

# IMFO ANNUAL CONFERENCE 2015

5-7 October, Emperors Palace, Ekurhuleni

**Editorial Team:** Louise Muller, Jane Masite & Sidwell Mofokeng  
 Kim Swift (Edit articles & proof reading), Ocean Makalima: Editor  
 Nicolette Botha: Facilitator, writer, Edit articles & proof reading  
 Andre de Villiers: writer, Edit articles & proof reading  
 Brian Young: writer, Edit articles & proof reading  
 Tsepho Monyamane: Photographer, Allan Chettiar: Layout & design  
 Views expressed in this newspaper are not necessarily those of IMFO



Jane Masite  
IMFO President

## “A Warm Welcome” to all IMFO delegates

We trust your journey to this year's Annual IMFO conference has been uneventful and that you enjoyed the Presidents Function last night. Photos from the function to follow in tomorrow's newspaper!

It is our hope that the program we have put together for you will provide you with an enriching experience. This year's program focuses on entrenching the Back to Basics theme encouraging all to truly Walk the Talk through Effective Governance.

The highlight of today's program which you can find on the next page, will most certainly be the panel discussion after lunch with Gauteng Executive Mayors and Sector Specialists on Effective Governance of Revenue Management! We are honored by their participation in today's proceedings. Please join us for this discussion as we hope for some healthy debate and discussion on the topic.



Cllr Mondli Gungubele  
Executive Mayor of Ekurhuleni Municipality



Cllr Kgosientso Ramokgopa  
Executive Mayor of City of Tshwane



Cllr Bongani Baloyi  
Executive Mayor of Midvaal Municipality

Moving Forward with



# IMFO CONFERENCE PROGRAM Monday 5 October 2015

## Back to Basics

## Walking the talk through Effective Governance

Earn 6 CPD Points for attending the conference

Time	Activity	Speaker & Venue
Monday 05 October 2015		
<b>Program Directors: Cheryl Reddy &amp; Sidwell Mofokeng</b>		
07:30 – 09:00	Late Registration	Conference Centre Foyer
09:00 – 09:10	National Anthem	Jiyana Secondary School
09:10 – 09:30 S1	Opening of the Conference	<b>Sidwell Mofokeng</b> Vice President
09:30 – 10:00 S2	Welcoming Address by the Executive Mayor	<b>Mondli Gungubele</b> Executive Mayor of City of Ekurhuleni
10:00 – 10:30 S3	IMFO Presidential Address	<b>Jane Masite</b> IMFO President
10:30 – 11:15	Refreshments	Exhibition Hall
11:15 – 12:00 S4	Keynote Address: B2B on Sound Governance in local government	<b>Nhlakanipho Nkontwana</b> HOD Gauteng COGTA
12:00 – 12:45 S5	Role of banks in promoting effective governance in the public sector: The Barclays Experience	<b>Stephen Seaka</b> ABSA: Group Head Public Sector
12:45 – 13:30 S6	Revenue Management – B2B	<b>George van Schalkwyk</b> IMFO Chairperson of Budget & Finance Committee
13:30 – 14:45	Lunch	Exhibition Hall 2
<b>Program Director: Aubrey Matshiqi</b>		
14:45 – 15:50 S7	Effective Governance (Revenue Management)  Panel discussion with Gauteng Metro Executive Mayors and Sector Specialists	<ul style="list-style-type: none"><li><b>Cllr Mondli Gungubele</b> Ekurhuleni Municipality</li><li><b>Cllr. Bongani Baloyi</b> Midvaal Local Municipality</li><li><b>Cllr Kgosientso Ramokgopa</b> City of Tshwane</li><li><b>Xolile George</b> SALGA CEO</li><li><b>Sidwell Mofokeng</b> IMFO Vice President</li></ul>
15:50 – 15:55	Closure	
16:00 – 17:00	IMFO AGM	
16:00 – 18:00	Viewing of the Exhibitors stands	
18:00 - Late	<b>18:00 – 19:00 Awards Ceremony by Invitation</b>  <b>19:00 Gala Function, Theme: Ebony &amp; Ivory...You don't want to miss this. Welcome drinks served in foyer of Assembly from 18:30.</b>	

## PROGRAMME DIRECTORS



Cheryl Reddy



Sidwell Mofokeng



Aubrey Matshiqi

**Remember to download and install the IMFO Mobile App for the Conference.**

For further instructions go to  
<http://cdn.entelectonline.co.za/wm566841-cmsimages/IMFOMobileApp.pdf>



# CHAIRPERSON'S ADDRESS AT THE LAUNCH OF BACK TO BASICS PROGRAMME IN GAUTENG

written by Maphefo Mgadi, Municipal Finance Directorate of SALGA Gauteng 18 August 2015

On the occasion of the official launch of the Back to Basic (B2B) Programme in the Gauteng Province, Councillor Tau commended the COGTA and Human Settlements MEC Mr. Jacob Mamabolo with having the foresight to launch the Provincial Chapter B2B programme in Diepsloot.

As we all know, the area Diepsloot is one of the first post-apartheid settlements that were started in 1994 and presents its own unique spatial, socio and economic challenges. In his address, Councillor Tau, who serves as the Executive Mayor of Johannesburg and also serves as the Provincial Chairperson for SALGA Gauteng, pointed out that, Diepsloot is a microcosm of the reality of South African Townships and both the City of Johannesburg and the Gauteng Provincial Government are seized with the responsibility of ensuring that there is proper Urban Management of all resources.

## THE GENEALOGY OF PROBLEMS

It is important to understand the genealogy of the problems facing Diepsloot if we are to mount a successful response to its challenges such as:

- Over population
- Overcrowding
- Pressures on Government services
- Crime and Grime

## Back-to-Basics

"I am happy to confirm that all the pillars of the Back-to-Basics Approach are aligned to our strategic goals for the period up to 2017."

## Councillor Parks Tau

Organised Local Government is committed to ensuring the objectives of the B2B are met, and at its National Members Assembly held in March

2015 SALGA endorsed and unanimously adopted the Back-to-Basics approach and deliberated on best to fast track its implementation and institutionalisation in municipalities.

## PROGRESS TO DATE

Just after the NMA SALGA Gauteng working with various Provincial Government Departments has embarked on an accelerated programme to provide support to its member Municipalities. The following was achieved:

- Establishing baselines for municipalities to ensure that they fulfil their role as service authorities with respect to water, sanitation and electricity ;
- Developing and implementing a strategy for service delivery support to municipalities based on differentiation ;
- Assisting with improving oversight and accountability, in particular strengthening MPACs and Audit Committees, through the Municipal Audit Support Programme, and
- Initiating programmes to ensure clean administration, fraud and corruption.

Political and executive leadership is absolutely key to the culture of the sector and its credibility and reputation with the public it serves. Mayors and councillors are elected to be doers, not debaters. Voters want clean streets, quality schools, affordable housing and, above all, safe neighbourhoods, according to Councillor Tau.

In his concluding remarks, Councillor Tau stated a very poignant statement when he said;

"I wish to point out that...great plans and bold gestures mean nothing if the bins are not emptied and the basics are not done. The people that have elected us, have so much expectation and hope for us to improve their lives for the better, we dare not fail them!"



Welcome to

**IMFO ANNUAL CONFERENCE 2015**

Visit us at Stand **(34)**

**ums** Est. 1996  
IPES-UTILITY MANAGEMENT SERVICES (Pty) Ltd

www.utility.co.za  IPES-UMS



**ARMS-Audit & Risk Management Solutions**

ARMS is a dynamic accounting, auditing, forensic investigations, advisory and consulting firm that provides professional services mainly to all spheres of government in South Africa.

ARMS has established its base of operations in Gauteng with Headquarters in Johannesburg. ARMS assists clients with all matters relating to assurance, enterprise wide risk management and governance.

The founders and partners of this firm bring decades of accounting and auditing experience to the business. This group of professionals are leading the company as it establishes a reputation of providing high quality professional services.

**Our services are:**

- Advisory & Assurance
- Internal Auditing
- Governance & Compliance
- Risk Management
- Specialised Training
- Special Investigations
- Performance Auditing
- PMS Support
- IT Auditing
- SCOA Implementation, Support & Training

**OFFICE:** +27 11 484 1235; **FAX:** +27 86 619 9887; **WEB:** www.armsaudit.co.za;  
**EMAIL:** info@armsaudit.co.za; **PHYSICAL ADDRESS:** St. David's Park, Block 9, 1st Floor, Parktown

**ARMS**  
AUDIT & RISK MANAGEMENT SOLUTIONS

Moving Forward with



# Partnering our skills with the public sector to manage, support and maintain the projects that **move our country forward.**



As primary banker to major players in the public sector, Standard Bank is providing world-class expertise to finance local progress. This allows the industry to deliver the solutions that will uplift our country.

For more information visit  
[www.standardbank.co.za/business](http://www.standardbank.co.za/business)

Authorised financial services and registered credit provider (NCRCP15).  
The Standard Bank of South Africa Limited (Reg. No. 1962/000738/06). SBSA 7906 01/15  
Moving Forward is a trademark of The Standard Bank of South Africa Limited.



**Standard  
Bank**

**Moving Forward™**

# Effective Municipal Governance through a Value Driven Ethos

Professor André de Villiers, Associate of Crest Advisory Africa.

The theme of this Conference is Back to Basics – walking the talk through effective governance. How basic, yet appropriate can we get?

The South African economy is in crisis. Economic growth is very limited, job opportunities are becoming less and less, investment in new production capacity is declining and the public is becoming deeply indebted. Poverty is increasing and many households go hungry.

Within this dire situation, government coffers are running dry and the public cannot be taxed more to pay for increasing government expenditure. This clearly means that more must be done with less. It emphasises that effectiveness, efficiency and being economical and cost minded, are extremely important.

The media regularly indicate that few government organisations are functioning and performing at optimal levels. However, the public sector has for many years been the only area where job growth has occurred. Whilst the private sector has been downsizing and cost-cutting, it is the community's perception that the public sector has been rather wasteful with resources and productivity has declined. We regularly read about expensive overseas visits by top politicians and officials, large entertainment bills and expensive cars being bought. Capital projects are seldom completed within time and expenditure overruns are often more than double the amount budgeted.

Violent protests often occur and service delivery is mostly blamed. The public just doesn't trust government, especially in relation to corruption and wastage.

So where do we start to rectify these unfavourable practices and so improve the image of government at all levels?

Well, municipalities are probably the best place to start. The Municipal Systems Act is an appropriate document to guide our thinking. In setting the purpose of the Act the following is stated: "... to provide for the manner in which municipal powers and functions are exercised and performed; to provide for community participation; to establish a simple and enabling framework for the core processes of planning, performance management, resource mobilisation and organisational change which underpin the notion of developmental local government; to provide a framework for local public administration and human resource development..."

A few key words are: power, function, planning, performance management, resources, developmental local government, human resource development and community participation.

Councillors and Municipal Managers can use their power to get projects started and completed by the municipality to serve the needs of the community. Every decision made by the municipality should be fair, transparent, economically and technically sound. There should be clear lines of responsibility and accountability.

On the other hand power can be misused to swing decisions more towards enriching councillors or officials, to the detriment of the community and the municipality.

A municipality functions well when it delivers essential services such as water, electricity, waste removal and processes sewerage. To do this on an on-going basis it is necessary that the capacity of infrastructure keep pace with the ever increasing urban population. Many water and sewerage systems just can't cope; maintenance is often lacking and huge leaks cause sinkholes and damage to the ecosystem. Capital projects should be planned and executed efficiently and effectively.

But, we all know that systems are run by people and people's attitude, intentions and commitment to their task determine how well they perform in terms of objectives and expectations set by a system. Human resources can only perform their management tasks when they are properly qualified, trained and have the necessary experience to undertake tasks efficiently and effectively. The technical and managerial capability of most municipalities is of concern. For example the ratio of engineers to residents in towns and cities has drastically declined.

Every municipal system consists of interlinked sub-systems, each performing a specific function or task. When one sub-system, such as a sewerage system, breaks down it affects many others. Nothing irritates residents more than having a daily stink in the nose. Furthermore, rivers and streams become polluted and these in turn detrimentally affect the ecological and agricultural systems in the vicinity.

The term integrity of a system refers to a system performing as is expected. The billing system of a municipality should be fair and equitable and not cause people distress.

But, a system can only have integrity when the people who manage those systems on a day to day basis have integrity.

We are increasingly aware of growing corruption and councillors and officials enriching themselves. The term tenderpreneurship is now commonly used. As they say: 'It takes two to tango' and the private sector paying bribes is as much to blame as the public sector receiving them.

It is important that any business system will at all times consider people (employees as well as residents of the town or city), planet (sustainability of the ecological environment) and profits (or ensuring that the risk taking entrepreneurs earn a reasonable return on their investment). Without these business enterprises either fall foul of the law or eventually go bankrupt. The term Triple Bottom Line is also used to indicate that eventually governance deals with finances as well as human and ecological issues.

Although municipalities do not have a profit motive, the Municipal Systems Act and the MFMA emphasise that public funding be efficiently, effectively and economically used.

In conclusion we can state that a municipal ethos or value system should guide every municipality. The key to success is that the following classic strategic priorities apply: Leveraging efficiencies and consistently delivering excellent service to all customers in a municipal area through inspired employees.

## JOKES



**"Always start your presentation with a joke, but be careful not to offend anyone! Don't mention religion, politics, race, age, money, technology, men, women, children, plants, animals, food...."**



**"As CEO, I try to set an example for everyone else in the company. That's why you never hear me complaining about the size of my paycheck!"**



A man wearing a South African flag-colored shirt, blue pants, and a white helmet is climbing a large, dark rock face. He is using ropes and carabiners. The background is a clear blue sky.

Akani RFA  
believes that  
every  
mountain  
top is within  
reach if we  
just keep  
climbing...

*A leader in Employee Benefits*

- Benefit Administration
- Beneficiary Fund Administration
- Housing Loan Administration
- Legal, Compliance & Secretarial
- Marketing, Communication and Tracing
- Financial Management and Control
- Property Administration
- Investment Performance Monitoring and Reporting
- Financial Intermediary Services/Brokerage
- Unclaimed Benefits

[www.akafin.co.za](http://www.akafin.co.za) | Call: 011 578 5333

# SINGLE PROFESSIONAL BODY FOR PUBLIC FINANCE MANAGEMENT (PFM)

By Daniel J de Lange

## 1. Introduction

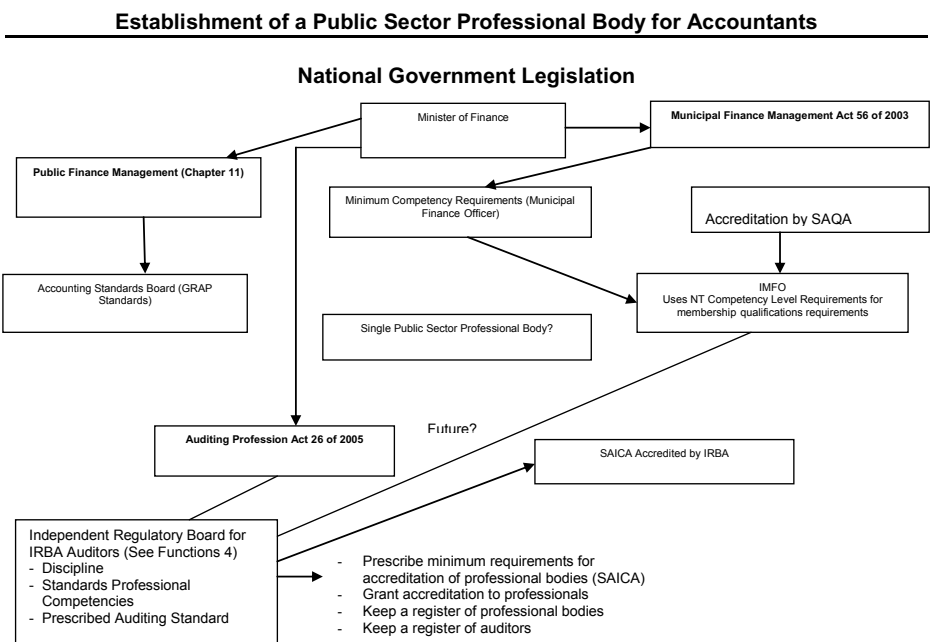
The Public Sector Committee was established by the IMFO Board this year with the responsibility to develop implementation plans for the establishment of a single professional body that will represent finance professionals in the whole of the Public Sector. From the limited research done in this regard it is evident that the establishment of a single professional PFM body will be an enormous task which will require commitment and dedication of the CEO and his staff as well as the IMFO Board and other stakeholders. Draft Terms of Reference have been determined for the committee which will give direction on the way forward. The draft terms of reference are detailed below:

- Determine functional areas which will be included in the PFM professional body
- Determine the types of membership
- Confirm membership requirements for functional areas (e.g. CFO,S ,INTERNAL AUDITORS and PF Officers) for the Public Service bearing in mind NT competency requirements
- Develop proposals on how the PFM Body will be organised taking into account the specialised areas of municipal finance and national and provincial government finance( the constitution could provide for a Board consisting of representatives from the municipalities and government bodies and two sub-structures one which specialise in municipal finance the other which specialises in national and provincial government finance)
- Develop a draft constitution(MOA) for the PFM body which must include the establishment of provincial branches catering for public finance(municipal as well as provincial and national government finance officers)
- Draft a business plan for the establishment of the PFM body and a medium term budget
- Establish a PFM task team to discuss proposals with National Treasury (NT) and other government bodies
- Set up meetings with NT and other stakeholders and propose that a joint committee be formed consisting of IMFO members ,NT and GOGTA to develop proposals to establish a single professional PFM Body and develop an appropriate legislative framework and implementation plan for such professional body detailing membership requirements and its powers and functions

The IMFO Board resolved that the chairpersons of the Standing Committees will serve as members of the committee.

## 2. Existing PFM Legislation

The complex legislative framework which regulates PFM, public auditors accounting standards and professional accounting bodies is summarized in the diagram below:



The following is evident:

- There is no dedicated professional body representing PFM professionals;
- The Minister of Finance has wide ranging legislative powers to determine competency requirements for PFM officials;
- The Accounting Standards Board is responsible for determining GRAP accounting standards for the public service is established in terms of the PFMA;
- Auditing Profession Act (APA) establishes the Independent Regulatory Board for Auditors (IRBA) which prescribes minimum requirements for accreditation of professional bodies, grants accreditation to professional accounting / auditing bodies , keeps a register of professional bodies and public auditors;
- SAICA is the only professional body that has been accredited by IRBA;
- The MFMA and regulations promulgated by the Minister of Finance determines competency level requirements for local government officials (Municipal Senior Management). It does not seem that similar requirements are applicable to the Chief Financial Officers and accounting staff of Provincial and National Government.

In January 2014, the Minister of Cooperative Governance and Traditional Affairs promulgated the Appointment of Senior Managers and Conditions of Employment Regulations which also prescribe competency requirements for senior managers including CFO'S in great detail.

There is at present no legal and regularity framework at present to establish a single professional PFM body to govern the PFM profession. It has been suggested that a single PFM professional body should have its own regulatory structure which fits into the national legal framework. The elements of a regulatory structure generally consist of:

- A PFM Accountants Act which recognizes the professional body as the legal entity representing the profession. The Act may provide the body with powers to register and regulate its members, as well as specific responsibilities;
- A constitution and by-laws for the professional body;
- Admission requirements to the professional body and a register of members;
- Rules of professional conduct and ethics which go beyond the legal framework. These should be based on the Code of Ethics for Professional Accountants developed by the International Ethics Standards Board for Accountants (IESBA) of IFAC; and
- Professional bodies with members drawn from the public sector should keep in mind that a further expectation of high standards of behaviour is overlaid on those members, who are perceived as being in positions of public trust.



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

Usually there are **three kinds of problems** when it comes to spending that the auditors might flag or what the auditor-general terms the '**UIF**' factor. The:



**U** is for **unauthorised spending**: that is, spending that goes over budget or was not used for the purpose intended. This can be as a result of admin errors or accidents.



**I** is for **irregular expenditure**, which is spending that was incurred 'without complying with applicable legislation'. This may be caused by procedures not being followed.



**F** stands for **fruitless and wasteful expenditure**, which is when pointless spending that could have been avoided, is uncovered. This can be simple things such as not paying suppliers in time and incurring interest.

**#AGSABackToBasics**



3. Burning Questions

Some burning questions regarding this matter include:

- Does SA need a single professional body for PFM?
- What public finance functional areas should be included in the Professional Body (PB)?
- Does IMFO have the recognition and influence to initiate a project of this nature?
- How will the project be initiated bearing in mind that NT has the legal mandate over these matters?
- Does IMFO have the necessary personnel, ICT and financial resources to establish the new body?
- How will the committee that will oversee the project be structured and who (bodies/ departments) will be the members of the committee?
- How will the interim Board be structured?
- Will the new body be constituted in terms of a legislated framework that will guide its powers and functions?
- What will the membership qualification requirements be for the different spheres of government?
- It is clear that there are may issues that will have to be researched and debated by stake holders in an effort to determine appropriate strategies aimed at establishing a single PFM body for the public sector.

4. Professional Bodies

The legislative framework should determine which finance functions (Finance, Internal Auditors, etc) should be included in the professional body. It will also deal with the roles and responsibilities of the governing body as more fully detailed below:

- At present in the scope of Public Finance Management (PFM), there are a number of professional bod-ies and associations, which can be either statutory or non-statutory, and will be expected to -
- Align their Codes of Conduct and ensure that their members adhere to its provisions;
  - Promote and ensure professional development to ensure continuous professional development and life-long learning;
  - Conduct on-going research and disseminate good practice amongst members;
  - Develop a collective and collegial ethos;
  - Set and enforce ethical work practices and behaviour;
  - Set relevant competence criteria for admission into the profession and accreditation of educational programmes;
  - Oversee the certification and licensing of professionals, and assisting national and state level authorities in the setting of legally enforceable occupational standards;
  - Ensure that the supply and demand of technical and professional competence in key sectors are met;
  - Develop a clear set of norms and standards for the relevant occupational category in the local government sector;
  - Establish minimum competence levels based on national competence frameworks and job profiles; and
  - Develop RPL procedures, through which professional bodies can assist employees in obtaining accredited qualifications after the RPL process is completed.

This professionalisation framework must adhere to the new policy and criteria developed by SAQA (under the National Qualifications Framework Act of 2008) for recognising a professional body and registering a professional designation on the NQF as it provides a positive opportunity for professional bodies to further develop and expand their work.

- The Professional Body must have appropriate capacity and should be sustainable. This means that the body can plan with confidence for the future, and can acquire the resources it needs to carry out its work and pursue its mission.

‘Professionalism’ would refer to the competence, work practices, ethos, behaviour and attitudes typi-cally displayed by members of such a profession.

Support of members

- The professional body should aim to support its members by:
- Identifying and providing access to relevant professional support services, including insurance or IT support;
  - Supporting networks of active members, as a basis for sharing information, issues and ideas;
  - Providing technical guidance and advice;
  - Providing access to an up-to-date accounting information resource (e.g. professional library and associated databases); and
  - Providing access to relevant career planning and development resources.

5. Objectives of the Professional Body

- A well organized and respected professional body is an essential part of a fully functioning account-ancy profession. The main objectives of a professional accountancy body include:
- Protecting the public interest by ensuring observance by its members of the highest standards of professional and ethical behaviour;
  - Determining the eligibility criteria for membership of the body;
  - Regulating members in public practice;
  - Promoting the interests of its members;
  - Determining the entry requirements for students;
  - Promoting the education ,training and certification of accountants (including continuing professional development and practical experience); and
  - Developing good relationships with government, other national professional accountancy bodies and regional groupings.

6. Examinations and Practical Experience

- As part of its admission requirements, a professional body needs entrance examinations and training requirements. These should follow the International Education Standards (IES) issued by the Interna-tional Accounting Education Standards Board (IAESB) under the auspices of International Federation of Accountants (IFAC). The IES cover:
- Entry requirements to a program of professional accounting education;
  - Content of professional education programs;
  - Professional skills;
  - Professional values, ethics and attitudes;
  - Practical experience requirements;
  - Assessment of professional capabilities and competence;
  - Continuing professional development (CPD); and
  - Competence requirements for audit professionals.

7. Working with Government to Protect the Public Interest

Supporting economic growth and protecting the public interest are objectives shared by govern-ments and professional accountancy bodies. Where the professional body seeks to meet the needs of accountants, auditors, budget staff and others involved in public financial management in the public sector, as well as attract members from the private sector, then government will have an additional interest in the establishment and development of the body. Regardless of sector, government will also have an interest in ensuring that the profession is properly regulated, and that its structure and governance reflects the public interest. In working with the government, the group forming the pro-fessional body should therefore keep in mind this range of common interests. Additional considera-tions include the scope of the mandate the government has in forming the professional body, where government is being proactive in establishing the body, and from where that mandate comes.

8. Governance structure

- The main governing body of a professional organization is its Board. This consists of a small number of senior members, who should be qualified to international standards. Board members are normally elected by the membership at large. They are generally elected for a three year term which can be renewable one or more times.
- The Board is usually led by a President who may have a Deputy President and a Vice President. They serve for fixed terms and are elected by their fellow Board members.
  - The Board may appoint Committees and Task Forces to assist it in its activities. These Committees and Task Forces often include:
    - Regulatory and Disciplinary Committees;
    - Functional Committees (e.g. Finance); and
    - Task Forces for ad hoc assignments.

9.1 Appropriate Legal and Organizational Structure for a New Professional Body

- Some of the factors to be considered in determining the most appropriate legal and organizational structure for a new professional body are:
- The purpose behind the establishment of the professional body;
  - The existing legal framework, if any, for the regulation of the profession;
  - The number of qualified PFM accountants in the country and the general nature of their qualifications, including the type(s) of designation they typically possess;
  - The legal protection, if any, for certain professional titles (e.g., statutory auditor, accountant, etc.);
  - The nature of the tasks, if any, which are reserved in statute or regulation for professional accountants;
  - How the profession and the government are likely to interact, including the amount of government involvement in the day to day activities of the professional body;
  - The accounting and auditing standards usually followed by professional accountants in preparing and auditing financial statements, set alongside the requirements of the international standard-setting bodies;
  - The nature of the needs within the profession for continuing education programs;
  - The estimated future demand for professional accountants in all sectors within the country;
  - The extent and quality of the educational system for the development of professional accountants, including the nature and extent of potential education and training providers;
  - The specific activities and programs that will be carried out by the professional accountancy body and those that will be undertaken by governmental bodies or other organizations;
  - The resources that are likely to be available to fund the activities of the proposed professional accountancy body, including the funds which will be available for initial investment as well as those which will finance future operating costs; and
  - The proportion of accountants in the country who hold membership of a professional account any body outside that country.

9. Disciplinary Procedures

Once a code of ethics and other relevant professional requirements have been established, it is critical to ensure that members are aware of them and remain in compliance with them. In countries where licensing is a governmental function, governmental or regulatory bodies usually have the power to impose the most severe disciplinary actions. Even when that is the case, a professional account-ancy body still needs to have an effective disciplinary process for investigating and disciplining its members (individual members, and if local laws permit, firm members) for breach of the rules, gross professional negligence and other relevant types of misconduct and, where appropriate, to assist governmental and regulatory bodies. Thus a professional accountancy body will need to consider how disciplinary investigations should be conducted, what due process should be followed, what disci-plinary structure should be established, what standards of evidence and proof should be required, what sanctions might be recommended, and what appeals should be permitted.

10. Critical Institutional Capabilities

- A professional body requires key institutional capabilities to be able to meet its objectives and further develop. A new professional body will need staff of a Chief Executive and a Secretary, and have the capacity to:
- Manage office administration;
  - Keep an accurate and up to date register of members and students by using Information Technology; identify those members who are qualified to carry out public audit and distinguish them from those who are not;
  - Organize Council, Committee and Task Force meetings, which should use agendas and minutes;
  - Organize members’ services, communications, and national and international relations;
  - Organize students, examinations and records of training;
  - Organize Continuing Professional Development (CPD);
  - Organize technical services for members;
  - Create a library;
  - Handle legal and technical issues and projects;
  - Handle public and press relations as well as promotion activities (e.g., seminars, conferences);
  - Establish and manage institutional relations with other professional bodies, government, development agencies and other stakeholders; and
  - Access translations of international accounting, auditing and ethics standards and guidance
  - Investigate and discipline the activities of its members.

11. Challenges and Risks

- The following challenges and risks have been identified relating to the establishment of a single PFM Professional body:
- No legislative framework for PFM professional body;
  - Obtaining agreement of types of membership, designations, membership requirements, and a professional evaluation examination;
  - Establishment and operating the professional body will require significant amounts of funding;
  - NT may not support IMFO’S vision of establishing a single PFM professional body;
  - Financial support for establishing and operating such a professional body may not be available;
  - National and provincial government does not have legislated competency requirements for finance officers;
  - GRAP accounting standards not fully implemented by national government departments;
  - There may be different qualification requirements for municipal and other spheres of government and there is a need for inclusion of public sector subjects in the curriculum of universities; and
  - Competition from other professional bodies such as SAICA and SAIPA WHICH HAVE WIDE RECOGNITION IN THE PRIVATE SECTOR.

Summary

For IMFO to champion the establishment of a single professional PFM body will require more research and addressing the issues raised in this report. I believe that we will need to do some soul search-ing to establish whether IMFO has the necessary resources, tools and commitment of all the internal and external role-players to embark on a project of this nature. It will require immediate attention to address the challenges and risks as detailed in the report and to establish the level of dedication and commitment of all role-players to achieve the objective. There is no doubt that IMFO which has promoted the professional status of municipal finance officials over a period of more than 85 years can play an important role and is an important stakeholder in any project which is aimed at professionalising Public Finance Management.

References  
Establishing and developing a professional accountancy body  
December 2010 by the International Federation of Accountants (IFAC).  
MFMA  
PFA  
Auditing Profession Act



# Back to Basics

## - A Municipality Soccer Analogy

By Yusuf Aboojee –Senior Manager: Strategy & Special Projects - MBD Credit Solutions

Too often we see the rise and fall of a soccer team whether it be national or international. Take Liverpool for instance; a giant of English soccer in the 70s and 80s, now reduced to a team struggling to get into the top 4 of the premier league. But we don't need to look that far, remember Manning Rangers the winners of the inaugural PSL now no longer existing. Many experts say that the key to soccer clubs getting back to their winning ways is to go back to the basics, being get leadership in defense, get a creative midfielder and get a powerful striker. But you may be asking, what has this got to do with the municipal environment and especially how can it assist me in reducing my municipality debt and enhancing my revenue. Well, let's see where this leads.

According to a recent National Treasury report, the total debt owed to South African Municipalities is currently sitting at approximately R107 billion, a 13.3% increase from the previous year. This increase in debtors has led to municipalities becoming less sustainable through escalating uncollectable debt, which affects the revenue of municipalities and impacts on service delivery, in other words in my analogy, municipalities are lacking in making their goals and are losing their championship status and may be relegated next season if change does not occur. There are a number of reasons why this is occurring and touching on the main points, research has shown that a lack of skills, lack of capacity, inefficient audits, incorrect billing, poor or no debt collection process, no proper query resolution and feedback process are the primary reasons why municipal debtors are escalating. A change of strategy is needed, municipalities, like soccer teams need to get back to basics. End of season is here, so let's start planning for the new year. Let's get back to basics and start fixing the gaps.

New Goalkeeper is needed...

The Goalkeeper is one of the major specialized positions in soccer, and their primary role is to prevent the opposing team from scoring a goal. Goalkeepers play an important role in directing the on field strategy as they have an unrestricted view of the entire pitch, giving them a unique perspective on how the game develops. In the same way a municipality has to have a specialized role, function or skill that can prevent it from an escalation in debtors, which is able to see the big picture and is able to direct performance. Ensuring that municipalities have the right people is imperative to the success and implementation of any strategy. According to the recent Auditor General's report, there is mismanagement of financial practices and certain individuals are not qualified enough to manage municipal finance departments. At the same time, the community does not have confidence in the ability of the municipality due to their interactions with inefficient and unknowledgeable customer facing staff and management. A proper workforce plan needs to thus be put in place in order to eradicate these issues.

Municipalities need to review their recruitment policies and conduct skill audits in their Revenue Management departments or Credit Control departments. This will determine whether they have the right people for effective management and implementation of revenue strategies.

Good workforce planning is making sure that municipalities have the right number of people with the right skills, experience and competencies in the right jobs. Fixing this key problem in municipalities can result in the first step toward better revenue management and ultimately revenue enhancement. The community which the municipality services; will start to have more confidence in their municipality, leading to more interaction and possibly an increase in collections. Similarly once a soccer team has confidence in their goalkeeper, they can rest easy and focus on attacking the opposition's goal. If a municipality is able to get the right people, they can thus concentrate on more pressing areas of concern.

Leadership in Defense...

A soccer team is only as strong as its defense. Play start from the defense. In the municipal context, the revenue process starts with the reading of meters and billing process. Let's start from the right of defense and move to the left. On the right we have a huge point of frustration for most consumers with regards to meter reading and meter audits. Meter readings and meter audits are very important in ensuring that municipalities are able to function and bill efficiently due to the fact that they are the start of the revenue process. Research has shown that many consumers withhold payment due to incorrect meter readings, incorrect billing and inefficient credit control processes. Municipalities need to put processes in place to ensure that readings are correct and that meters are regularly audited. Audits should also ascertain which meters need to be updated and or fixed. Also municipalities need to ensure that the companies that they outsource this function to are reputable and are able to deliver.

Moving Forward with



Solving the problem of meter readings and audits will ensure that the billing process is correct and made more efficient. By having the correct meter readings, more accurate bills will be sent out leading to increased payments and improved revenue. Having a reliable defense will ensure protection and leaking of goals.

Creative Midfielder...

Creative midfielders typically serve as the offensive pivot of the team. It is an important position that requires the player to possess superior technical abilities in terms of passing and dribbling, perhaps more importantly, the ability to read the opposing defense in order to deliver defense-splitting passes to the strikers. Similarly, municipalities need to ensure that they understand their market and also need to have the tools to meet the challenges experienced by both the municipality and the community it serves.

From a systems perspective, making use of an effective revenue management system will increase debt collection, reduce municipal debtors' books and ensure an effective management of outstanding debt. The majority of systems that are currently in place are in need of upgrading or replacement. With the right tools and talent a midfielder is able to perform. Similarly having the right system in the municipal space can assist in better managing revenue processes. Understanding the needs of the community, the frustrations of the community and the challenges facing the community is also very important. Effective query resolution and customer care processes have to be put in place at all municipalities in order to ensure optimal client service and is imperative in ensuring that reputational risk to the municipality is avoided. Employees with excellent communication skills and the ability to deal with the public effectively should be allocated to the query resolution and customer care environment. This is key to the success of the query resolution process. Feedback mechanisms must also be built in which can assist in reputation building for the municipality. These are just two creative tools that can be employed by the municipalities in order to ensure revenue enhancement.

In addition, customer profiling coupled with market analytics and data segmentation, provides key customer insight that can assist municipalities to better service their consumers. There are companies in the South Africa that are able to assist with improved customer profiling.

Powerful Striker...

Strikers are the players on an association football team who play nearest to the opposing team's goal, and are therefore most responsible for scoring goals. Not to be confused with the individuals that take part in strike action that occurs regularly in South Africa, these individuals are key to ensuring victory for the team. Without a powerful striker, a team cannot score frequent goals. Similarly in the municipal space without communication with the community, a municipality cannot meet their set objectives. Communication with the public is important to ensure that all stakeholders are kept aware of new developments that are being put in place. An effective communication strategy must be put in place that clearly details the message that the municipality wants the consumer to know about, along with plans to improve service and billing. These could be via various media which include television, radio, SMS, billboards and the internet to name a few. In this day and age mobile technology is an effective solution in two way communication between the municipality and consumer. There should also be a mobile service centre that consumers can access for any queries or communication. Two-way communication will also ensure that issues are fully understood and addressed. It will also give the consumer peace of mind and build confidence in the municipality.

Full Time

So to conclude, many soccer teams have gone back to basics when looking at ways of improving performance. Those teams that are underperforming but have not gone back to the basics suffer in the long run as fan confidence and form ensure that they do not meet their objectives. Municipalities need to go back to the basics to ensure that the above mentioned points are functioning efficiently. If these basic steps are not in place, then it will have an adverse effect on the rest of the municipal revenue value chain. Start benchmarking your processes against municipalities that are performing well and see where they are in terms of the points above. It's time to get back to basics!

FACT #1

4 Billion

That's the amount of municipal debt we are collecting.

To be continued in tomorrow's issue!

MBD  
www.mbd.co.za



## Our Core Competencies

### CREDIT AND RISK ANALYSIS

- Analyzing debt books and evaluating risk
- Determining real value

### DEBT BOOK BUYING

- Offer to purchase debt books after analysis and evaluation
- Securitization of debtors' books

### CREDIT MANAGEMENT AND RECOVERIES

- Managing current debtors and recovering bad debt

### CREDIT PROFILING

- Tracing debtors and verifying debtors' information electronically

### INFRASTRUCTURE

- 300 seat call centre
- 150 trained staff members and the capacity to train and recruit more staff as and when required

### DEBT COLLECTION SOFTWARE PROGRAMS

- Lexiir System (Full at Interface & Auditable Recovery System)

### FLEXIBLE PRICING STRUCTURE

- No collection, no charge
- Adjustment based on: the quality of the information of the debtors, the age of the debt and the date of last payment.

**DEBT RECOVERY**  
**CREDIT MANAGEMENT**  
**INDIGENT MANAGEMENT**  
**DEBT BOOK BUYING**  
**ACCELERATED INFRASTRUCTURE**  
**RECOVERY PROGRAMME**

To be a leading provider of top-drawer, efficient and cost effective integrated debt recovery and credit management solutions.

Members of ADRA & Council for debt collectoras  
[www.nics.co.za](http://www.nics.co.za)

# “Speech by IMFO President on the Public Finance Sector Seminar”

Summary by Lindi Nolte, IMFO

“Ms. Jane Masite, the President of Institute of Municipal Finance Officers (IMFO), acknowledged the opening speech of Cllr Maisha and she further recognised the municipal mayors, municipal councillors, municipal officials, Deputy Auditor General (AG), Vice President of IMFO and various departments present. She indicated that the seminar is convened at the time when municipalities are preparing for submissions of the Annual Financial Statement and Performance Report. She further emphasised that the seminar is the third one which has been held annually and therefore recommended that it would be necessary if such sessions are hosted on regular basis.

She elaborated that municipalities should strive towards the clean administration by promoting the theme of clean audit and ensuring good financial performance by participating in the sessions which will be convened by IMFO to address challenges around Supply Chain Management (SCM) and risk compliance system. She also encouraged member municipalities to go back to basics. She further indicated that all senior officials in the municipalities are responsible for the promotion of good and sustainable financial management including section 56 officials, noting that there is a need to amend Municipal System Act (MSA) to ensure that section 56 employees are employed on permanent basis.

It was proposed that member municipalities should apply Consequence Management strategy in line with the guideline provided by South African Local Government Association (SALGA). It was further indicated that there is a need to relook at the quarterly review and performance review towards compilation of the Annual Financial Statement (AFS) and Annual Report. Municipality should be able to develop section 71 and 72 reports in terms of the MFMA. She further elaborated that municipalities should utilise tools such as Auditor General Dashboard which illustrates issues relating to finance and performance and further encouraged member municipalities to effectively implement such tools towards good financial management and governance. It was mentioned that the key commitment for municipalities is to hold stakeholders responsible on projects supported by them. In her closing remarks she indicated that all members are welcomed and seminar outcomes should be used as a tool for implementation and also to address challenges faced by member municipalities in their respective councils.”

## QUOTES

### Barack Obama

“if the people cannot trust their government to do the job for which it exists – to protect them and to promote their common welfare – all else is lost.”

### Mahatma Gandhi

“good government is no substitute for self-government”

### Albert Einstein

“we cannot solve our problems with the same thinking we used when we created them”

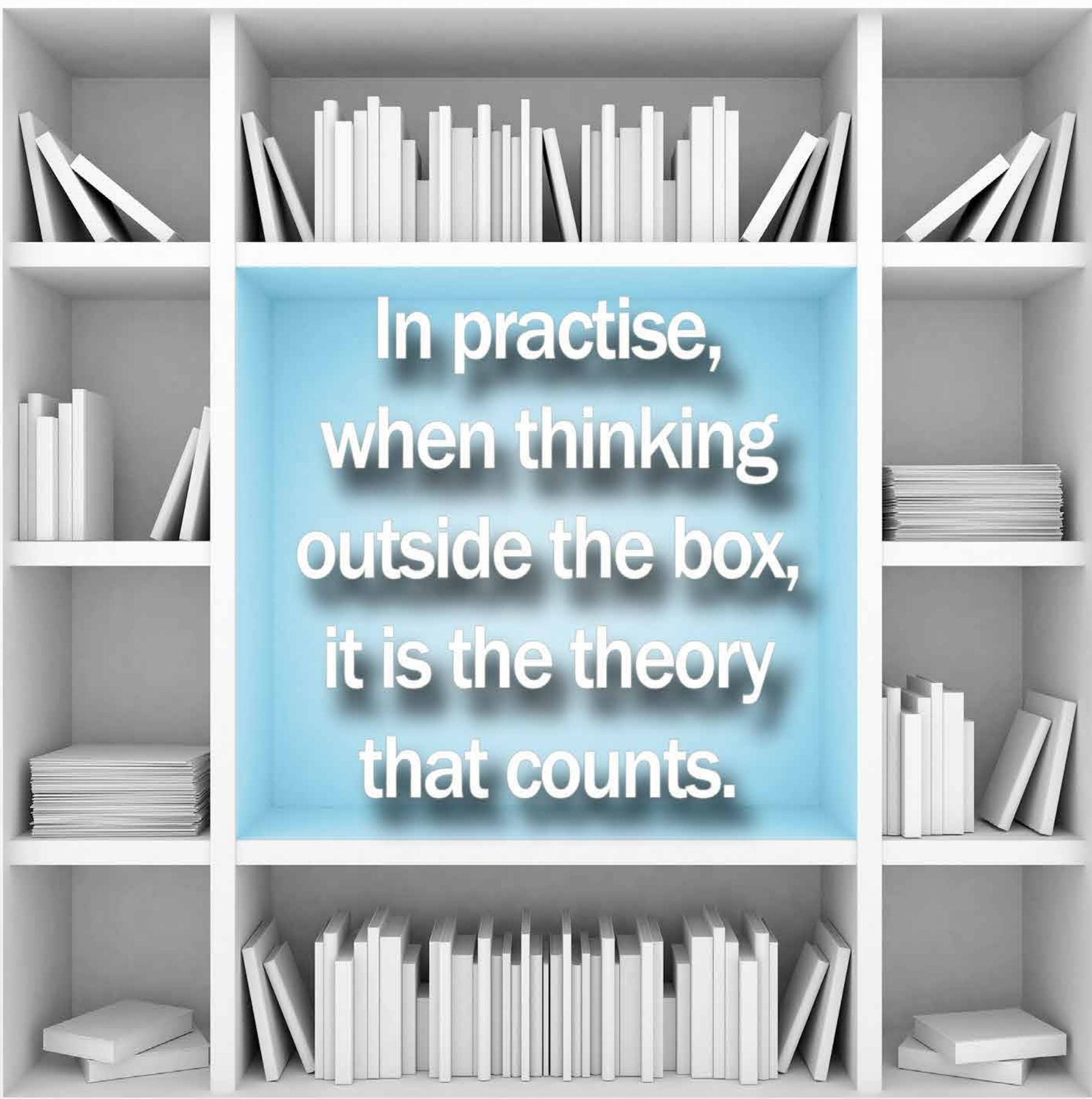
### Thomas Hobbes

“government is necessary, not because man is naturally bad but because man is by nature more individualistic than social”

### Nelson Mandela

“ It always seems impossible until it is done.”





**In practise,  
when thinking  
outside the box,  
it is the theory  
that counts.**

**We aim to assist municipalities in putting theory into practice when assisting with accounting (GRAP AFS & Asset Registers, Interim FS), financial management (asset management, budget, revenue, VAT) & governance (SCM, Risk, Performance management) support.**

  
**DUCHARME**

Moving Forward with





# IN CONSTRUCTION...

