

NATIONAL CIGFARO *m*SCOA WORKSHOP 2020

COVID 19 REPORTING

Presented by: National Treasury – Charl Wenum – 11 November 2020



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

PURPOSE AND CONTENT



Purpose

- To provide guidance on how to report on the COVID-19 specific funding allocations and expenditure using the *m*SCOA chart

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2. Special Adjustment Budget 2020/21 MREF
3. How to use the *m*SCOA Chart for COVID-19
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INTRODUCTION



- Municipalities have been required to **perform certain essential and emergency municipal services** to address, prevent and combat the spread of **COVID -19** in South Africa since April 2020
- **Internal controls** must be in place to ascertain that expenditure is
 - authorised
 - valid
 - complete
 - accurate
 - correctly classified
- **mSCOA Cir No. 9** provides guidance on which posting levels must be created under the relevant categories and which segments must be used to record **COVID-19** funding and spending
- **Appropriate delegations of authority** related to budgeting, revenue, procurement, expenditure control and reporting must be in place during the COVID-19 pandemic
- **Reporting on COVID 19** must be submitted in line with the MFMA deadlines as part of the monthly In-Year Reporting – Sect 71

ADJUSTMENT BUDGET 2020/21 (1)



- The 2020 National Supplementary Budget was delivered by the Minister of Finance in Parliament on the 24 June 2020. The 2020 Supplementary Budget responds to the COVID-19 pandemic and its impact on the economy. This includes the R20 billion allocation for local government announced by the President to assist in funding COVID-19 expenditure.
- This allocation consists of R11 billion added to the local government equitable share and just over R9 billion that was repurposed for the provision of water and sanitation and for sanitising public transport facilities within existing grant allocations to local government.
- In terms of Section 28(2)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and Section 23(3) of the Municipal Budget and Reporting Requirements (MBRR), municipalities must adjust their 2020/21 MTREF budgets to account for the **revised funding allocations** that were made available.

ADJUSTMENT BUDGET 2020/21 (2)



- In addition, municipalities should use this adjustments budget **to reprioritise the 2020/21 budget** to respond to the impact of the COVID-19 pandemic on the budget.
- Given the period since the lockdown end March 2020, better quality information was available to inform the budget assumptions. Municipalities that have **adopted unfunded budgets** for the 2020/21 financial year also have to correct their budgets through this process to ensure that the adjustments budgets are funded.
- The 2020/21 adjustments budget had to be adopted by Council by no later than **30 September 2020**. The relevant ADJB data string had to be uploaded to the LG database withing 10 working days from the approval.

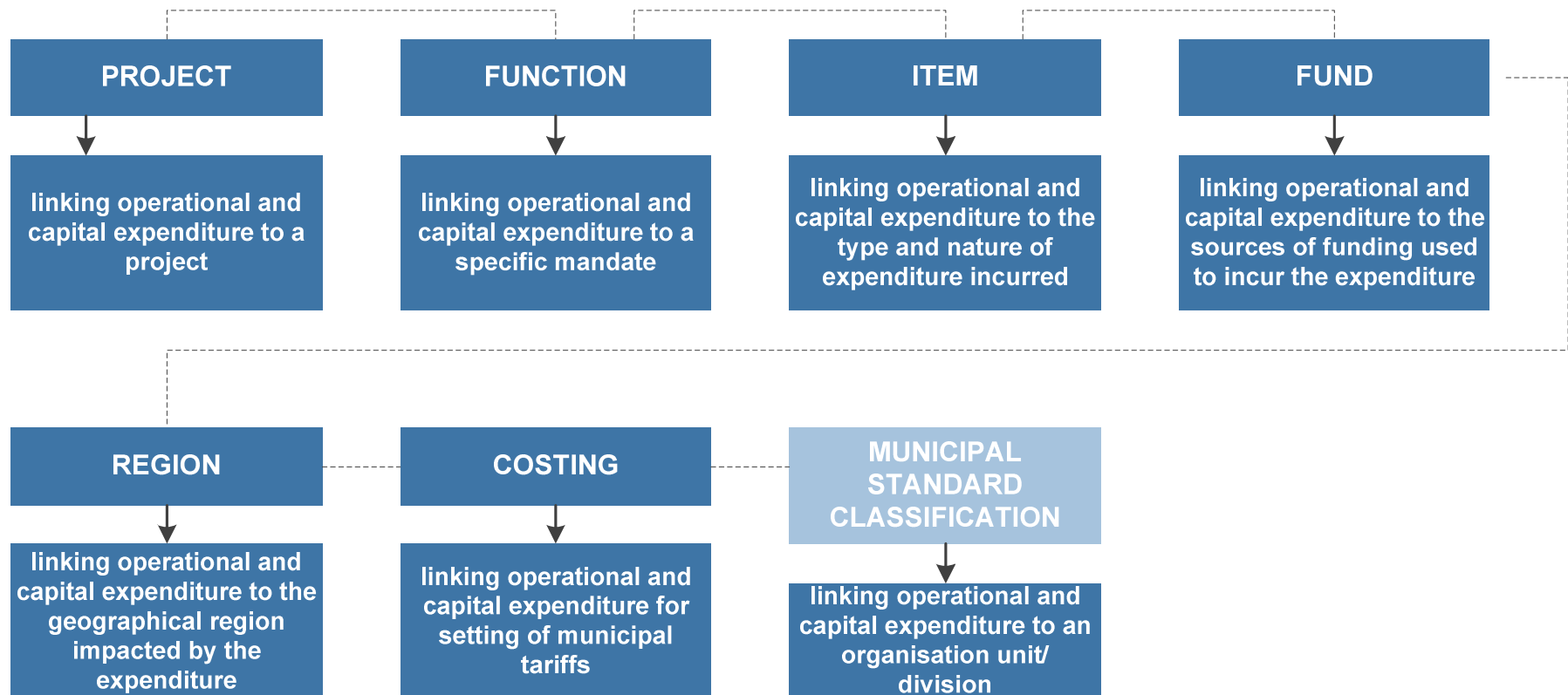
THE MSCOA CHART FOR COVID-19 RELATED EXPENDITURE (1)



- *m*SCOA prescribes the detailed (posting-level) accounts that must be used to capture transactions in the financial systems
- If the relevant *m*SCOA segments to record allocations and spending relating to COVID-19 is used **there was no need for changes to versions 6.3 and 6.4 of the chart to accommodate COVID-19 items**
- Spending in the other regulated segment is recorded against the various appropriate categories depending on the department's use for the items or services procured
- The chart allows for the creation of projects and sub-projects such as COVID-19 and its related expenditure and whether it is funded from the equitable share, conditional grants, own revenue or other sources of funding – refer to *m*SCOA Cir No.9 and Annexure A

THE CHART FOR COVID-19 RELATED EXPENDITURE (2)

- There are 7 *mSCOA* segments
- All segments except for the Municipal Classification Framework are regulated
- Data strings follow a specific order of relevance, as indicated below:



THE MSCOA CHART – PROJECT SEGMENT (1)

❑ Step 1: Include COVID-19 in the IDP

The Project segment links the projects in the IDP to the budget, thereby allowing for the monitoring of COVID-19 project **expenditure**

- For the 2020/21 MTREF: COVID-19 should be included as a project in the 2020/21 revised IDP, Project File (PROR) and adopted budget (ORGB) and thereafter the Special Adjustment Budget (ADJB) by 30 September 2020

Details on the maintenance projects budgeted for in the MTREF that relates to COVID-19 must be identified in the Project File

❑ Step 2: Create a COVID-19 project and sub-projects in the project segment

The creation of a COVID-19 project will depend on whether the project is a **capital, operational or default project**. It is anticipated that the COVID-19 related expenditure will mainly be operational

THE MSCOA CHART – PROJECT SEGMENT (2)

Operating projects:

- *m*SCOA chart makes provision for Disaster Management projects under the account number: Operational: Typical Work Streams: Emergency and Disaster Management: Disaster Management
- Breakdown must be provided to indicated that it is COVID-19 related project. The sub-projects should be created as per the COVID-19 categories and items listed under paragraph 3 above. In this regard, those categories that are projects such as the provision for the homeless and implementing roadblocks should be used as sub- projects but where a category is an item, it should be recorded in the items segment
- Repairs and maintenance is classified under operational projects and the *m*SCOA chart structure must be followed to determine the type of maintenance. Thereafter, breakdown must be provided to indicate that it is COVID-19 related maintenance

Capital projects: Capital projects must be created as per asset class and the breakdown must indicate that it is a COVID-19 project

Default projects: Default transactions are used to record a transaction within all the segments of the *m*SCOA. Revenue, assets (excluding capitalised expenditure), liabilities and net assets must be captured as default projects

THE MSCOA CHART - FUNCTION SEGMENT



- The function segment links expenditure to a specific mandate
- For the purposes of COVID-19, the functions must align to the *m*SCOA chart
- Segment makes distinction between core and non-core functions, also known as funded or un(der)funded mandates and agency services
 - Any costs related to unfunded mandates must be listed as non-core functions
 - Municipalities are advised not to incur cost in respect of un(der) funded mandates unless a service level agreement is signed to recover costs where unfunded/ underfunded mandates are performed on behalf of other spheres of government
- **What constitutes a funded mandate?** In terms of Section 153 of the Constitution
 - The function is listed in Schedule 4B and 5B of the Constitution
 - The function is assigned to municipality in terms of national and provincial legislation
 - The municipality has prioritised the provision of basic services
 - It does not jeopardise the financial viability of the municipality

THE MSCOA CHART – ITEM, COSTING & REGIONAL SEGMENTS



Item Segment : identifies the type and nature of expenditure incurred

- The expenditure items under the COVID-19 categories reported in the weekly reporting to NT and PTs (see annexure) must be used to classify COVID-19 expenditure in the item segment, where applicable
- Whether it relates to the purchasing of non-current assets, inventory or operational expenditure, the data string must be linked to the COVID-19 projects per function that was created under the project segment
- A balanced data string must be provided

Costing and Regional Segments

- There are no additional requirements for the use of the costing and regional segments to accommodate COVID-19 transactions and these segments must be used in the same manner as for non-COVID-19 related transactions

THE MSCOA CHART – FUNDING SEGMENT



- Identify the funding source used - the correct funding source must be linked to the relevant COVID-19 project that was created in the project segment
- With regards to transfers and subsidies - funding sources must be identified in terms of the institution that provided the funding
- The municipality must ensure that conditional grant accounting principles are correctly applied within the item and funding segment respectively
- Donations - funding source will be the institution that provided the funding as provided for under transfers and subsidies and will be dependent on the approval by NT through the Reconstruction and Development (RDP) Fund - circular provides definition on donations
- Pledges from Councillors, senior management and other employees should be treated as normal deductions from salaries and paid in as revenue received. The Revenue transaction must be recorded as Revenue Non-Exchange Transfers and subsidies-operational-monetary allocations-households-cash-unspecified, with the corresponding Funding segment

NATIONAL TREASURY – REPORTING ON COVID 19 USING THE LGDRS

i-World

https://lg.treasury.gov.za/ibi_apps/WFServlet?IBldum=0.46560946568785755&IBIF_ex=iwulogon

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 - List MSCOA account mapping to A1 schedule
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 - List MSCOA Detail Data per Muni
 - List Creditor / Debtor Age Analysis
 - Debtors Analysis for Organs of State

List MSCOA Detail Data per Muni

Location Sort

Demarcation

Financial Year End

Select Period

Segment

Enter PROJECT string to Search

Enter FUNCTION string to Search

Enter ITEM string to Search

Enter FUNDING string to Search

Enter COSTING string to Search

Enter REGION string to Search

Swop Signs income (IR,IL,IZ gains,LN) ☒ Yes ☐ No

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NATIONAL TREASURY – REPORTING



- National Treasury Quarter 1 (Q1) weekly & monthly Reporting on COVID 19 expenditure using the data strings based on the following:
 - ✓ Project Segment
 - ✓ Item Segment
 - ✓ Fund Segment
- COVID 19 specific projects were identified and report against with full details as to what Item was expended and what Funding source/s was utilized for these Projects
- Practical reporting illustration of Batho Pele Municipality > what Projects were created in the ADJB 2021 with the monthly reporting against these COVID 19 Projects for Q1 > **refer to practical extract**
- The same Reports could be generated per District per Province and on a National level.
- Similar to the COVID 19 reporting, National Treasury can generate reports for any workstream, Item or Project in future (any possible Disaster) will be treated using the same approach.

COVID 19 REPORTING CHALLENGES



Challenges with COVID 19 reporting:

- Municipalities failing to follow the guidance as per *mSCOA* Circular No. 9
- Incorrect Operational Projects created
- Sub Projects as COVID 19 Projects nor identified
- Item segment usage not inline with COVID 19 related expenses
- Fund segment incorrect used
- Only 128 Municipalities used to Project segment correct and identified COVID 19 Projects inline with *mSCOA* Circular No. 9
- National Treasury can only report on COVID 19 if Municipalities budgeted inline with *mSCOA* Circular No. 9 The manual COVID 19 reporting will only be stopped if data strings are complete and accurate.
- Corrections will be allowed in the ordinary ADJB process by 28 February 2021

THANK YOU



For additional information on national and provincial budgets, please visit our new budget data portal: <https://vulekamali.gov.za>

www.municipalmoney.gov.za

open **local government budget** data portal

Explore easy-to-understand, verified financial information for **every single municipality** in South Africa in one place.



For information on local government finances, please visit: <https://municipalmoney.gov.za>