NERSA, LG Database, etc.) will review the municipality's and municipal entity's embrace of mSCOA as part of their normal oversight and monitoring activities.
- **Importantly National Treasury considers technical mSCOA compliancy through the submission of budgeting and transactional data to the LG Data Portal across all seven segments for all reporting periods.**

The National Treasury Position on System(s) Certification (1)

- The National Treasury cannot and will not certify any product or service offering as “*mSCOA compliant*”.
- mSCOA Project Phase 4 provided the basis for guiding not only pilot municipalities but also system service providers – **what is mSCOA and how it impacts on the business process environment.**
- There are many dependencies as it relates to the successful implementation of the classification framework as represented by mSCOA, including, among others:
 - System functionality in support of a multi-dimensional chart (seven segments) and other Regulatory requirements i.e data extraction in the prescribed format;
 - Implementation methodology of the municipality and service provider i.e. while the system functionality might support the mSCOA requirements the implementation methodology might be flawed;
 - Relationship disjuncture (change management and communication – common vision and approach).

The National Treasury Position on System(s) Certification (2)

- In illustrating, technically a product or service offering can be fully 'mSCOA compliant' when implemented at municipality A, whereas at municipality B the same product or service offering is not mSCOA compliant due to gaps in the municipality's/ officials embrace of core mSCOA principles i.e. ***mSCOA across budgeting and transacting.***
- Furthermore, some products or service offerings do not include the minimum system specifications or business processes based on the observations of the mSCOA Project Team. i.e. Budgeting and data extraction methodologies
- There are also instances where municipalities are not making use of the system functionality adding to challenges i.e. reporting functionality..
- In this context, the National Treasury confirms that only ***a municipality's implementation of a product/ service offering can be certified as mSCOA compliant.***
- ***System service providers must ensure that the minimum business and system requirements are embedded in the functionality of the system and are implemented at municipalities!***

Minimum Compliancy to mSCOA... Business Processes and System Requirements



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Minimum compliance to Regulation. No 37577 (1)

“The object 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..”



Hardware, and related Infrastructure

Must have access to hardware that need to be sufficient to run the software application in support of mSCOA Segments

Financial and Business Applications or Systems must:

- 1) Provide for hosting GL structure across 7 segments!
- 2) Be able to accommodate and transact across 7 segments!
- 3) Portal / Report extraction based on budget and transactional data across the 7 segments!

At a Minimum must:

- 1) At a transactional level accurately record against segments.
- 2) Must contain the segments as per schedule.
- 3) May not map, extrapolate or otherwise not reflect the actual transactional string.

Minimum compliance to Regulation. No 37577 (2)

Financial system(s) and associated system applications i.e. HRM, Assets, Billing, SCM etc. must be able to: *“provide for the uniform recording and classification of **municipal budget and financial information at a transaction level** in the prescribed municipal standard chart of accounts, for both municipalities and municipal entities.”* **This required the following:**

Financial and Business Applications or Systems (as a minimum) must include the explicit requirements of the mSCOA Regulations and must therefore:

- a) Provide for hosting the mSCOA structure as represented by the 7 Segments and associated detail;
- b) Be able to accommodate and operate the classification segments across all six (6) of the mandatory segments at a transactional level;
- c) Extract and load the segmented transactional string directly to the National Treasury local government Database (LG Database);
- d) Reflect all six (6) the mandatory mSCOA segments at a transactional level, without any mapping or extrapolation or any other manual intervention; and
- e) Have access to hardware that is sufficient to run the required software solution.

Minimum compliance: Financial and business applications (systems) (1)

National Treasury confirms that any local government system of financial management and internal control (system solution(s)) must provide for minimum functionality that incorporate the full local government accountability cycle. This means any mSCOA aligned system(s) solution will need to include following core business processes and activities:

- A **budget module** that gives effect to MFMA section 21 by utilising the **Project segment** of the mSCOA chart as the basis for and alignment with the municipality's Integrated Development Plan (IDP) for both operating and capital;
- A **budget module** that is supported by and informed from the sub-ledgers and/ or sub-systems i.e. HR and Payroll, Revenue, Assets etc.;
- A **general ledger system** containing transactions from sub-ledgers and/ or sub-systems consolidated at the posting level of the mandatory 6 (six) regulated mSCOA segments.
- Where a municipality also use the 'municipal standard classification'-segment (in other words it transacts across seven (7) segments, consolidated at the posting level of the seven (7) segments);
- A **supply chain management module** that gives effect to chapter 11 of the MFMA;

Minimum compliance: Financial and business applications (systems) (2)

- A **revenue management module** that gives effect to MFMA section 64 and incorporates;
 - A **valuations system** to give effect to the Municipal Property Rates Act, 2004 that seamlessly integrates with the revenue management module; and
 - A **credit control and debt collection system** that integrates to the revenue management system and gives effect to Chapter 9 of the Municipal Systems Act, 2000.
- An **asset and liabilities module** that gives effect to MFMA section 63;
- A **performance management system** that gives effect to chapter 6 of the Municipal System Act, 2000 that includes:
 - Electronic solutions for maintenance of Policies, Delegations and Bylaws;
- **Contract management**, including:
 - Performance contracts for senior management and all levels of municipal officials; and
 - Seamless reporting against the service delivery-and budget implementation plan (SDBIP) inclusive of financial performance indicators;
 - A municipal website as envisaged in MFMA section 75 (Information to be placed on websites of municipalities);
- Business intelligence reporting solutions that as a minimum assist the municipal manager to implement, monitor and obey MFMA section 70 (Impending shortfalls, overspending and overdrafts).

Minimum compliance: Financial and business applications (systems) (3)

Financial and Business Applications or Systems (as a minimum) must include the following integration functionality:

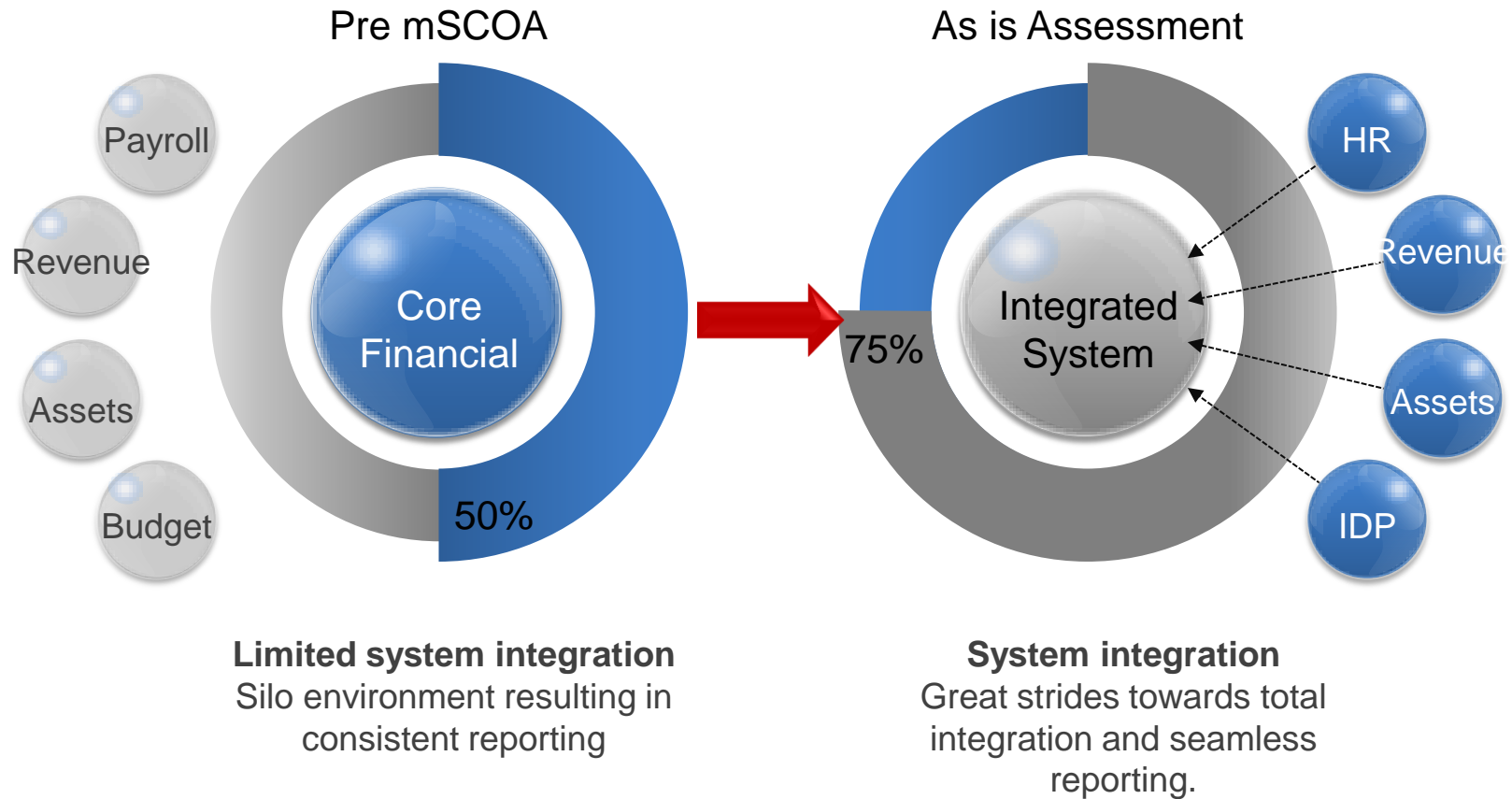
- All systems must (at a database level) enable integration of sub ledgers into the general ledger;
- Every sub ledger should routinely send its transactions (the transaction string across all the mSCOA segments) to the general ledger;
- The general ledger must be able to routinely receive and post the transaction string from the sub ledgers – no manual intervention;
- For purposes of internal and external audit, an archive list(s) of these files must be available in PDF format;
- The mSCOA combination string for transactions will have to include the approved budget and/ or any approved adjustments budget;
- Audit trail between ledger and sub-ledgers including lookups and drill down querying; and
- All non-financial systems are required to obtain information of a financial nature directly from the core financial system (*no manual intervention*).

Minimum compliance: Financial and business applications (systems) (4)

Monthly period closure and certification within the statutory reporting dates and require the following:

- Balancing of the sub-system with control accounts must be a condition of any period closure;
- Year-end closures period 12 as at 30 June (of the current year) result in a transactional transfer of opening balance to period one in the following year;
- Finalisation and submission of annual financial statements (AFS) period 13 results in opening balance transactional transfer of only the transactions of period 13;
- Audit periods with allowed audit approved journals occur in period 14 and result in opening balance transactional transfer of only the transactions of period 14;
- Accommodate a period 15 for prior period errors (GRAP 3);
- Period closing, finalisation and audit period corrections are opening balance transactions in the current open period as well as normal transactions in the audit periods; and
- Forced period closure and associated validation (no previous period posting once period is closed)

mSCOA objectives, business process and system requirements – Evolutionary process



Follow-up to MFMA Circular No. 57



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Circular 57

- The revision Circular that replaces MFMA Circular 57 will be in effect from 1 February 2016 (envisaged latest date) and does not apply retrospectively. Note:
 - any system change effected between 20 September 2011 and 1 February 2016, without following the guidance of the National Treasury could constitute fruitless and wasteful expenditure;
 - the municipality and municipal entity is obliged to investigate any such system procurements/ changes; and
 - follow due governance in dealing with and reporting such, including appropriate disciplinary measures and recovering the costs of such system changes/ procurement from the person(s)/ official(s) responsible, if applicable.
- The National Treasury will not entertain any condonation of such fruitless and wasteful or other expenditure in the context of the clear guidance provided by MFMA Circular 57.
- Circumvention of Circular No. 57 has been observed by NT and included:
 - Section 32 (Organ of state); and
 - Section 36 (Urgent, Impractical and or **sole provider**)



Evaluation of financial and related system(s)

The municipality and municipal entity must evaluate its existing Financial and related system(s) utilising:

- The Financial and related system assessment tool included in Municipal SCOA Circular 2 (Annexure C); and
- The minimum Financial and related system requirements, that would be included in the revised circular as discussed in the earlier slides and Annexure A.

***Only after completing this critical evaluations* of the existing Financial and related system(s)' should the municipality :**

Request the Financial and related system vendor or vendors combination to indicate, in writing, their product or service offering's level of compliance with the minimum specifications as set out in the revised circular, including as a minimum:

- a. The vendor or vendors in combination should indicate what remedial actions (if any) would be required or what existing system functionality should be unlocked to fully comply with the minimum specifications; and
- b. The time and cost implications of the actions needed, taking into consideration the outer mSCOA implementation date of 1 July 2017.

Renewal, Additions or Replacement of financial and business system(s) – Scenarios

- Subsequent to undertaking the evaluation of the municipalities current financial and business system(s) as it relates to the minimum mSCOA compliance criteria, there potentially exists the following scenarios:
 - a) The current financial and business system has been assessed by the municipality and found to meet the minimum criteria. In this instance the municipality may decide to proceed with the current service offering and incorporate project objectives for the migration to mSCOA as part and parcel of project implementation.
 - b) The current financial and business system has been assessed but remedial measures are required on the part of the service provider; this may also include upgrading to latest version of the financial and business system service offering. In this instance municipalities would need to enter into agreements (MOU/SLA) which places compliancy risk on the service provider.
 - c) The financial and business system is assessed as being totally deficient in ensuring mSCOA compliancy. This would require the municipality to requests RFPs' as part of a SCM process.

Renewal, Additions or Replacement of financial system(s) – SCM Processes (1)

- Municipalities need to take note that the prescriptions of the MFMA and SCM Regulations remain applicable to these contracting and procurement processes; **No exemptions**
- Municipalities are reminded of section 5(2)(d) of the MFMA and are required to inform the National Treasury and provincial treasury of any intention to change financial and business systems in writing prior to issuing any award.
- In deciding on a course of action, municipalities are strongly advised to ensure the following is also considered as part of the criteria, namely:
 - Affordability;
 - Value for money;
 - Purpose fit solution when considering unique municipal requirements; and
 - Proven track record and business continuity.

Renewal, Additions or Replacement of financial system(s) – SCM Processes (2)

- Any municipality that intends issuing a RFP must ensure that a proof concept is included into the evaluation criteria. This demonstration must include as a minimum:
 - Budgeting across the segments from an IDP perspective incorporating operational and capital budget;
 - Transacting across the segments directly aligned to the budget above;
 - Integration to and from sub-ledgers (if applicable);
 - Reporting and data extraction as per the mSCOA requirements;
 - Ability to produce AFS, Annual Reports and IYR section 71 and 72 statutory reporting in terms of the MBBR; and
 - Performance and work-flow monitoring and management.

Minimum Contract Requirements (2)

Any Financial and related system(s) contract must require that the system(s) is / are annually reviewed to ensure that:

1. mSCOA compliance is maintained with any future mSCOA version update issued by the National Treasury; and
2. The system is continuously maintained with changes in the municipality/ municipal entity's underlying business processes (aligned with the minimum requirements set-out in the circular).

NB! No system can be procured or renewed by utilising section 32 of the supply chain regulations!

Recommendation

It is recommended to the mSCOA ICF :

- 1) **note that** - circular 57's replacement is imminent;
- 2) **note** - the minimum business processes and system requirements;
- 3) **note that** - the high level minimum business process and system requirements may in future be promulgated;
- 4) **note** - National Treasury will continue to assist all piloting and non-delegated municipalities to evaluate and finalise contracts as highlighted;
- 5) **note** – municipalities and municipal entities are ultimately accountable for mSCOA implementation;
- 6) **note** – the Municipal Supply Chain Management Regulations will be enforced and **no exemptions** will be considered; and
- 7) **note** – SCM Regulation 32 (Contracts through another organ of state) must not be used to procure financial or related business applications.

Annexure A:

Unpacking the blue print as it relates to minimum mSCOA compliancy...*Business Processes and System Requirements*



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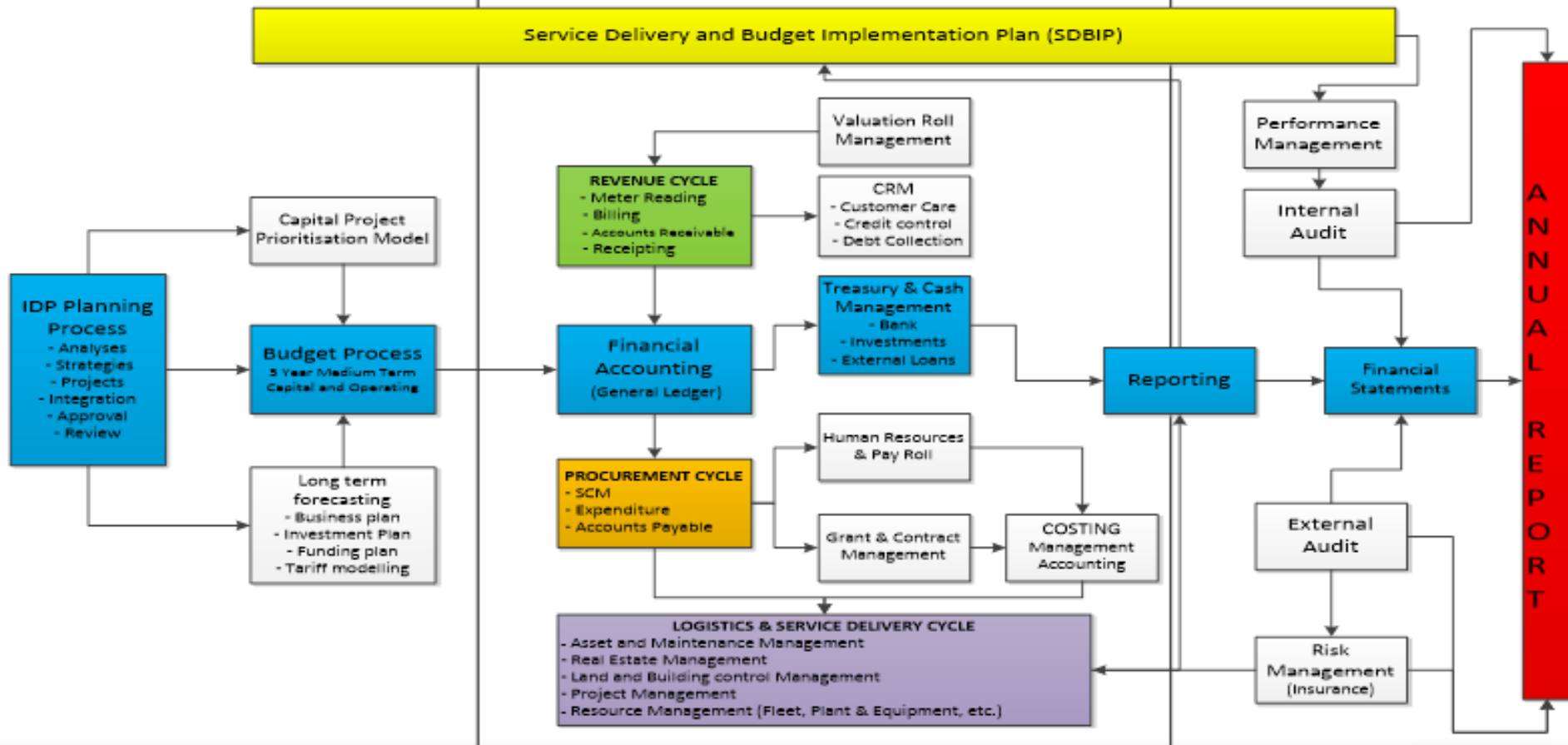
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INTEGRATED HIGH LEVEL MUNICIPAL BUSINESS PROCESSES

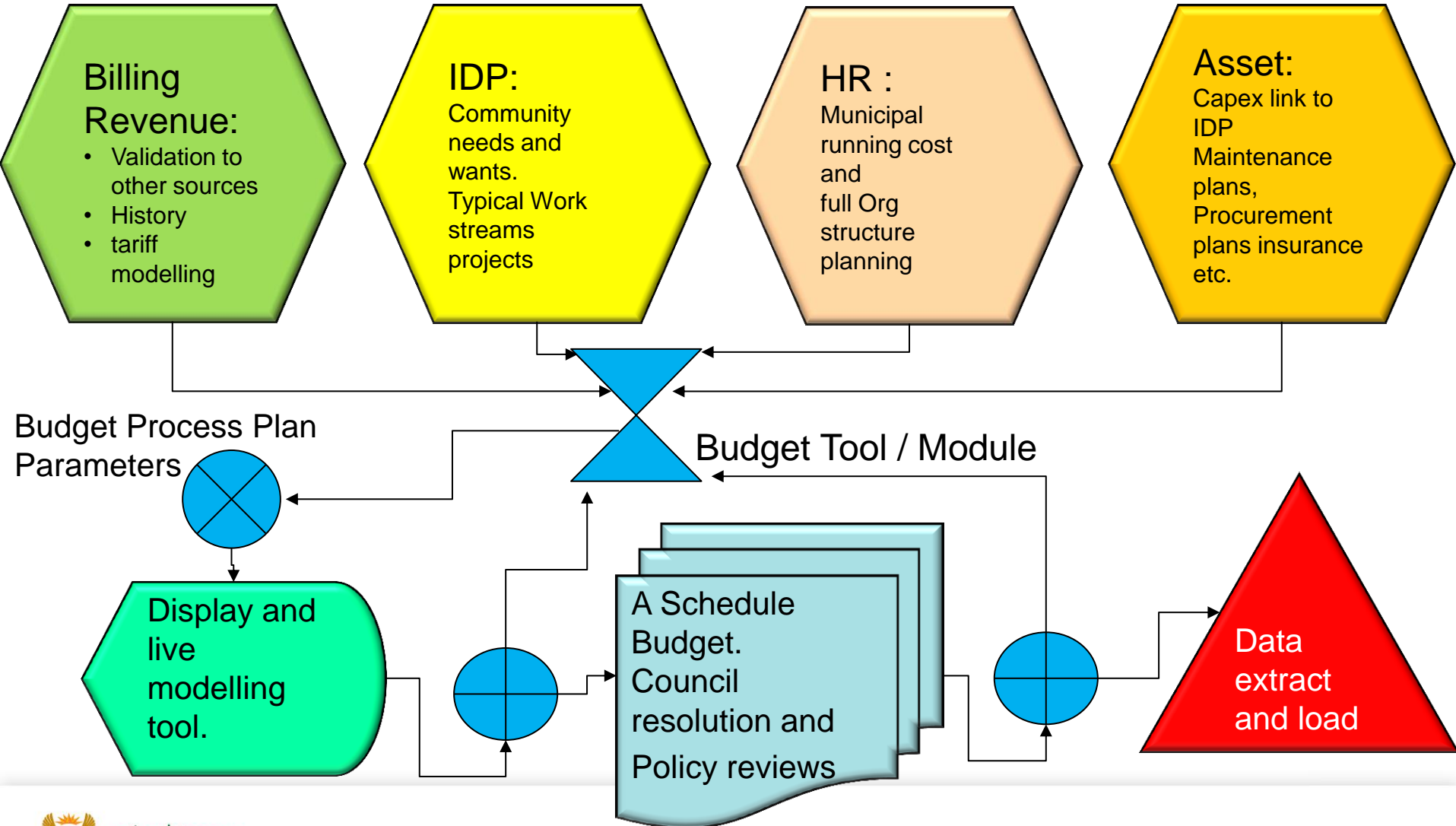
PLANNING

IMPLEMENTATION

EVALUATION



Planning / Budgeting



Main Budget Module (1)

- Budgeting on the factual elements of typical work streams;
- Budgeting on the factual elements of municipal operational and running cost;
- Ensure that the budget is funded;
- Incorporation of the sub module's elements;
- Enable what-if inter-operability and modelling between the municipality's main budget module and the sub-budget modules;
- Ensure that policies referred to in MFMA section 17 and Municipal Budget and Reporting Regulation 7 are, *via formal work flow*, reviewed by the relevant municipality departments/ sections. Any amendments must be incorporated into the budget submission. These reviews, as a minimum, must include:
 - a) The tariff policy referred to in section 74 of the Municipal Systems Act, 2000;**
 - b) The rates policy as required in terms of the Municipal Property Rates Act, 2004.**
 - c) The credit control and debt collection policy referred to in section 96(b) of the Municipal Systems Act, 2000;**
 - d) The supply chain management policy referred to in Chapter 11 of the MFMA;**

Main Budget Module (2)

- Apply the MFMA section 21 budget process plan's priorities to ensure the affordability of the budget;
- Ensure that tariffs are affordable with in the upper limits of inflation and NERSA indicators;
- Seamlessly publish the budget and budget related policies on the municipal website once adopted by the municipal council; and
- Produce the following minimum submissions:
 - a) The statutory budget submission to the LG Database;
 - b) annual procurement plan;
 - c) asset maintenance plan;
 - d) amendments made to policies or bylaws;
 - e) rates bylaws and tariffs promulgation;
 - f) general tariff advertisement; and
 - g) Data extraction from the mandatory six (6) segments on the mSCOA classification framework and upload to the National Treasury LG Database portal

Revenue Budget Module

- Is able to calculate and spread budgets based on current consumption and database history;
- Is able to measure and flag anomalies of the current database history against alternative information sources such as the surveyor general (SG), deeds office and valuation rolls to ensure completeness of budgeting and actual billing;
- Create projected growth and tariff calculations taking into account the provision for bad debt and material losses. (In this regard transacting on the "regional" segment is crucial for GRAP 104 type calculations);
- Facilitate and incorporate cost of sales and costing implications to enable cost reflective tariffs;
- Review of sundry tariffs; and
- **Supply the general ledger's "main budget module"-budgets with the full mSCOA segments as a budget line.**
- **It must be able to provide this for revenue, expenditure and balance sheet items.**

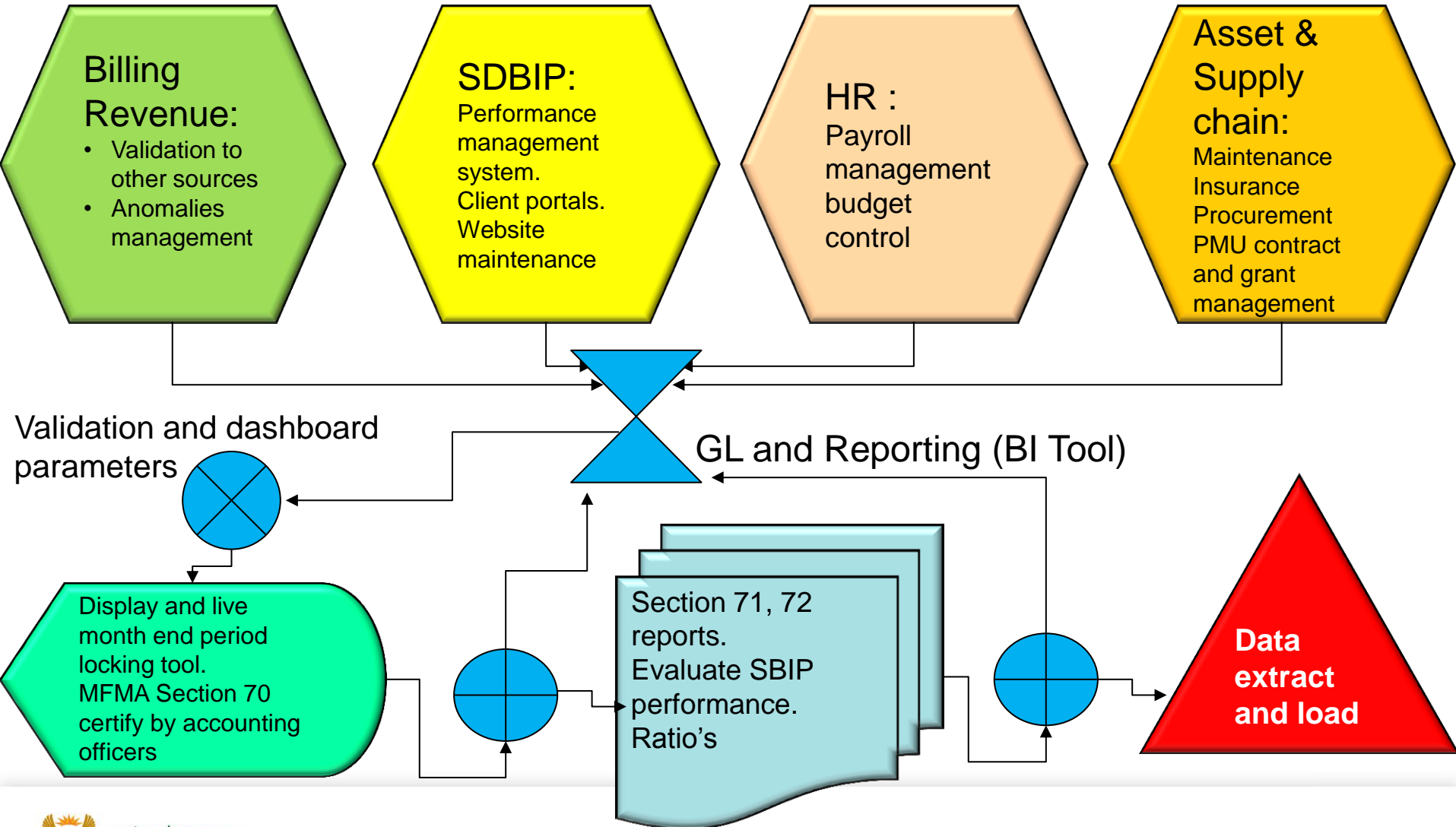
HR Payroll

- Incorporate the ability to apply costing allocation to projects and percentage (%) based allocation of administration costs to trading service departments if not allocated using direct calculation methods;
- Ensure that the planned positions is budgeted for pro-rata to when the expected appointment can be done;
- Ensure that upper limits and public office bearers regulations is adhered to
- Utilising historical trends, calculate the likely provision for leave and bonus provisions. This function should also be able to anticipate (if applicable) any long service allocations; and
- **Supply the general ledger's main budget module with counts of the actual and planned positions (organogram) budgets for the full mSCOA segments as a budget line.**
- **The functionality must be able to provide this for both expenditure and balance sheet items.**

Asset Management

- Allows budgeting for "new capital" projects requested in the integrated development plan (IDP);
- Anticipates completion and subsequent operational costs of these "new capital" projects;
- Calculates existing and anticipates new planned assets' maintenance, insurance and a percentage of "un-planned" maintenance;
- Calculates depreciation, taking into account the impact of major repairs;
- Calculates profit or loss on planned disposals;
- Provides for a (contract) retention payment schedule;
- Provides for grant and work-in-progress (WIP or contract management) payment schedules to assist the main budget module with its forecasting and cash flow management; and
- **Supplies the general ledger's main budget module with planned budgets across the full mSCOA segments as a budget line.**
- **Functionality must provide for both expenditure and balance sheet items.**

Implementation (Transactional)



Core financial module / GL

- Contains all the accounts for recording transactions relating to municipalities assets, liabilities and net assets as per the mSCOA classification framework;
- Is a central repository for accounting data transferred from all sub-ledgers e.g. Supply chain, revenue, cash management, fixed assets, purchasing, debt control, billing, prepaid, and projects;
- Reflect transactions posted in the sub-ledger in the main ledger thereby ensuring the financial integrity of the entire system without the need for manual reconciliations between main and sub-ledgers;
- Notwithstanding the above and due to probable packet loss, a routine is required to ensure that the general ledger and sub-ledgers are in balance. **This must be done by enforcing daily closing routines with subsequent blocking of opening routines if out of balance occurrence with control accounts is observed; and**
- Drill down to transactions from the general ledger (GL) to the sub-ledger or 3rd party systems.

Bank reconciliations

- Integration and automation of bank reconciliation and cash management activities;
- Automated integration of bank transactions with the general ledger, resulting in:
 - automated receipting of debtor payments made directly into the bank account;
 - automated transacting of bank charges and interest;
 - electronic verification of payments made either via electronic funds transfer (EFT) or by cheque;
- Electronic payments made to supplier and payroll from the general ledger must be integrated with the bank and thereby eliminating manual changes between the two systems; and
- Produce daily bank reconciliation and necessary validation and internal controls associated with this business process.

Valuation roll

- Seamlessly integrate with the revenue management module;
- Integrate information for spatial analysis in a geographical information system (GIS);
- Integrate with the building control system used in the municipality to ensure completion of additions and new buildings get immediately updated on the billing sub-system;
- Integrate with the land use system to ensure appropriate tariffs is timeously applied;
- Integrate with the surveyor general (SG) database and town planning systems in use at the municipality;
- Integrate with the deeds registry and monitor actual sales with current valuations as well as ownership against the billing system;
- Validate and report anomalies in the asset register on municipal owned properties; and
- Provide the municipal website with the A & B valuation rolls in terms of section 30. (1) A municipality intending to levy a rate on property must in accordance with this act cause—
(a) a general valuation to be made of all properties in the municipality determined in terms of subsection (2); and (b) a valuation roll to be prepared of all properties determined in terms of subsection (3)..

Billing and revenue management

- Measure and flag anomalies of the current database transaction (all services) against alternative information sources such as surveyor general (SG), deeds and valuation rolls to ensure completeness of actual billing;
- Calculate and account monthly for the provision of bad debt;
- Integration of prepaid at a minimum of a 'debtor per tariff '-code per region, monthly bill the consolidation sales amount and daily receipt the sales;
- Integration of traffic fines;
- Provide accessible pay points and other mechanisms for settling accounts or for making pre-payments for services; and
- Provide adequate information for spatial analysis in a GEOGRAPHICAL INFORMATION SYSTEM (GIS) system.

Debt Collection Module

- The system should enable the municipality to manage an end-to end-debt collection process and must:
 - provides for SMS, email and hand delivered late payment notifications;
 - provides for parameter based disconnection list generation;
 - manage re-connection and arrangements with integrated notes on the debtor master file;
 - utilise or enforce prepaid vending blocking or % recovery of other services;
 - integrated clearance applications and calculations;
 - final demand and summons issuing; and
 - management of attorney actions on an integrated level.
- If the module is a 3rd party solution – it must as a minimum integrate the fees as well as the action history to the billing sub-ledger. This integration must be seamless.

Payroll

- Budget control and management of virement requirements;
- ensure that all employees' and councillors' declaration of interest and related parties are captured on the master files;
- bank account monitoring against vendor and/ or contract payment AND against own and related parties bank accounts;
- test against the central database for contracts with any 'organs of state' and supply the central database with employees' and related parties' details;
- supply the central database with the identification (ID) numbers of employees, councillors and related parties;
- report and create the workflow for collection all employees and councillors with arrear accounts;
- provide the financial statement module with regulated reporting regarding the municipal councillors outstanding debtor account details;
- provide the general ledger (GL) with transactions that debit expenditure and credit revenue votes when applicable. This creates a temporary total liability of the payroll balance on the integration control;
- create the clearing transactions that clear the integration control, these transactions include:
 - electronic funds transfer (EFT) to employee's bank accounts into the core financial systems cashbook awaiting approval;
 - creation of "invoices" for 3rd parties, SARS(PAYE, UIF, SDL), medical aid and pension funds.

- Allow for requisition from the annual procurement plan only;
- align requisition to be project based;
- adhere to delegation of duties and authority levels;
- electronically obtain master data from the NT central supplier database;
- invite tenders based preferential procurement principals;
- electronically manage the invite, bid closure and adjudication process with a full document management server underpinning the cycle;
- record and electronically store the bid adjudication committee's meeting and store the minutes on the document management server;
- ensure the SLA and allocation letters is electronically archived prior to any payment is made;
- enforce where applicable retention enforcement and manage retention registers;
- ensure tax clearance management for the duration of the contract;
- enforces roster principals is applied and prevent manual intervention in the roster process;
- integrate with the asset management system;
- ensure that all payments is made within 30 days of receipt thereof; and
- ensure that full accrual is done at month end and year end cut-off periods

Inventory Stores

- All consumable items in terms of the classification framework is purchased via an inventory principal. This include direct purchases like pens, stationary etc;
- in terms of the above, all systems should cater for a stores module be it virtual or actual that will allow management to control the consumable items in an effective and controlled manner;
- the stores module must seamlessly integrate and balance with the core financial system;
- where a full stores module is operational, high value items should annually be measured to establish whether any of these items should be capitalised as 'assets'; and
- normal functions like 'inventory stock taking' should be included as standard best practice and is therefore not separately specified as part of these specifications.

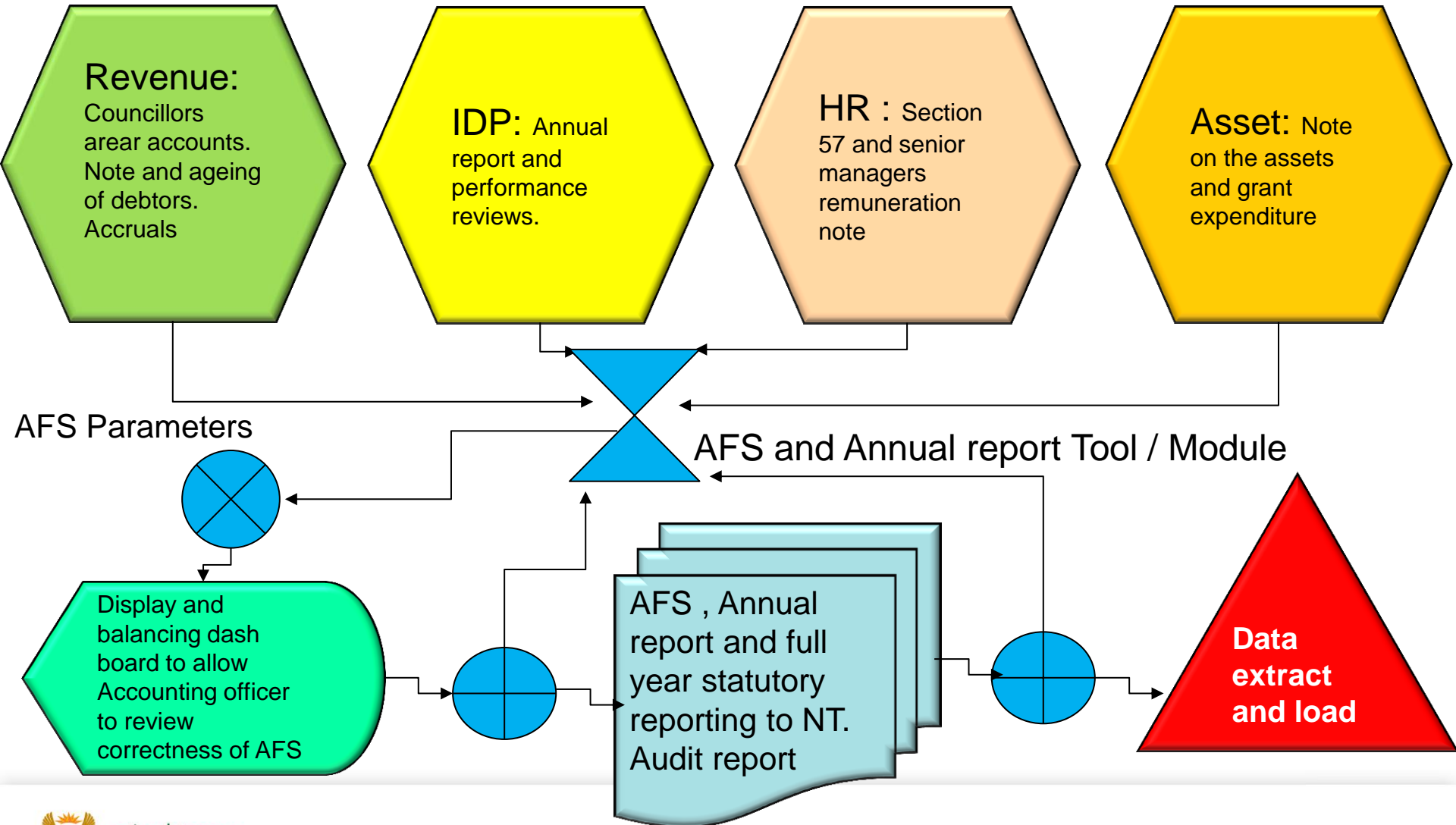
Asset management (1)

- Manage the full asset live cycle;
- manage the contract and build phase of the project by registering the component and rolling the accounting transaction up to the work-in-progress;
- manage the 'grant expenditure' and 'own contracts part' payment schedules and ensure costing (activity based recoveries) is done per period;
- annually report on committed grant expenditure and produce the application for roll over funding;
- immediately after a completion certificate is received, unbundle assets and maintain the parent-child relationship between the main asset and its components;
- enable table-to-floor inspection sheets (electronic devices are preferred) as well as floor-to-table look-up methodologies;
- host the insurance register and constantly update the portfolio as new assets are purchased or if there is progress on the value of work-in-progress (WIP);

Asset management (2)

- compile and monitor expenditure against the asset maintenance plans;
- integration to billing systems to monitor investment properties and valuation inconsistencies;
- utilise the billing system functionality to ensure ownership of land and buildings to the deeds register;
- integrate with the asset management system;
- integration of the electronic scanning and verification device. The purpose is to ensure annual verification and conditional assessment with GPS co-ordinate capturing to the nearest extent possible; and
- seamless integration with a geographical information system (GIS) or alternative mapping enabled graphical interphase.

Evaluation (Reporting and Housekeeping)



Configuration

Systems need to be uniformly configured to have the ability to account for the accounting cycle and deal with the multi dimensional chart and as such the following minimum configuration requirements is required:

- The Contact information of the Accounting Officer, Chief Financial Officer, and reports submission official;
- the accounting policy and calculation rules adopted by the municipality;
- list of systems in use;
- list of entities;
- banking details;
- activation of accounts that is usable and selectable by users of the system (master vote structure); and
- master vote structure to enable VAT apportionment based on system driven application of the formula

Period Closure

- Monthly period closure and certification within the statutory reporting dates;
- Balancing of the sub-system with control accounts must be a condition of any period closure;
- Year-end closures period 12 as at 30 June (of the current year) result in a transactional transfer of opening balance to period one in the following year;
- Finalisation and submission of annual financial statements (AFS) period 13 results in opening balance transactional transfer of only the transactions of period 13;
- Audit periods with allowed audit approved journals occur in period 14 and result in opening balance transactional transfer of only the transactions of period 14;
- Accommodate a period 15 for prior period errors (GRAP 3);
- Any corrections of prior period error(s) result in opening balance transactions in the subsequent years; and
- Period closing, finalisation and audit period corrections are opening balance transactions in the current open period as well as normal transactions in the audit periods at date (period) of occurrence.

Integration

- Sub-system(s) or ledger(s) include (but is not limited to) Revenue, Payroll, HR, Prepaid Vending, Cashbook, Performance management; Traffic fine; Contract management; Supply chain management and Asset management systems;
- Sub-system(s) or ledger(s) must without (manual) intervention or manipulation, integrate and constantly balance with the core financial system;
- Create workflow and exception reporting;
- Enable drill down from the general ledger (GL) to sub-system source transactions;
- Integration and automation of the annual financial statements (AFS) as well as monthly MFMA section 71 reports (financial management statements); and
- Document management must occur at the capturing point of all transactions;

Seamless out of system statutory reporting

mSCOA Compliance

- Statutory submission to the local government database (LG database);
- mSCOA data extraction and upload to portal submissions;

Minimum business process and system requirements

- The annual procurement plan;
- The asset maintenance plan;
- Annual financial statements (AFS);
- Annual report;
- National Energy Regulator SA (Nersa) and department of water affairs and sanitation (DWS) reports;
- VAT returns 201 reconciliations;
- PAYE and 501 reconciliations;
- IRP 5; and
- Unemployment insurance fund (UIF) forms.

Customer Portal

To create a positive and reciprocal (give-and-take) relationship between persons liable for payments and the municipality;

- Establishes mechanisms for users of services and ratepayers to provide feedback to the municipality or other service providers (of the municipality) regarding the quality of the services and the performance of the municipality or service providers;
- Provides accessible mechanisms to any person to query or verify municipal accounts and metered consumption;
- Enables electronic query and appeal procedures which allow persons to receive prompt response/ action to 'inaccurate accounts' - queries;
- Enables structured workflow mechanisms to deal with complaints from such persons, together with prompt replies and corrective action by the municipality;
- Mechanisms to monitor the municipality's response time and efficiency in complying with the above; and
- Provides for accessible, secure and electronic payment channels.

Performance management system (1)

Due to the nature of local government the performance management system of a municipality originates from its IDP and as such the key performance indicators are created in the IDP. This module therefore formally start with and should assist in the compilation of the IDP.

The performance management system must therefore include the following components:

- Seamless integration with the budgeting module;
- The compilation and solution to capture the SDBIP measurable performance indicators and the assignment of tasks to specific managers;
- Ensuring that policies and municipal by-laws are aligned to the developmental nature of the municipality and give effect to the measurable performance objectives and SDBIP of the municipality's (for staff and political office bearers);
- Ensure that internal municipality delegations are updated and assigned and formally accepted by individuals;
- Manage and control external service mechanisms/ providers via a contract management component that ensures delivery, sign-off and minutes are contained in a single point of entry;

Performance management system (2)

- The contract management module should monitor key deliveries and also invoke penalty clauses, retentions and consequences in cases of persistent breach of contract. This include listing of transgressors on the national treasury website under the appropriate listing for transgressors;
- A performance management module that manages the contracts of senior management and allows for electronic submissions and 'portfolio of evidence' management;
- The performance management module should assist in consequence management and record any such actions;
- The performance management system should as a minimum produce the following documents:
 - the IDP for publication;
 - the service delivery budget implementation plan (SDBIP);
 - the performance contracts;
 - reporting on SDBIP indicators (inclusive of financial performance indicators); and
 - the municipality's annual report.

Municipal Website (1)

The legislative framework lists the minimum information that should be placed on the municipality's website. This specification require integration directly with the core financial system, sub-systems / modules and 3rd party systems of the municipality:

Integrate from the core financial budget module

- The annual and adjustments budgets and all budget-related documents;
- all budget-related policies ;
- AFS ; and
- the annual report.

Performance management, supply chain and asset management modules

- All performance agreements required in terms of section 57(1)(b) of the municipal systems act, 2000;
- all service delivery agreements;
- all long-term borrowing contracts;
- all supply chain management contracts above a prescribed value;
- an information statement containing a list of assets over a prescribed value that have been disposed of in terms of MFMA section 14(2) or (4) during the previous quarter;
- contracts to which MFMA section 33(1) apply, subject to section 33(3) of that section;
- public-private partnership agreements envisaged in MFMA section 120; and

Municipal Website (2)

Core financial system supported with MBBR reporting templates

- All quarterly reports as tabled in the council in terms of MFMA section 52(d).

Billing module in addition to integrate:

- A&B valuation roll publication as required by the municipal property rates act, 2004
- the customer portal should as a minimum (if not hosted on the municipality's web site) be accessible or redirected from the website of the municipality.

BI tools

- The system must allow for reporting services that is configurable in the client environment by the client and allow for customisable "pivot able" reporting;
- The report writer should have a user configurable application utility like sequel server reporting server (SSRS). This must include sample reports configured as well as standard reports to allow for consistency in reporting and best of client base reports that can be shared in the whole-of-municipal environments;
- In addition, there should be a management dashboard that displays at the accounting officer and senior managers offices, the key performance areas information in a continues real time update. This should as a minimum:
 - Assist the municipal manager to adhere to MFMA section 70 by providing early warning of impeding financial distress;
 - monitor the financial progress of grants, programs and capital projects (SDBIP);
 - monitor performance of debt recovery and creditor payments; and
 - reflect budget versus actual performance of the votes / functions of the municipality.
- The system should allow for the export of data via reports in commonly used file formats which is normally associated with spread sheet and other data base applications;