

# NATIONAL CIGFARO *m*SCOA WORKSHOP 2020

## Reporting in Period 13, 14 and 15

Presented by National Treasury – Bongani Mdletshe and Jannie Hanse – 12 November 2020



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# Purpose

- Purpose of the session is to provide guidance on period control in a *mSCOA* environment, specifically in period 13, 14 and 15

# Period control in *m*SCOA (1)

The MBRR and MFMA Circular No 80 (minimum system specifications for *m*SCOA) requires:

- **Monthly period closure** and certification within the statutory reporting dates
  - No back-dating of transactions is allowed
  - Balancing of the sub-system with control accounts must be a condition of any period closure
- Year-end closures are done in **period 12** (as at 30 June of the current year). These will result in transactional transfer of opening balance to period 1 in the following year
- Finalisation and submission of AFS are done in **period 13** (PAUD) which will result in an *opening balance transactional transfer* and the transactions of period 13. *Figures must reconcile to pre-audited figures submitted to AG*
- Audit approved journals will be done in **period 14** (AUDA) and will result in *opening balance transactional transfer* and the transactions of period 14. *Figures must reconcile to audited outcomes on which the AG has expressed an opinion*

# Period control in *m*SCOA (2)

- **Period 15:**

- Adjustments to the AFS following the approval of the adjustments budget to authorise and legalise unauthorised expenditure (Reg. 28(6) of MBRR) and prior period corrections must be done in **period 15** (GRAP 3)
- Period 15 for the previous period should be closed and reported (RAUD) on when the period 14 for the current period is closed and reported (AUDA).
- *Some systems leave period 15 open to allow for prior period corrections after PAUD has been reported, but for the purposes of NT reporting on the audit outcomes, the 'final' RAUD data string for the previous period must be submitted with the AUDA data string for the current period.*

- **Importantly:**

- Any corrections of prior period error(s) result in opening balance transactions in the subsequent years
- 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
- Corrections made in period 13 to 15 must be status (end-results) based and **NOT** movements when submitting the *m*SCOA data strings

# AFS submission for 2019/20

- Government Gazette No. 43582 (05 Aug 2020) granted exemption from Sections 126(1) and (2) of the MFMA
- AFS for 2019/20 had to be submitted **on/or before 31 Oct 2020** (also see MFMA Circular No. 104) to the AG, NT, PT
- The following must be submitted to NT:
  - The pre-audit AFS submitted to the AG (in PDF format) and to the LG UpLoad Portal **on/or before 31 Oct 2020**
  - The Pre-Audited Actuals *m*SCOA data strings (PAUD), CRPA (pre-audit creditors) and DBPA (pre-audited debtors) data strings uploaded to the LG UpLoad Portal **within 10 working days of submission to the AG**
- If there was a Prior Period Correction of error, the RAUD must be submitted within 10 working days after Council approval of the said Prior Period Correction

# In summary, what is period 13, 14, 15?

## **Period 13 – Pre-audited AFS**

As submitted to AG on 31 Aug (Oct 2019/20)

## **Period 14 – Audit Outcomes**

Allowed audit approved journals during audit process

## **Period 15 – Adjustments to the AFS and Prior Period Errors**

To authorise and legalise unauthorised expenditure (Reg. 28(6) of MBRR) and prior period corrections (GRAP 3)

# Procedures in Period 13, 14 and 15

The following data strings should be submitted:

- ✓ Period 13 = PAUD
- ✓ Period 14 = AUDA
- ✓ Period 15 = RAUD

Period 12	Period 13	Period 14	Period 15
Normal month end closure after x days	Further adjustments and journals done before 31 August	Receive audit outcomes from AGSA	Make further adjustments approved by Council in Period 15
Section 71 M12 reporting on 10 <sup>th</sup> working day after month end (preliminary)	On 31 August close Period 13	Make adjustments approved by AGSA to Period 14	Ideally do before the start of the budget process for the new financial year
24 July verification for quarter 4, publication starts	Submit AFS to AGSA, NT and PT	When complete, close Period 14	Adjustments must be transferred into the current year once
30 July verification close	Upload <b>PAUD, CRPA and DBPA</b> through LG Upload portal	Upload <b>AUDA, CRAU and DBAU</b> through LG Upload portal	Use Period 15 to produce restated outcomes when preparing AFS for new year
Period 12 must now close and all balances at posting level transfer to Period 13	Transfer all balances at posting level to Period 14	Transfer all balances at posting level to Period 15	To be closed and reported (final <b>RAUD data string</b> ) for previous period when AUDA is uploaded for current period

# GRAP 3 Changes In Accounting Policy, estimates and Prior Period Errors

- **Prior Period Errors**

- Omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:
  - (a) was available when financial statements for those periods were authorised for issue; and
  - (b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.
- Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

– **Applied retrospectively**



# GRAP 3 Changes In Acc Policy, estimates and Prior Period Errors

- **Change in Accounting Policy:**

- *Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.*

- **Change in Accounting Estimates:**

- A change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.

– **Applied prospectively**

# Practical Example – Period 13 correction

The CFO of Batho Pele Municipality found that the Leave Provision was inadequate with R1 000 000 at year end – correction made in Period 13

Segment	Debit	Credit
<b>Project</b>	Project Operational: Municipal Running Cost	Default
<b>Function</b>	Function: Finance and Administration: Core Function: Administrative and Corporate Support	Function: Finance and Administration: Core Function: Administrative and Corporate Support
<b>Item</b>	Expenditure: Employee Related Cost: Municipal Staff: Salaries, Wages and Allowances: Allowances: Service-Related Benefits: <b>Leave Pay</b>	Liabilities: Current Liabilities: Provision and Impairment: <b>Leave: Increases</b>
<b>Funding</b>	Fund: Non-Funding	Fund: Non-Funding
<b>Region</b>	<b>Administrative or Head Office</b>	<b>Administrative or Head Office</b>
<b>Costing</b>	Default	Default
<b>Amount</b>	R1 000 000	R1 000 000

# Practical Example – Period 13 correction MSCOA Chart Navigation

## MSCOA Chart navigation – Item Expenditure

– Service Related Benefits(IE-005-002-001-005-009)	14
Cost Capitalised to PPE (Credit Account)(IE-005-002-001-005-009-001)	
Acting and Post Related Allowances(IE-005-002-001-005-009-002)	
Bonus(IE-005-002-001-005-009-003)	
Lifeguard/Duty Squads(IE-005-002-001-005-009-004)	
Long Service Award(IE-005-002-001-005-009-005)	
Fire Brigade(IE-005-002-001-005-009-006)	
Scarcity Allowance(IE-005-002-001-005-009-007)	
Standby Allowance(IE-005-002-001-005-009-008)	
Tools Allowance(IE-005-002-001-005-009-009)	
Uniform/Special/Protective Clothing(IE-005-002-001-005-009-010)	
Entertainment(IE-005-002-001-005-009-011)	
+ Overtime(IE-005-002-001-005-009-012)	5
Leave Pay(IE-005-002-001-005-009-013)	
Leave Pay: Cost Capitalised to PPE (Credit Account)(IE-005-002-001-005-009-014)	



## MSCOA Chart navigation – Item Liabilities

### Tree Navigation

SCOA Tree Selection

Select SCOA Version  
6.4

Segment Name  
Item Segment

Account Number Prefix  
Item: Liabilities (IL)

Submit

Search Tree

### Tree Structure

– Liabilities(IL)	2
– Current Liabilities(IL-001)	14
+ Bank Overdraft(IL-001-001)	38
+ Consumer Deposits(IL-001-002)	13
+ Financial Liabilities(IL-001-003)	9
+ Income Tax Payable(IL-001-004)	9
– Provision and Impairment(IL-001-005)	11
– Leave(IL-001-005-001)	7
Opening Balance(IL-001-005-001-001)	
Increases(IL-001-005-001-002)	
Reductions (Outflow of Economic Benefits)(IL-001-005-001-003)	
Reductions (without Outflow of Economic Benefits)(IL-001-005-001-004)	



# Practical Example – Period 14 correction

The Auditor-General raised a finding that the Batho Pele Municipality understated the Creditor balance for Eskom Bulk Purchases by R7 000 000 – Correction made in Period 14

Segment	Debit	Credit
<b>Project</b>	Municipal running Costs	Default
<b>Function</b>	Function: Energy Sources: Core Function: Electricity	Function: Energy Sources: Core Function: Electricity
<b>Item</b>	Expenditure: <b>Bulk Electricity</b>	Liabilities: Current Liabilities: Trade and other payables: Bulk Electricity: <b>Deposits</b>
<b>Funding</b>	Fund:Non-Funding	Fund:Non-Funding
<b>Region</b>	<b>Whole of Municipality</b>	<b>Whole of Municipality</b>
<b>Costing</b>	Default	Default
<b>Amount</b>	R7 000 000	R7 000 000

# Practical Example – Period 14 correction MSCOA Chart Navigation

## MSCOA Chart navigation – Item Expenditure

Tree Navigation

SCOA Tree Selection

Select SCOA Version

6.4

Segment Name

Item Segment

Account Number Prefix

Item: Expenditure (IE)

Submit

Search Tree

Tree Structure

- Expenditure(IE) 19
  - Bad Debts Written Off(IE-001)
  - Bulk Purchases(IE-002) 2
    - Electricity(IE-002-001) 3
      - ESKOM(IE-002-001-001)**
      - Independent Power Producers(IE-002-001-002) 2
      - Self Generation(IE-002-001-003)
      - Water(IE-002-002)
      - Contracted Services(IE-003) 3
      - Depreciation and Amortisation(IE-004) 2
      - Employee Related Cost(IE-005) 3

## MSCOA Chart navigation – Item Liabilities

Trade and Other Payable Exchange Transactions(IL-001-006)	22
+ Affiliates, Related Parties and Associated Companies(IL-001-006-001)	22
+ Accrued Interest(IL-001-006-002)	3
+ Advance Payments(IL-001-006-003)	3
+ Control, Clearing and Interface Accounts(IL-001-006-004)	7
+ Leave Accrual(IL-001-006-005)	3
+ Retentions(IL-001-006-006)	3
+ Dividends Declared not Paid(IL-001-006-007)	3
- Electricity Bulk Purchase(IL-001-006-008)	3
Opening Balance(IL-001-006-008-001)	
<b>Deposits(IL-001-006-008-002)</b>	
Withdrawals(IL-001-006-008-003)	

# Practical Example – Period 15 correction

During the preparation Annual Financial Statements the Batho Pele Municipality discover R8 000 000 under statement of Depreciation for Motor Vehicle for prior year.

Segment	Debit	Credit
<b>Project</b>	Default	Default
<b>Function</b>	Function: Finance and Administration: Core Function: Administrative and Corporate Support	Function: Finance and Administration: Core Function: Administrative and Corporate Support
<b>Item</b>	Net Assets (LN) : Accumulated Surplus/(Deficit) : <b>Correction of Prior Error</b>	Assets: Non-Current Assets: Property Plant and Equipment: Transport Assets: Owned and In-use: Accumulated Depreciation: Depreciation: <b>Other Charges</b>
<b>Funding</b>	Fund:Non-Funding	Fund:Non-Funding
<b>Region</b>	<b>Whole of Municipality</b>	<b>Whole of Municipality</b>
<b>Costing</b>	Default	Default
<b>Amount</b>	R8 000 000	R8 000 000

# Practical Example – Period 15 correction MSCOA Chart Navigation

## MSCOA Chart navigation – Item Net Assets

### Tree Structure

- Net Assets(LN)
- Accumulated Surplus/(Deficit)(LN-001)
Opening Balance(LN-001-001)
Changes in Accounting Policy(LN-001-002)
Correction of Prior Period Error(LN-001-003)

## MSCOA Chart navigation – Item Assets

- Transport Assets(IA-002-015-001-002)
- Owned and In-use(IA-002-015-001-002-001)
+ Cost(IA-002-015-001-002-001-001)
- Accumulated Depreciation(IA-002-015-001-002-001-002)
Opening Balance(IA-002-015-001-002-001-002-001)
Other Changes(IA-002-015-001-002-001-002-002)
Depreciation(IA-002-015-001-002-001-002-003)

# Conclusions

- Municipalities have to close their system at a particular period before a data string is generated
- The system should not be re-opened to correct data once it has been closed for a particular period (as per MFMA and *mSCOA* Regs)
- If a municipalities budget, transact and report directly in and from their financial systems, the data on the system will be credible as the system have build-in controls to flag when transactions are not in line with the approved budget/adjustment budget
- The large amounts of IUFW expenditure is a tell tale that municipalities are not working in their systems
- System vendors have been requested demonstrate to NT and PTs how their systems handled periods 13, 14 and 15 during the week of 16 to 20 Nov 2020



# 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](http://www.municipalmoney.gov.za)

open **local government budget** data portal

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