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IMFO (ISSN 1607-520X), official journal of the Institute of Municipal Finance Officers. Editorial contributions are welcome, but the publisher does not accept responsibility for unsolicited material, views expressed by contributors or correspondence, nor for the accuracy of information printed in this publication. All material submitted for consideration is subject to the discretion of the Editor and the editorial committee. The Editor reserves the right to edit all material. Contributions should be submitted in final form (Word document) by e-mail: oceanm@imfo.co.za to the Editor, accompanied by a short summary and preferably a photo of the author. For specifications on advertisements material contact the editor or Eloise Watson at tel: +27 72 451 6878. All rights reserved. No parts of this publication may be reproduced without the written permission of the editor or IMFO.
This year the Institute is celebrating 84 years of success and achievement! In celebrating our 84th anniversary I thought I would complement this issue with an article titled... “What is in a name?” It is important that we share the history of the institute with you. Some members that have enrolled along the way have enquired about the meaning of the IMFO logo. This article will highlight IMFO’s history, logo, where we are now and where we are heading! It only made sense then that we redesign our image and give the conference, the journal and all marketing material a fresh new look and feel! I am sure many will agree that with the coming of age, one certainly gains some level of wisdom and without saying; With age comes beauty!

Browsing through the journal archives, I am in awe that IMFO has loyal members who have religiously continued to contribute articles and have assisted in raising the esteem of the institute. It is with no doubt that IMFO has achieved great milestones through the support of its members. We acknowledge that no institute can survive without its members. We are proud and happy that you chose IMFO as your preferred institute of excellence! IMFO will continue to consider and deal with all matters affecting the professional integrity of the members of the Institute. Read more in this issue on the Professional status of IMFO and its Membership Requirements.

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Enjoy the conference!
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Dear Colleagues

Audit season is upon us after the frantic reconciliations and accruals and closing journal entries that led to the development of the Annual Financial Statements. It also means that it is IMFO Conference time! I do hope that I will see many of you at the IMFO conference in Durban taking place from 29 September to 2 October.

I know that we are all pursuing “clean audits” (Unqualified audit opinions with no matters of emphasis raised), but we must remember that service delivery is ultimately our goal and every aspect of our working day should consider the communities we serve and getting the best value for the public funding entrusted to us as Public Servants. Unless we address good governance issues and make the pursuit of excellence invade every area of our working environment, unless we ensure internal controls are in place and working effectively, unless we enforce the clear segregation of duties and unless we push for the continued effective and efficient economical delivery of services to ensure that there is a reason for the community to pay for services, we are not going to have sustainable municipalities – and the goal of a clean audit would be meaningless. Communities need to feel the impact of public funds being ploughed back into the area to improve their living conditions. These public funds are either from the municipal rates that we all pay, or from the income tax we pay. If public funds are wasted, we are effectively penalising ourselves as we will suffer the consequences which could be a resultant increase in rates (and even tariffs) or an increase in income tax levels.

Some new legislation that will impact on local government significantly has just been published for comment. The Draft Municipal regulations on the introduction of the Standard Chart of Accounts for Local Government were published in the Government Gazette of 3 September 2013 (Gazette 36806, Notice 892 of 2013). These proposed Regulations, once promulgated, will be applicable to all municipalities and municipal entities. Please do take time to give your comments on this legislation before any end of year break is taken.

Further, the Municipal Property Rates Amendment Bill was submitted to Parliament. The Explanatory Summary of the Bill was also published through a Notice in the Government Gazette on 3 September 2013. This Amendment Bill attempts to address the issues that many municipalities have had with the implementation of the Municipal Property Rates Act. Please do take this important piece of legislation into consideration. The Amendment Bill, which will only become law once Parliament has approved it and the President has signed it, is available on the Cooperative Governance and Traditional Affairs website (www.Cogta.gov.za). The IMFO Property Rating Forum has made significant inputs to both this Amendment Bill as well as to the Property Valuation Bill (which has just been submitted to Cabinet for public comment publication approval) and will continue to give input to protect the best interests of local government finances in order to ensure viable and sustainable municipalities. Appreciation must be expressed to all those who have got involved in these meetings. Further, grateful thanks must be expressed to those Councils that have invested in the well-being of municipal finances through the sponsoring of the travelling arrangements.

In whatever way you can contribute, whether it be through the submission of comments on new legislation, the pursuit of a clean audit, the extraction of value for money for public funds spent or simply ensuring that service excellence prevails, keep up the good work. This will surely bring significant job satisfaction and touch the lives of those who need it most.

Yours in the pursuit of excellent financial governance for efficient, economical and effective service delivery!

Louise Muller
IMFO President: 2012/12 – 2013/14
How is your municipality doing?

The Auditor-General of South Africa (AGSA) recently tabled the 2011-12 general report on local government audit outcomes.

If local government attends to the key controls and addresses the risk areas and root causes highlighted in the general report and sustain good practices, positive audit outcomes can be achieved and maintained.

Play your part in bringing about positive audit outcomes to your municipality.

To learn more about these key controls and for more information on the general report visit our website on www.agsa.co.za.
I cannot begin to express how astounded we are at the direction this institute has taken. I will reiterate again what I have already written in the AGM Booklet. “It is without doubt that the year 2012/13 was an eventful year for IMFO!” This year has demonstrated yet again that IMFO has a meaningful role to play as a Professional Body in the local government sector.

It was with great excitement and honour when earlier this year SAQA announced the Recognition of IMFO as a Professional Body for the purposes of the NQF Act of 2008. SAQA also approved the registration of IMFO’s Professional designations. This achievement was one of the top key objectives of IMFO for the prior years.

It is difficult to write about any other thing at this time of the year as the focus is mainly on the IMFO Annual Conference. This is so because this is the time that our members in particular and all other stakeholders in general are coming together to discuss and shape the future of local government finance and governance.

This year’s theme, “Sustainable and compliant Governance -2014” was proposed by the delegates from previous Conference and have the Conference themed as such.

The MFMA provides for sound and sustainable financial management and makes it an offence to contravene or failure to comply with some of its provisions. Now, we need to look at how we can achieve sustainability and comply with all pieces of relevant legislation, regulations and best practices developed locally and internationally. We need to have a frank discussion if we are to achieve clean governance.

The 2013 Conference will also be used as a platform to try new ways of doing things logistically as recommended by our delegates. With the support of the host Cities, eThekwini, City of Cape Town and Ekurhuleni we have always managed to host world class Conferences. Discussions with other Cities such as the City of Joburg have already started and we are going to keep our members and all relevant stakeholders posted with developments in that regard. The 2013 conference will be a reflection of IMFO’s growth and the developmental role it plays for its members and stakeholders.

I would especially, like to take this opportunity to welcome all our new members to IMFO. I would like to further urge them to take part in all Branch activities taking place in all Branches in South Africa, Swaziland and Zimbabwe. New members are also urged to attend the IMFO AGM taking place at the Conference on Monday the 30 September 2013 at the Durban ICC.

One must indeed express gratitude to the leadership of the institute. The Institute Council under the leadership of our IMFO President Ms Louise Muller has religiously worked long hours in ensuring that IMFO is a recognised professional body for the development and promotion of Municipal Finance Officers and Local Government Finance.

A BIG thank you also to the IMFO secretariat that effortlessly seem to keep the institute afloat through all the challenges. I am amazed each day by the passion and dedication of the IMFO staff. It is a pleasure to work with staff that understands their role in the vision of the institute and significantly the important role of IMFO being a capacity development and support system for its members. The IMFO training programmes, workshops and seminars presented in 2012/13 financial year demonstrated such. The office received an overwhelming response of In-House Training due to high demand from our members in different Provinces.

If you are not an IMFO member I urge you to visit the IMFO stand at the conference, see what IMFO can do for you and also witness the achievements made to date. As it would fully appear from the report of the IMFO President and the Chairpersons of the Standing Committees of the Institute Council, the Committees worked tirelessly throughout the year and their good work is reflected on various achievements and progress made.

Mr Pr MNisi
Chief Executive Officer
The Auditor General (AG) has stated that results of audited financial statements 2011-12 show a “Regression in audit outcomes overall and in most provinces”.

Unfortunately it has been “business as usual” for many of the past years, resulting in the customary scramble at the end of the year to make sure a set of financial statements is prepared and submitted to the AG.

It is relevant to note that the AG has highlighted the fact that “qualified opinions have been avoided by correcting material misstatements that have been identified during the audit process”. If the misstatements were not corrected and the audit opinions were given on the original sets of statements submitted, the percentage of unqualified financial statements would have been 14% instead of 48%.

Too often, achieving an “unqualified” audit opinion has been seen as the pinnacle of financial management. What is not recognised by the financial managers in municipalities and the stakeholders generally is the value that can be derived by presenting statements that comply with the various GRAP standards to their leadership.

Yes, I do refer to leadership, rather than Chief Financial Officers (CFOs) only. The municipal managers (MMs), as accounting officers, are responsible for the efficient and effective management of the assets and liabilities of the municipalities. This obligation cannot be delegated to the CFOs or other senior management. The CFOs must lead and guide the Municipal Managers. However it is essential that the MMs understand what needs to be done in the management thereof.

So how does this tie in with audit opinions and financial statements?

MAKING SENSE OF THE AUDIT RESULTS

The AG issues and analyses audit outcomes with reference to their findings and areas of non compliance. While this analysis is received almost a year after the period to which they relate, the findings are repeated year after year with many municipalities shown to be guilty of not having addressed the issues of the prior years. It is a useful guide to the areas of operation that municipalities should be paying attention to if they are serious about not only obtaining an improved audit opinion but also in using the information for more effective management of their municipalities.

Let’s look at some of the areas of concern and non compliance and understand their effect on the management of the municipalities.
1. GRAP 17 – PROPERTY, PLANT & EQUIPMENT

This is one of the most contentious areas in a municipality’s operations and one that causes the most difficulty in meeting the requirements.

The objective of GRAP 17 is to “prescribe the accounting treatment of property, plant and equipment so that users of financial statements can discern information about an entity’s investment in its property, plant and equipment and the changes in such investment............”

The main concern here is not the accounting treatment, but the fact that a municipality needs to know what assets they have invested in, the varying condition of those assets and whether those assets are being utilised for the purpose for which they were acquired.

If this information is not available to management, they will operate in the dark. This is akin to making commitments to undertake the delivery of services (the reason municipalities exist), without knowing if they have the tools necessary to satisfy that commitment.

Depreciation is often viewed as an academic figure that is calculated to satisfy a requirement of the financial statements. It is generally calculated incorrectly, due partly to an incomplete list of assets, inadequate attention paid to correct categorisation and little idea of the condition of the assets. It is often discounted when assessing the performance of the municipality.

Depreciation is a reflection of the deterioration of an asset through its use and to a degree, the passage of time. Importantly by recognising the correct depreciation amount, it gives the municipality guidance on the amount of money that needs to be set aside to finance the replacement of such assets at the appropriate time.

How does one know the appropriate time?

There is a requirement to consider the reasonableness of the useful life of assets, i.e depreciation rate as well as any impairment every year. The purpose of this is not only to recognise correct book values of assets in the accounting records, but also to alert management of the condition of assets and make decisions on the repair or replacement of those assets.

As is evident from the above, complying with GRAP 17 is more than satisfying accounting requirements. The act of complying provides necessary information on the management of those items that provide the backbone to undertaking the services that municipalities are set up for.

2. GRAP 2 – CASH FLOW STATEMENTS

The objective of this standard is to provide “information about the historical changes in cash and cash equivalents ........ by means of a cash flow statement which classifies cash flows during the period from operating, investing and financing activities”.

It is safe to say that many municipalities consider the preparation of cash flow statements in the financial statements as a necessary evil. In the majority of instances, CFOs, accounting staff and even some of us as service providers lack understanding and have no appreciation of the information that it conveys.
The cash flow statement in a set of financial statements depicts the historical movement of cash during the year. This is useful, as historical figures go, to identify which component of activities contributed to the movement of cash; to ascertain how much of the cash was generated from operations, from the sale or purchase of assets and from the raising or discharge of loans.

The viability of a municipality will be enhanced if there is an increase in the “cash generated from operations” each year. This section identifies the cash that is raised through regular operations (i.e., from rates, electricity and water services, operating grants etc.) and deducts all the outflows such as payments of salaries, bulk purchases, payment to contractors etc.

If the result is a positive cash flow, it means that the municipality has generated sufficient cash through its normal operating activities to meet the related payments. If on the other hand, the result is negative, the municipality has lived beyond its means and has regressed in the management of its cash. This list is not exhaustive as there are many more aspects that can be enquired into, but you get the general idea.

Cash generated from investing activities relate to amounts received in respect of capital related activities (e.g., capital grants, sale of assets etc.) and payments made for capital expenditure. The expenditure may relate to the capital works program and/or the outright purchase of assets.

The section on cash from financing activities shows the quantum of cash raised from or paid to external sources (e.g., external loans raised to fund capital projects).

If a municipality takes comfort in their liquidity position based on a positive cash balance, they may be lulled into a false sense of security. By separating the cash flow into these 3 components, the municipality is informed of the composition of their cash balance.

For example, a municipality may show a substantial cash balance at a point in time (say the end of the financial year). The cash flow statement may highlight the fact that the cash generated from operations is negative, the cash from investing activities is breakeven or negative and the cash from financing activities is positive. Overall, the sum of balances in each of the above categories shows the cash balance to be positive.

This situation highlights that the cash balance is positive as a result of the loan funds received. These loan funds are restricted in their use for capital expenditure only and consequently the municipality faces a grim outlook in terms of cash availability for operational activities.

This example should emphasise the importance of paying attention to the make-up of the cash resources of a municipality. Importantly it should bring about an awareness of the need for a perpetual cash management process to be practiced as part of normal operations.
3. GRAP 1 – PRESENTATION OF FINANCIAL STATEMENTS

As alluded to previously, the annual financial statements in municipalities are, in many instances, prepared by consultants engaged for the purpose. These consultants typically commence their preparation of the statements after the end of June each year. That means they arrive at the municipality after the transactions relating to the financial year have been concluded. The consultants are hired for the job of compiling the statements and they have to make do with whatever information is made available to them by the municipality. As a result, the Chief Financial Officers do not get a feel for the financial position of the municipalities.

The transactional information, if recorded, is generally not used during the year to present a picture of the financial position of the municipality to senior management. This precludes management in being informed of the financial position of the municipality in a timely manner.

Preparation of Financial Statements is generally an all consuming exercise that occupies the finance departments of municipalities, to the exclusion of all other activities, for at least two whole months (July and August) of each year.

What this concentration of effort demonstrates is that there is very little work done during the year in recording, reconciling and compiling financial information. In addition to management not being informed of the financial position, as referred to previously, it also means that verification and confirmation of data is not undertaken, if at all, until it is time to prepare the financial statements.

This leads to a scramble at the end of the year to locate documents and complete reconciliations, merely to achieve some sense of order to the financial information presented in the statements. Such activity does not give sufficient time or enable the proper effort to be expended, in confirming the correct treatment of transactions to comply with GRAP standards.

The result is the restatement of financial statements that are submitted to the AG for audit by 31 August merely to meet the deadline.

In addition, in terms of the MFMA section 166, the audit committee must review the AFS to provide council with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall level of compliance with legislation. How many audit committees do you know, that review the AFS for this purpose rather than scheduling the meeting a day or so before 31 August to approve that the AFS be submitted to the AG for audit?

Consistent with the above, the AG has reported that “Financial statement analyses show significant risks that affect the financial health of local government”

The importance of financial statements to be prepared and to be presented in compliance with recognised standards.

Firstly, financial statements are required by law to be prepared by every municipality, to record transactions relating to a preceding period of 12 months and present them in a prescribed format. The 12 month period in respect of municipalities has been identified as being from 1 July to 30 June covering 2 calendar years.

A complete set of financial statements comprises the following:

- A Statement of financial position (Balance Sheet)
- A Statement of financial performance (Income & Expenditure)
- A Statement of changes in net assets
- A cash flow statement
- Notes, comprising a summary of significant accounting policies and other explanatory notes
Accounting standards are established and imposed in order to achieve a uniform way of treating relevant transactions. Uniformity in treatment of data is vital if such information is to be useful for interpretation.

While financial statements must be prepared to satisfy a legal requirement, municipalities will do well to reap the benefits of complying with this legal requirement.

Municipalities are familiar with the Statement of Financial Performance as it relates to the presentation of income generated and expenditure incurred.

What municipalities are not familiar with and shun away from is the Statement of Financial Position which is another name for a Balance Sheet.

The Statement of Financial Position contains a wealth of information about the municipality and its viability in the future. Many people have heard of Working Capital required to run a business. A shortage of working capital generally precedes the failure of businesses. This applies to municipalities as well. A common indicator is the Current Ratio which shows a relationship between Current Assets (those items that are expected to be converted to cash within the ensuing 12 months) and Current Liabilities (those items that need to be settled/paid for over the following 12 months). A ratio that depicts an excess of current liabilities over current assets (i.e., less than 1) should raise alarm bells in management of an impending or existing cash flow problem.

The Balance Sheet also portrays how much is owing to the municipality by the community (including local businesses and government establishments) and remains unpaid at a point in time. The longer the period these amounts have been outstanding, the more strain there is inflicted on the municipality’s cash resources. It means that the municipality has incurred and paid for costs that remain unrecovered from the persons to whom the services were delivered.

There is a plethora of such information that can be gleaned from a Balance Sheet. It needs to be recognised that an organisation is effectively run through the Balance Sheet. If there is insufficient attention paid to this statement (not just at year end, but right through the year), it means that a vital set of information about the municipalities’ financial position is being ignored. Inattention to this data is at the peril of the future operation of any organisation.

Some findings that emphasise the points raised above:

- 51% of municipalities are technically insolvent (liabilities exceed assets);
- 45% of municipalities have inadequate capital;
- 74 municipalities disclosed material uncertainty with regard to their ability to continue as a going concern

4. FRAMEWORK FOR REPORTING OF PERFORMANCE INFORMATION

The AG has stated that “the annual performance reports are not useful and/or reliable.” For us this means that the report that municipalities compile on whether they have met their planned service delivery objectives is not useful and cannot be relied upon.

- 74% of municipalities had material findings on predetermined objectives
- 224 municipalities had material findings on non-compliance with legislation relating to predetermined objectives
- The annual performance report included objectives and targets that were different to those in the performance report
The Integrated Development Plan (IDP) is representative of the program of work that the municipality intends undertaking over the ensuing 3 to 5 years. The contents of the IDP are then expanded in the Service Delivery and Budget Implementation Plan (SDBIP) which sets out the projects to be carried out together with timeframes and the relevant budgets. To ensure that these projects are successfully managed it is necessary for the municipality to identify milestones, performance objectives and standards of measures that provide confirmation of results.

Too often, municipalities do not set measurable standards, fail to collect relevant information to substantiate results reported and indeed fail to report altogether on progress achieved.

Municipalities, by publishing their IDP, make commitments to their communities that they will meet certain objectives. The SDBIP provides a framework for the achievement of those objectives. The AG, in the conduct of the audit, attempts to confirm that those commitments made by the municipalities are being met.

A properly constructed performance information reporting system that compiles accurate and substantiated information and the reporting of such performance information provide dual benefits to municipalities. On the one hand, it provides information to the AG that can be audited. The other very significant benefit lies in the information that is forthcoming to the leadership of the municipality in managing the meeting of their commitments.

**CONCLUSION**

There are many actions that municipalities need to undertake immediately if they are to meet the National Government’s imperative for municipalities to achieve clean audits by 30 June 2014. Those include, inter alia:

- Understanding the requirements of GRAP standards;
- Recording all transactions in compliance with GRAP standards;
- Recording transactions daily in the general ledger and reconcile at least once a month;
- Generating financial information from recorded data in general ledger; and
- Analysing the financial position of the municipality regularly and take corrective action.

The outcomes of the following the above steps will be:

- Updated and accurate financial data;
- Timely availability of relevant financial information;
- Creating an environment of financial knowledge of the municipality;
- Obviating the need for the preparation of year-end financial statements to be a major exercise;
- The availability of supporting documentation and the substantiation of information during the audit;
- Enhancing the likelihood of a positive audit result; and
- Improved financial management of municipalities.

This article has dealt with only a very small portion of the benefits that can be garnered from accurately prepared financial statements which are in compliance with GRAP standards. While the preparation of financial statements for audit is undertaken only once a year, there is nothing to prevent municipalities generating similar statements on a monthly basis. **In addition to meeting the compliance requirements for clean audits and GRAP, an appreciation of the value of information contained in those statements will lead to a better understanding of how best to manage a municipality’s financial affairs.**

The compliance with these standards can only result in a more financially viable local government. ©
IPES-Utility Management Services (Pty) Ltd is an experienced service provider with sound knowledge of Municipal finances and technical aspects of service delivery. Has since 1996 been extensively involved in the financial viability of Municipalities. UMS specializes in the development, implementation, and management of revenue enhancement and revenue protection strategies with our value proposition divided into the following primary Service Offerings:

- Revenue Consulting
- Revenue Protection
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- Indigent Management

**HEAD OFFICE**

Unit 14, Cambridge Office Park
5 Bauhinia Street
Highfield Techno Park
Centurion, 0048

Tel: (012) 565-4508 Fax: (012) 665-1031

Postal address:
P O Box 11000, Centurion, 0066

Web: www.utility.co.za

E-mail: services@utility.co.za

---

**REGIONAL OFFICES**

**WEST RAND/GAUTENG**

Unit 12, Pectoria Industrial Estate
25 Louis Friedman Street, Krugersdorp

Tel: 011 664 6401 Fax: 011 664 5529

**KWAZULU NATAL/MPUMALANGA**

Office 10, 3rd Floor: Azara Building
Penny Lane, Richards Bay

Tel: 035 907 5483 Fax: 035 789 5422

**LIMPOPO**

1st Floor: Munro Building
Cnr Agatha and Skirling Street, Tzaneen

Tel: 015 307 1932 Fax: 015 307 1932

**UMS CAPE**

3rd Floor: La Concorde Building
57 Main Street, Pearl

Tel: 021 881 4051 Fax: 086 553 3829

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Your Partner in Revenue Enhancement & Revenue Protection
What is in a logo?

by Terrence Mwase - former IMFO Marketing Officer (SAIPA)

A cross in red, painted on a white background is a familiar sight to millions across the world today, particularly to those in areas where human conflict and natural disasters have unsettled communities. To anyone affected, this red-painted cross represents a place where help and some form of protection can be guaranteed, amid any form of suffering that surrounds them. This symbol of a Red Cross on a white background is the official emblem of the International Committee of the Red Cross. It is a familiar symbol for many across the globe. It is easily identifiable, and it communicates meaning. This simple yet extremely effective logo exudes meaning without having to say a word, transcending all boundaries.

In essence that is the ultimate purpose of any logo or emblem. It conveys the same message in any language, it signifies a presence, it entrenches a belief and it can be easily identified!

Can the same be said of the IMFO Emblem? Definitely yes! I lack the scientific evidence to substantiate my claim, but any Local Government Finance Practitioner who professes ignorance on the existence of an upright Talbot (IMFO Canine) holding Fasces (an Axe) has to have their credentials scrutinized! And many will agree with me on this one. Since 1986 when the current IMFO logo was launched, it has become one of the most recognizable emblems in Local government in the country, and in the region. But what exactly does this canine signify?

It should be noted that, the upright canine isn’t just any dog, it is a Talbot. This is a special breed of a watchdog. Described as a ‘good-mannered’ breed, a unique characteristic of Talbots is that they almost always have fur that is ‘milk white’. In settling on the Talbot as the insignia that represents every Municipal Finance official, the Institute paid attention to the canine’s use as a watchdog, a similar responsibility to that which every official bears as a custodian of a municipality’s financial resources. The Municipal Finance Management Act (2003) outlines the responsibilities of a Municipal Finance Official, responsibilities that can only be entrusted to an official who carries no blemishes and has the proverbial fur that is ‘white as milk’. Also by being upright, the Talbot’s position represents a morally upright official, who is efficient, is self-disciplined, careful and who is thorough. All new IMFO Members commit themselves to these traits by pledging to comply with the Institute’s Code of Ethical Conduct, and ongoing refresher training for existing members constantly remind them of this pledge.

How about the Fasces (the Axe)? Well, with so much responsibility on one’s shoulders, the relevant authority is needed, and the Fasces represent just that. During the Roman times the Fasces was used as a symbol of a ruler’s power. Of course, discernment is necessary in how one makes use of such power, which should be exercised with due diligence and care by all IMFO members.

The IMFO emblem is thus an embodiment of all the required and desirable traits of an IMFO Member, who is proud to be part of a network of like-minded professionals, and an Institute that embodies excellence. It has become a symbol of excellence, a source of pride, a means of communication and the representation of a conscientious Municipal Finance Officers!

Correct Use of the IMFO Logo

How then can one make use of the IMFO logo correctly? Firstly, a very important fact to take note of is that the IMFO Logo (Upright Talbot holding Fasces), is a registered trademark of the Institute, and has been duly registered with the authorities as part of the Institute’s Intellectual property. Use of it without obtaining written approval by the Institute constitutes an infringement of the country’s Intellectual Property Law. It is therefore, important for one to seek approval from IMFO before using the IMFO Logo for any purpose other than that sanctioned by the Institute.

For this purpose, IMFO members are welcome to submit their written requests for use of the Institute’s insignia through the Marketing Officer on fax number: 011 394 0886 or email: editor@imfo.co.za
On 16 November 2012, IMFO CEO Mr Patrick Mnisi, announced that the SAQA Board, at its meeting held on 07 November 2012 approved the recognition of the Institute of Municipal Finance Officers (IMFO) as a Professional Body for the purpose of the NQF Act 67 of 2008.

The Board also approved the registration of the following IMFO designations on the NQF:
- Junior (JIMFO)
- Licentiate (LIMFO)
- Associate (AIMFO)
- Senior (SAIMFO)

So what is meant by professional status?
A profession can be described as an occupation that involves intense education and training to gain entry into the profession. Members are also bound by a code of conduct, the violation of which may lead to expulsion.

According to the National Qualifications Framework website www.nqf.org.za:

“A professional body is a body of expert practitioners in an occupational field, and includes an occupational body – that is a body constituted to represent and / or regulate a recognized community of expert practitioners. The National Qualifications Framework (NQF) Act No 67 of 2008 requires SAQA to register professional bodies and professional designations on the NQF.”

Criteria for Professional Registration with SAQA

According to the criteria a body applying for SAQA recognition should:
- protect the interests and professional status of its members;
- protect the public interest in relation to services provided by practitioners and the associated risks;
- show evidence of inherent social responsibility and advancing the objectives of the national qualifications (NQF) framework;
- be a legally constituted entity with the necessary human and financial resources to undertake its functions, governed by a statute, charter or constitution and adhering to good corporate governance practices;
- represent and, where applicable, regulate a recognised community of expert practitioners;
- apply peer judgement in decision making;
- develop, award and revoke its professional designations in terms of its own rules, legislation and/or international conventions;
- monitor its professional designations in terms of the above;
- manage the revocation of designations in terms of the above and in a transparent manner;
- promote and monitor continuing professional development according to criteria set by the body;
- utilise a fully functional information management system that is compatible with the national learners’ records database;
- monitor compliance with an agreed code of conduct;
- cooperate with the relevant quality council (QC) in respect of qualifications and quality assurance in its occupational field;
- not be accredited as a provider by a QC;
- not be registered as a provider with the department of higher education and training; and
- be involved in developing a body of specialised knowledge according to national and international benchmarks.

A body meeting these criteria is recognised for an initial period of five years, renewable for subsequent five-year periods.
Membership Requirements and Continued Professional Development

The two areas that IMFO has focused on over the past number of years that are important criteria for professional registration are Membership Qualification Requirements (MQR) and Continued Professional Development (CPD).

New Membership Requirements

A critical issue is for the Institute to continue to enhance the professional status of the municipal accountant. It has to provide those services that enhance the quality and recognition of the municipal finance officers.

Legislation now gives the Minister of Finance the power to legislate competency standards of the Municipal Manager, Chief Financial Officers and Senior Managers.

The alignment of IMFO membership requirements to National Treasury’s competency level requirements was a logical step towards standardizing the qualification and competency requirements for municipal Chief Financial Officers, Supply Chain Management practitioners and Senior Financial Officers in SA.

The Municipal Regulations on minimum competency level requirements have made a distinction between the competency level requirements for different categories of municipalities based on the size of their Annual Budgets. The main difference is that Chief Financial Officers of municipalities that have a budget below R500 million must have a Higher Education Qualification on NQF level 6 plus 5 years’ experience and Chief Financial Officers of municipalities with operating budgets equal to or above R500 million must have a Higher Education Qualification on NQF level 7 plus 7 years’ experience or must be a Chartered Accountant. The qualifications must be in the fields of Accounting, Finance or Economics.

In the case of municipalities with operating budgets of less that R500 million, the Certificate in Municipal Financial Management SAQA Qualification ID No 48965 is also an acceptable qualification.

The specified core Managerial and Occupational Competency Requirements (CMOC) and the Financial and Supply Chain Management Competency Requirements are added dimensions to competency levels that municipal finance officers must achieve. The Unit Standards that are required to be completed by the Chief Financial Officer is detailed in Annexure “A”. The Unit standards can be obtained by undertaking the Recognized Prior Learning route (RPL) or attending training courses presented by accredited training service providers. Irrespective of the path chosen a Portfolio of Evidence must be prepared for each Unit Standard which will be assessed by an accredited assessor.

In terms of the National Treasury Guidelines, it is not a specific requirement for CFO’s and finance officers to have Accounting III included in their qualification. However, IMFO as a professional institute for Municipal CFO’s and finance officers has continued to prescribe Accounting III for associate membership to ensure that the high standard in financial management, interpretation and implementation of new accounting standards are undertaken by officers who have the necessary technical knowledge and expertise.

IMFO has aligned Associate Membership categories with the National Treasury qualification requirements and two categories of associate membership have been introduced:

- Senior Associate Membership (SAIMFO): NT Requirements for Budgets less than R500 million
- Associate Membership (AIMFO): NT Requirements for Budgets more than R500 million

It was also necessary to review the membership requirements of the IMFO Licentiate members and Junior members. The membership requirements for general members remain unchanged.

The summary of IMFO’s new qualification requirements are detailed in Annexure “B”.

In terms of section 18 of the Municipal Regulations on Minimum Competency Levels (15 June 2007) the CFO, Municipal Finance Officials and Senior Management as well as the accounting officer should have met the requirements by 1 January 2013.

National Treasury in their circular No 60, dated April 2012, have delayed the enforcement of the deadline date to 1 July 2014 provided that the municipality has submitted “Special Merits Cases Applications” by 7 September 2012.

The implementation date of the new IMFO qualification requirements have therefore also been extended to 1 July 2014 and all applications for IMFO membership in the Associate and Licentiate categories will be considered on the “old” membership requirements until that date.

Continued Professional Development (CPD)

In today’s changing and increasingly complex environment, municipal accountants cannot possibly possess all the knowledge required to render high-quality professional services if they do not participate in appropriate CPD.

The Institute must therefore be seen to be taking practical steps to ensure that its members maintain their technical knowledge and professional skills current.

Reliance on competition and market forces is inadequate and unacceptable since it is likely that incompetence or inadequate services will only be detected after damage has already been done.

Mandatory CPD is an effective way to ensure participation in CPD by members whose knowledge is out of date and who are unlikely to respond to a voluntary program. CPD also provides guidance, added motivation and an agreed norm under which a member can plan and measure his / her own participation.
On its own, CPD does not provide absolute assurance that members will provide services of a high quality. Doing so involves applying that knowledge with professional judgment and an objective attitude in real-life situations found in today’s changing municipal environment. Nor is there complete assurance that every person who participates in a CPD program will obtain full benefits from the program because of variances in individual commitment and capability.

It is nevertheless certain that members, who are not up-to-date on current technical and general knowledge pertinent to their work, will not be able to provide professional service competently.

Therefore, despite the inherent limitations of any CPD program, a CPD requirement is an important element in IMFO’s programmes in preserving the standards of the professions and maintaining public confidence. As from June 2012, IMFO implemented a Continuous Professional Development Policy (CPD) and in future, all Associate, Licentiate and Junior Members will have to earn Credits on an annual basis that will count towards a 3-year cycle.

Members are therefore encouraged to register for the CPMD programme.

Go to the IMFO website www.imfo.co.za click on MEMBERSHIP and you will then be guided to register.

This article is intended to inform members of recent developments regarding the IMFO membership requirements as well as the Institutes endeavours to register with SAQA as a professional body.

The achievement of these objectives will lay a solid foundation for promoting the professional status of the Municipal CFO and Finance Officers in SA.

**THE NEW IMFO QUALIFICATIONS REQUIREMENTS TO BE EFFECTIVE FROM 1 JULY 2014 IS DETAILED BELOW:**

**ASSOCIATE MEMBER (AIMFO)**

**Higher Education Qualification**
At least NQF level 6 Qualification in fields of Accounting, Finance or Economics and must have passed Accounting III or Certificate in Municipal Financial Management (SAQA Qualification ID No. 48965 and must have passed Accounting III

**Work Related Experience**
Minimum of 5 years’ experience at middle Management Level

**Competency**
SENIOR ASSOCIATE MEMBER (SAIMFO)

Higher Education Qualification
At least NQF level 7 Qualification in fields of Accounting, Finance or Economics and must have passed Accounting III or Chartered Accountant (SA)

Work Related Experience
Minimum of 7 years at senior management and middle management levels. Of which 2 must be at senior management level

Competency
Minimum competencies as prescribed by Government Gazette 29967, 15 June 2007

Please note that the Competency requirements will be formally assessed by a registered assessor.

LICENSED MEMBERSHIP (LIMFO)

Higher Education Qualification
At least NQF level 5 Qualification in fields of Accounting, Finance or Economics and must have passed Accounting II.

Current Licentiate members need to study in the Accounting field, as Accounting III is necessary in order to apply for membership on Associate or Senior Associate level.

Work-Related Experience
Minimum of -
(a) 4 years of which at least 1 year must be a middle management level and at least 3 years at any level in a role related to the position of the official
or
(b) 9 years at any level in a role related to the position of the official.

Current Licentiate members need to study in the Accounting field, as Accounting III is necessary in order to apply for membership on Associate or Senior Associate level.

JUNIOR MEMBERSHIP (JIMFO)

Education Qualification
Completed Grade 12 (NQF level 4)

It is advisable to choose Accounting as one of the subjects when you further your studies in order for you to apply for either Licentiate or Associate Membership Level.

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Services:
- Asset verification of moveable and infrastructure assets
- Reconciliation
- Fair Market valuation
- Financial Tasks
- GRAP/PFMA/IFRS compliance tasks

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  - Assetware Manager
  - Assetware Tracker

Company:
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Fax: 011 807 6526
www.ichain.co.za
**ANNEXURE “A”**

**MINIMUM COMPETENCY LEVELS FOR CHIEF FINANCIAL OFFICERS**

<table>
<thead>
<tr>
<th>Competency Level In Unit Standards (20 USs)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Programme 1: Strategic Management and Budgeting (77 credits) – 6 USs</strong></td>
</tr>
<tr>
<td>Unit Std ID</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>116358</td>
</tr>
<tr>
<td>116342</td>
</tr>
<tr>
<td>116345</td>
</tr>
<tr>
<td>116364</td>
</tr>
<tr>
<td>116363</td>
</tr>
<tr>
<td>116341</td>
</tr>
</tbody>
</table>

| **Programme 2: Municipal Accounting and Risk Management (60 credits) – 5 USs** |
| --- | --- | --- | --- |
| 119350 | Apply accounting principles and procedures in the preparation of reports and decision making | 5 | 15 |
| 119348 | Apply selected GRAP (Generally Recognised Accounting Practices) to periodic accounting reporting process | 5 | 12 |
| 116362 | Manage a municipality’s assets and liabilities | 6 | 11 |
| 116339 | Apply risk management in South African municipalities | 6 | 10 |
| 116351 | Conduct auditing planning and implementation in a South African municipality | 5 | 12 |

| **Programme 3: Governance and Legislation (38 credits) – 4 USs** |
| --- | --- | --- | --- |
| 116348 | Conduct stakeholder consultation around municipal finance programmes | 6 | 8 |
| 116343 | Apply the principles of ethics in a municipal environment | 6 | 10 |
| 116361 | Interpret South African legislation and policy affecting municipal financial management | 6 | 8 |
| 119334 | Discuss the selected legislative regulatory framework governing the public sector management and administration environment | 5 | 12 |

| **Programme 4: Costing and Capital Planning (27 credits) - 2 USs** |
| --- | --- | --- | --- |
| 119331 | Conduct working capital management activities in accordance with sound financial management policy | 5 | 12 |
| 119341 | Apply cost management information systems in the preparation of management reports | 5 | 15 |

| **Programme 5: Municipal IT and Project Management (27 credits) - 2 USs** |
| --- | --- | --- | --- |
| 119352 | Apply principles of information systems to public finance and administration | 5 | 12 |
| 119343 | Apply operations research principles and tools in the management of project activities and resources | 5 | 15 |

| **Programme 6: Supply Chain Management and PPPs (12 credits) – 1 US** |
| --- | --- | --- | --- |
| 116353 | Participate in the design and implementation of municipal supply chain management | 6 | 12 |
VERICRED COLLECTIONS

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- Services offered:
  * Extensive online reporting
  * Recording of agent calls
  * Quality assurance control
  * Effective Debit order Integrations
  * Monthly Payments & Reconciliations
  * Client Dedicated Collection Agents
- No Collection = No Cost
- Legal Action Included
- National & international footprint

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**Introduction**

The eThekwini Municipality’s strategic approach to its Supply Chain Management (SCM) seeks to reform and regulate the manner in which goods and services are procured whilst in pursuit of service delivery that is responsive to the needs of its communities, as well as to curtail any maladministration, irregular expenditure, fruitless or wasteful expenditure and fraudulent practices.

The Municipality’s innovative SCM is in accordance with the principles and practices set out in the Municipal Financial Management Act (MFMA) and SCM Regulations, which provide the mandatory framework within which SCM practitioners must deal with the procurement of any goods or services in order to facilitate service delivery within the Municipality.

As the core component of the local government financial management discipline, parallel SCM projects are being implemented within the SCM Unit to ensure the proper flow of goods and services in the right quality and quantity whilst providing value for money and expediting service delivery.

**ISO 9001 Accreditation**

The eThekwini Municipality has committed itself to obtaining ISO 9001 accreditation for its SCM business processes. This will ensure that all key processes and Standard Operating Procedures (SOPs) are well documented for smoother operations, training of staff and keeping customers abreast of what service levels to expect from SCM. A centralized Programme Office has been approved and is being set up to ensure that projects are not done in silos, as well as to avoid duplicated effort amongst the various clusters within the Municipality.

Whilst the project timeframe is two years, some quick wins have been identified, namely, Business and Process Improvement (BPI2) initiatives, such as consolidation of the vendor address books; JDE Supplier Self Service (SSS); procurement scheduling; and the compilation of a centralised contracts register. The initial focus is on Purchase to Pay (P2P) whereby all business processes, from the generation of the purchase order to the payment for the service or goods, will be re-engineered.

**Contract Management**

A contract management and tender request tracking system has also been introduced to ensure that the entire tender process is monitored at every stage. Tracking is initialized through procurement scheduling and continues through all the bid stages (including letters of awards and monitoring of contracts for renewal) until the contract is finalized. The Municipality has also approved a Supplier Performance Policy which guides the process for monitoring the performance of suppliers or contractors. The suppliers will clearly know how they are going to be monitored based on their contracts and the key milestones that they will have to achieve.
This will help ensure that a higher quality of service is delivered by service providers or suppliers. The aim of the tracking system is to be able to report on the achievement of agreed service levels and to be able to report at any stage in the demand, acquisition and management processes. The tracking system will be used to report not only on the status of the tender process, but also the value of current procurement at each stage within the tender process.

**Procurement Scheduling**

The key to service delivery and improved capital spend is better planning in respect of procurement of goods and services for projects. Municipalities across the country seem to be suffering from the 13th and 14th month syndrome where 50% of the expenditure is incurred in the latter part of the financial year. This clearly indicates poor planning. Accordingly, before the start of the financial year at least 70% of the procurement is scheduled and in the bid process to ensure better planning and no delays on projects.

**Bid Committees**

Bid Committee (Bid Specifications Committee, Bid Evaluation Committee, and Bid Adjudication Committee) meetings are now held weekly (previously fortnightly) to smooth the workload of the Committees and thereby improve their decision making. It also prevents any delays in procurement and thus enhances the Municipality’s capital spend.

**Blacklisting Committee**

A Blacklisting Committee has been established to deal with unscrupulous tenderers to ensure that they will be blacklisted nationally, i.e., the companies and directors will be placed on the National Treasury’s list of restricted suppliers. This Committee sits on a monthly basis.

**Appeals**

Tender appeals are now dealt with by an independent (external) committee of legal practitioners. Appeals are also monitored via schedules on a weekly basis.

**E-Procurement: Quote Management System**

The procurement of goods and services under R200 000 is facilitated by a web-enabled Quotation Management System (QMS) that has been introduced over the past year with the intention of negating the human element in the processing of transactions under R200 0000. Much has been learnt through this process and consequently the Municipality has consolidated the QMS with its financial management system, JD Edwards (JDE), as part of an Enterprise Resource Programme (ERP) system. Accordingly, it is a fully integrated system from the generation of the purchase order to payment for the goods and services. Moreover, there are clear audit trails that will facilitate benchmarking which is currently lacking in municipalities.
Internal Control Improvements

Payments are not processed by Accounts Payable if the JDE Contract Module has not been utilized, or if there is no evidence that a valid contract is in place. In addition, there is the pre-screening of all expenditure in terms of a checklist. Furthermore, there is a 100% pre-payment audit in Accounts Payable.

Most importantly, the significant reduction of irregular expenditure from R785 million in 2011/12 financial year to about R276 million in 2012/2013 is attributed in the main to these measures. The irregular expenditure is now identified and reported monthly through the MFMA Section 71 report although this is only a requirement from 01 July 2013 in terms of MFMA Circular No. 68. Due to this new process of monitoring irregular expenditure, the Municipality was able to investigate the irregular expenditure for the 2012/13 financial year and regularize it before the end of the financial year as at 30 June 2013, as required by MFMA Circular No. 68.

Conflict Of Interest

In dealing with municipal officials who are doing business with the Municipality, as well as officials from other State entities doing business with the Municipality, a Conflict of Interest (COI) Task Team was established to review all matters with conflict of interest issues for staff. The establishment of the Task Team resulted in a huge reduction in transactions with conflict of interest. The reduction is evident in the table below for the past three financial years:

<table>
<thead>
<tr>
<th>Category</th>
<th>2010/11</th>
<th>2011/12</th>
<th>2012/13 Interim</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal employees</td>
<td>R 33 976 700.00</td>
<td>R7 657 000.00</td>
<td>R2 317 642.00</td>
</tr>
<tr>
<td>Councillors</td>
<td>R 5 226 922.00</td>
<td>R1 340 171.00</td>
<td>R 0.00</td>
</tr>
<tr>
<td>Officials employed by other State organs</td>
<td>R 84 650.00</td>
<td>R48 952 000.00</td>
<td>R6 257 950.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>R123 853 622.00</strong></td>
<td><strong>R57 923 171.00</strong></td>
<td><strong>R8 575 592.00</strong></td>
</tr>
</tbody>
</table>

The Performance Management Unit within the municipality has also established an on-line Conflict of Interest Verification system for municipal staff which is expected to drastically reduce the number of conflict of interest issues.

Service Level Agreement

An SCM service level agreement has been introduced so that customers know the level of service they can expect from the SCM Unit. Some of the salient points are as follows:

- Bid Committee (BAC, BEC and BSC) decision circulars will be posted on the intranet within 48 hours
- Bids over R10 Million will also be posted on the intranet within 48 hours
- All letters of awards will be released within 48 hours
- All verification and auditing of tender documentation will be done within 21 days – also looking to reduce this further by doing pre-screening and doing checks in parallel with an evaluation undertaken by the line department
- Delays between BEC and BAC are strictly monitored and will be kept to a minimum
- Templates will be provided by SCM to ease the work of line departments

Conclusion

In view of the foregoing, the eThekwini Municipality is confident that these SCM initiatives, especially the revised processes for the contract and tender request tracking management system and the Quotation Management System, will ensure that all SCM practices are fair, transparent, equitable, competitive and cost-effective. This in turn will provide the foundation for monitoring spending on capital projects and operational expenditure with the aim of advancing Municipal service delivery objectives and economic development initiatives, and guaranteeing value for money.
In the previous articles I have looked at some of the legislation and implications, which included one of the trump cards that is at the disposal of Municipalities, which is section 118(3). This article will look at the Municipal Property Rates Act (MPRA) and how it can be used to assist municipalities to improve on their revenue collection.

Sections 28 and 29 make provision for the collection of outstanding rates of owners from their tenants or agents. Many municipalities are not aware of this powerful mechanism at their disposal. The first benefit of these sections is that they allow the municipality to serve a notice on the tenants or the agent without following a legal process. It is therefore not necessary to appoint a lawyer to serve this notice. The Act stipulates the following in Section 28:

1) “If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined in terms of section 26(2), the municipality may recover the amount in whole or in part from a tenant or occupier of the property, despite any contractual obligation to the contrary on the tenant or occupier. The municipality may recover an amount only after the municipality has served a written notice on the tenant or occupier.”

4) The tenant or occupier of a property must, on request by a municipality, furnish the municipality with a written statement specifying all payments to be made by the tenant or occupier to the owner of the property for rent or other money payable on the property during a period determined by the municipality.”

It is clear from this section that a tenant has to provide the information required for the municipality to be able to collect the outstanding rates. What is important is that the municipality may recover from the tenant or agent despite any contractual or legal obligation they may have towards the owner in terms of the payment of occupational rental.

The municipality must serve a written notice on the tenant or the agent. Now what information should be in this notice? The Act is silent on all the information that should be disclosed in such a notice, but it is required from the tenant to disclose to the municipality all amounts due and payable to the owner. The municipality may determine the period for which amounts should be paid to the municipality. The following is captured on the eThekwini notice:

“RE: NOTICE IN TERMS OF SECTION 28 OF THE LOCAL GOVERNMENT MUNICIPAL PROPERTY RATES ACT 6 OF 2004

It has come to our attention that the owner of the property wherein you are a tenant, is in arrears with his rates. In terms of the aforementioned Property Rates Act, the municipality may recover the arrear rates from a tenant or occupier of the property. Notice is therefore given to you to pay to the Municipality, any rent or other monies due and payable, but not yet paid to the owner of the property.

Please note that any amount paid by yourself to the Municipality must be set off against any monies owed by yourself to the owner.”

We kindly request you to provide the municipality with a written statement specifying all payments to be made by yourself to the owner for rent or any other money payable on the property up to 31 August 2013.

Kindly furnish the statement together with a copy of your lease by no later than 31 August 2012.”

The Act further places a limit on the amount that may be collected through this process, namely an amount limited to the amount of rent or other money due and payable to the owner but not yet paid.

What can a Municipality do if the tenant refuses to provide the information as demanded in the notice served in terms of the Act? There is no sanction for non-compliance stipulated in the Act, and this is where the municipality should execute the legislative authority bestowed upon it by virtue of the Constitution and determine a sanction that would be appropriate. A municipality must bring this aspect into its credit control and debt collection policy as well as its credit control by-laws. The policy should indicate that where the municipality demands information from an owner or occupier of a property by means of a notice specified in sections 28 and 29 of the MPRA, and the owner or occupier is in breach of such demand, the municipality may disconnect services to such property.

These are very powerful sections if used consistently and where there is a large number of properties occupied by tenants in the municipalities.
The draft Public Administration Management Bill was initially Gazetted in 2007 and tabled in Parliament in 2008. The Bill was withdrawn to allow for further amendments, consultations and thereafter made available for comment on 31 May 2013.

It is SALGA’s view that the operationalization of an Integrated Public Administration should be undertaken within the context of the macro-organisation of the state; taking into account governance, administration, management, appropriate work organisation and structures, meaningful relationships between structures, planning, budgeting processes, reporting and accountability. SALGA also feels strongly that in an Integrated Public Administration, the distinctiveness of the spheres of government must be preserved, while reinforcing their interrelatedness and interdependence on one another.

A preliminary study of the Bill raises many questions regarding the impact of the Bill on existing local government legislation and regulations which are very detailed and onerous.

Many of the stakeholders and commentators are of the opinion that the Bill will encroach on the constitutional integrity of municipalities to govern their own affairs, to employ personnel, to manage its administration and perform its functions. In other words, there is a school of thought that regards the Bill as unconstitutional. It therefore remains to be seen whether the Bill will withstand legal scrutiny.

There are a number of important aspects contained in the Bill that impact directly on local government and employees of municipalities.

This article focuses on some of the areas that require closer examination and analysis to determine the impact on municipalities, municipal employees and the provision of local government services.

The Bill describes the functions of the Executive Authority which includes Municipal Councils as well as the functions of the Heads of the institutions. It will be necessary to align the powers and functions contained in the Bill with local government legislation including the Municipal Structures Act, Municipal Systems Act and Municipal Finance Management Act as well as applicable regulations, to ensure that there is no conflict between the Bill and existing local government legislation and regulations.

In terms of Section 10 (g) of the Bill, the executive authority “must evaluate the performance of the Head (accounting officer / municipal manager) annually”. Chapter 6 of the Municipal Systems Act deals with Performance Management Systems in municipalities. In addition, the Local Government Municipal Performance Regulations for Municipal Managers (Accounting Officers) and Managers directly accountable to Municipal Managers were gazetted on 1 August 2006 (Gazette 29089). These regulate the performance management systems of municipalities which are all geared to evaluate the performance of the senior management and the institution on a quarterly basis. This is just one minor example of conflict between the Bill and existing legislation which may cause confusion in its application.

Sections 55 (1) (e) to (l), 56, 57, and 66 to 72 and schedule 2 (Code of Conduct for employees) of the Municipal Systems Act which deals with the appointment of the Municipal Manager and Senior Management has been repealed. In future appointments will be dealt with in terms of section 13, 14 and 15 of the Public Administration Management Bill. It is interesting to note that provision has been made in the proposed legislation for the President, without following applicable appointment procedures, with the agreement of any affected Municipal Council and Premier, to appoint the head of a municipal institution at the expiry of the heads’ term to perform functions in any capacity in another municipal institution or a national or provincial institution subject to the consent of the head. The legislation will also apply to the deployment of national and provincial heads.

It is also clear that efforts will be made for a uniform remuneration framework and conditions of service for all public servants including municipal employees.
All appointments will be made in terms of the new legislation and in future persons appointed in the public sector on permanent employment contracts must:

- Be a SA citizen or be a permanent resident;
- Meet the job requirements; and
- Take into account the Employment Equity Plan of the institution.

The new legislation will also regulate individual transfers and secondments in the public sector.

Where a collective agreement is not concluded in a bargaining council following negotiations, the Minister may make a determination on the subject matter of the negotiations, subject to certain conditions.

It is difficult to determine how the Bill will impact on the current Collective Bargaining arrangements at local government level. The impact on the role of the Labour Unions and functioning of Local Labour Forums is also unknown. It does seem that a trade union and employer may conclude a collective agreement if it falls within the framework determined by the Minister. A School of Public Administration, Leadership and Management will be established that will provide training and issue diplomas and certificates. It is not stated why this function cannot be performed by the tertiary institutions.

The relationship between these compulsory training requirements and the National Treasury Minimum Competency requirements must also be established. Will the NT competency level requirement as detailed in the regulations be replaced?

Another new amendment in the Bill is the establishment of an Anti-Corruption Bureau to investigate and institute disciplinary proceedings in cases of corruption and related misconduct. This will include the appointment of presiding officers and prosecutors which is contrary to the South African Local Government Collective Agreement on these matters.

Section 30 of the Bill will remove and prevent unjustifiable disparities in the Public Administration which will ultimately lead to a uniform remuneration and conditions of service framework for all public servants.

Other matters dealt with in the proposed legislation include:

- Prohibition on re-employment if dismissed for misconduct;
- The development of employees in the sector through education and training;
- Prohibition on conducting business with the state;
- Registration of training standards and accreditation as training providers;
- Regulation of outside remunerative work by employees;
- Rules relating to employees as candidates for and becoming members of legislature;
- Rules relating to the appointment of public servants by service providers where an employee was involved in awarding a tender to the service provider;

- Circumstances for termination of employment;
- Continuation of disciplinary steps even after an employee has resigned from one institution and appointed by another institution;
- Retirement ages; and
- Grievance procedures.

The abovementioned matters are already been managed within a framework of detailed local government legislation, regulations, policies and collective agreements which are thrashed out in the South African Local Government Bargaining Council. Care should therefore be taken to ensure that the labour relationships at local government level are not damaged which could lead to a long term disruption in effective service delivery at the local government level.

Much has already been written about the proposed Single Public Service legislation which has been described by commentators as being problematic in a number of key areas:

- Creation of a uniform salary structure which may impact negatively on the taxpayer who will bear the brunt of the cost;
- The Bill aims to create a single pension fund and medical scheme for all spheres of government;
- The Bill grants the Minister of Public Service and Administration far-reaching powers when it comes to bargaining councils which includes submitting proposed terms and conditions of employment in the relevant bargaining council in order to remove unjustifiable disparities; and
- The Bill bestows widespread regulation making powers on the Minister of Public Service and Administration at all government levels. There is concern that these powers will threaten the ability of Municipal Councils to determine and implement their own policies and practices when it comes to municipal employees.

The main concern however is that the creation of a Single Public Service will encroach on the constitutional integrity of municipalities to govern its own affairs.

There are many who believe that one of the hallmarks of successful government is the ability and political will to make decisions regarding the employment of personnel.

There can be no argument against the establishment of strong local government which many believe is the cornerstone of democracy. The role of local government should therefore be protected as a sphere of autonomous government, as an employer and as part of a bargaining council.

It is hoped that the views and comments of all stakeholders and sectors including SALGA will be taken into account when the Bill is debated in Parliament.

We must bear in mind that the provisions of the new Bill must take the unique mandate provided for in legislation and the nature of local government into account as these are very different from National and Provincial Government.
Irregular expenditure is harming the image and reputation of municipalities prevent irregular expenditure by introducing internal controls and appropriate policies

By Danie de Lange (Eastern Cape IMFO Branch Chairperson)

There should be no doubt that irregular expenditure is a real problem judging from the AG’s audit findings over a four year period as more fully detailed below:

<table>
<thead>
<tr>
<th>DETAILS</th>
<th>NUMBERS OF AUDITEES</th>
<th>IRREGULAR EXPENDITURE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Identified By Auditees (Billion - R)</td>
<td>Identified During Audits (Billion - R)</td>
</tr>
<tr>
<td>2008/09</td>
<td>89</td>
<td>0,748</td>
</tr>
<tr>
<td>2009/10</td>
<td>201</td>
<td>0,491</td>
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<tr>
<td>2010/11</td>
<td>231</td>
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</tr>
<tr>
<td>2011/12</td>
<td>266</td>
<td>4,4</td>
</tr>
</tbody>
</table>

"Figures obtained from the Auditor-General’s website"

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 200), the Remuneration of Public Office Bearers Act (Act No.20 of 1998) or is in contravention of the municipality’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

It must be emphasized that the irregular expenditure referred to in this article relates almost exclusively to non-compliance with various Supply Chain Management (SCM) regulations. The non-compliance relates to issues such as:

- Tender advertisements not posted on the municipality’s official website;
- No formal written Service Level Agreement between service provider and municipality entered into;
- The results of the awarding of tenders by the Bid Adjudication Committee not posted on the municipality’s website;
- The Municipal Manager did not appoint the bid committees in writing;
- The tender specifications were not officially authorised by the Municipal Manager; and
- The necessary tender documentation such as the Tax Clearance Certificate was not on file.
It is unfortunate that the media reports all cases of irregular expenditure as a financial loss creating the perception that serious mismanagement of municipal finances has occurred.

The SCM regulations are very onerous and unless there are adequate internal controls to check compliance with these regulations in respect of every procurement transaction, irrespective of the monetary value involved, it will be almost impossible to eliminate irregular expenditure.

National Treasury has identified irregular expenditure as a major problem and has recently published MFMA Circular 68 (10 May 2013) which provides guidelines and procedures to be followed when dealing with Unauthorized, Irregular or Fruitless and Wasteful Expenditure (UIF&WE).

Municipalities are encouraged to introduce and adopt policies and processes to:

a) Prevent UIF&WE;
b) Identify and investigate UIF&WE;
c) Respond appropriately in accordance with the law; and
d) To address instances of UIF&WE conclusively.

It has been reported that due to adverse media reports, municipal councils are reluctant to “regularise” irregular expenditure where such irregular expenditure has been brought to their attention in the Annual Audit Report. Usually such findings are included in the matters of emphasis in the audit report which means that in such cases a clean audit outcome is not possible. It would however be a different case if the management of the municipality had scrutinized all its procurement transactions and identified and reported the instances of irregular expenditure to Council and disclosed the details in the Annual Financial Statements. To avoid an audit finding, irregular expenditure must be identified by the auditees and properly reported and disclosed in the Annual Financial Statements. Where it is found that the non-compliance was not intentional and there was no financial loss nor was any official liable, the Council can certify the irregular expenditure as irrecoverable and recommend that it be written off.

An example of irregular expenditure which can be certified as irrecoverable and be written off by Council is where the procurement complied with all aspects of the SCM policy, but, due to an oversight, the outcome of the bid process was not placed on the municipality’s official website.

It is unfortunate that the media reports all cases of irregular expenditure as a financial loss creating the perception that serious mismanagement of municipal finances has occurred.

Although non-compliance with the SCM regulations is a serious matter, in the majority of cases municipalities do not incur any financial loss. The reasons for the non-compliance are often attributed to weak internal controls, lack of knowledge of the SCM regulations or human error.

These weaknesses can be addressed through improved internal controls, training and effective leadership.

The submission of a report to Council to write-off irregular expenditure must be structured as follows:
- Purpose;
- Background;
An interdisciplinary approach to municipal financial resilience and economic growth

i@ Consulting’s strategic financial management, asset management and revenue optimisation services are geared to propel municipalities towards favourable audit outcomes, financial resilience and economic growth. We follow an interdisciplinary approach towards solving municipal financial challenges in a fresh, integrated and practical manner, using leading professionals across several disciplines and state of the art software. Nationally we contribute towards improved local government financial management through support to the National Treasury, the Financial and Fiscal Commission, the Cities Network and others. At municipal level we support dozens of metropolitan, district and local municipalities.

Asset management (movable and immovable)
- GRAP compliant asset registers
- Asset lifecycle planning and portfolio optimisation
- Asset management plans, policies and procedures
- Asset management bureau services
- Asset management unit establishment and capacitation
- Costing of municipal service delivery
- Property management services

Revenue optimisation
- Completeness of revenue testing
- Land use, zoning and debtor’s book reconciliation for correct rates and tariffs
- Debtors’ profiling, tariff modelling and assessment of customer affordability
- Debt and revenue policies
- Municipal property valuation rolls
- Revenue collection plans

Strategic financial management
- Financial recovery plan, including budget workout and expenditure prioritisation
- Financial dashboard, early warning system and performance tracking
- Financial management practices improvement plan, policies and procedures
- Capital investment planning
- Funding model optimisation
- Activity-based costing and outcomes-based budgeting
- Long term population, economic and financial forecasting
- Long term financial strategy

Contact us
Tel: +27 12 807 5207
Fax: +27 12 807 6364
i@ Consulting (Pty) Ltd
Block@Nature, Block B,
472 Botterklopper Street,
Lynnwood, Pretoria East, 0184
PO Box 14235, Hatfield, Pretoria, 0028
GPS co-ords: 25° 45’ 59.55” S;
28° 18’ 32.20” E
www.iatconsulting.co.za
Irregular Expenditure

- Applicable legislative framework;
- Motivation for write-off;
- Remedial steps to prevent reoccurrence;
- Financial implications; and
- Recommendations.

It is important to note that only NT may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. Municipal Councils are however empowered to consider applications to condone non-compliance with its own by-laws, policies or agreements approved by Council.

It will therefore be necessary for municipalities to have an appropriate policy, procedures and internal controls to deal effectively with the prevention of irregular expenditure and, where necessary, the writing off of irregular expenditure.

The steps to eliminate irregular expenditure include:

- Where practical, centralize all Supply Chain Management functions;
- Appoint qualified and experienced Supply Chain Management Officers;
- Introduce a SCM Records Management System where a separate file is kept for every tender and procurement transaction above R30 000. A checklist is kept on file to ensure all relevant SCM regulations have been complied with in respect of the transactions. All source documents relating to the tender awarded and all procurement transactions are kept on file;
- Regular SCM training sessions are essential for all employees involved in the SCM process;
- Quarterly internal audit of SCM transactions;
- Regular SCM reports to Council on the implementation of the SCM regulations and deviations from the SCM policy;
- Keep a register of irregular expenditure and deviations from the SCM regulations. A record is kept of the transactions, the type of expenditure, the person liable for the expenditure and what measures were taken by the municipality to address the matter;
- Institution of disciplinary processes where it has been established that officials are guilty of flouting the SCM regulations and policies; and
- Finally, no payment to a service provider is made unless all checklists have been attached to the payment voucher to certify compliance with SCM policy.

By introducing the abovementioned controls, municipalities will find that irregular expenditure will be significantly reduced over a period of time. There will however be instances where multi-year tenders (3 financial years) were awarded and where for example the tender advert was not placed on the municipality’s official website resulting in irregular expenditure. This will mean that irregular expenditure will be reported in subsequent financial years.

Section 32 (6) of the MFMA also prescribes that the accounting officer must report to the South African Police Services all cases of alleged irregular expenditure that constitute a criminal offence. Serious cases of irregular expenditure where there are allegations of fraud, theft or corruption must be investigated. The Municipal Manager has a duty to investigate such matters either internally or may appoint a service provider to investigate the matter. Once the findings of the investigation are available, the municipal manager must report the findings to Council and must institute disciplinary proceedings against any person who did not act in good faith and has been found liable for serious misconduct and responsible for the municipality incurring financial losses.

All items of irregular expenditure must be recovered from the liable official or political office bearer concerned, unless the expenditure is certified by the Municipal Council, after investigation by a Council Committee, as irrecoverable and is written off by Council. The expenditure that is written off by Council is therefore condoned.

The introduction of the checklist and controls may initially slow down the procurement processes and will cause frustration in municipal departments. However perseverance and patience will be required to successfully introduce the necessary SCM controls.

It is therefore important that everyone in the institution understands the issues relating to irregular expenditure and it is recommended that the NT Circular 68 be tabled in all committees of Council to create awareness and understanding of how to deal with irregular expenditure.

The introduction of a policy to deal with Unauthorized, Irregular, Fruitless and Wasteful Expenditure is probably the most important step for the municipality to take, as it provides the necessary framework to deal effectively with such expenditure.
Adding value to citizens through improved financial management practices in the public sector

OUR SERVICES
Some of our services include, but are not limited to, the following:
- General Financial Management
- General Financial Accounting
- Feasibility Studies
- Implementation of GRAP
- Preparation of GRAP Compliant Financial Statements
- Revenue Enhancement Strategies
- Financial and Human Resource Policies and Procedures
- Strategic Planning
- Debt / Indigent Management
- Implementation - Municipal Property Rates Act
- Asset Management
- Financial Modelling and Long Term Financial Planning
- Drafting of Municipal Bylaws
- General Consulting
- Transaction Advisory Services
- Turnaround Strategies
- VAT Contingency Reviews
- Internal Audit

OUR ASSET MANAGEMENT SOLUTION
Akhile has developed an Asset Management System that is specifically compliant with GRAP 17 and IAS 16 Standards.

Main features include:
- GRAP Compliant;
- Full Web-based Access Security;
- Inventory / Item Cut-off Control;
- Customised Department Fields;
- Input (Recording of Assets);
- Flexible Reporting;
- Easy Corrections and Adjustments;
- and Bar-codes.

OUR EDUCATION, TRAINING AND DEVELOPMENT (ETD) SERVICES
We facilitate Short Courses, Workshops and Accredited Courses.

Training interventions are always customised to suit the specific needs and requirements of our Clients and can be arranged on site.

We are accredited to provide training within the new municipal finance qualifications.

VALUE-ADDED TAX REVIEWS
Akhile's VAT Reviews distinctly identify VAT savings that have been overlooked by your Organisation.

We conduct a full review of your records and our involvement ensures that we also enhance your accounting system and processes.

As is evidenced by our skills profile, we have the ability and experience to deliver a value adding service to your Organisation at no cost to the Organisation.

Akhile's VAT Review fee structure is Contingency based and, as such, there will be no strain on the cash flow of the Organisation as a result of the Reviews we perform.

AKHILE TRANSACTION ADVISORY SERVICE
Transaction Advisor services include inter alia:

- project managing the whole of the transaction process;
- develop the Project with Feasibility Reports and financial engineering;
- interaction with the market, or conduct of formal market soundings, to confirm decisions on scope, timing and packaging of the transaction;
- preparation of bid documents including but not limited to the Request for Proposals and the Contract for Services (Concession Agreement);
- preparation of supporting information to assist bidders in preparation of their bid, and where relevant creation of a database and management of access to the database;
- support to communication with the market and interaction with the market;
- including managing and responding to requests for clarification;
- preparation of an evaluation plan, assistance with evaluation and preparation of evaluation reports;
- assistance in negotiation with one or more parties prior to contract award;
- monitoring and advice on bidder performance against any conditions precedent to financial close;
- preparation of Loan Application for securing loan/financial assistance from national/international/multi-lateral funding Agencies; and
- Management of other advisory inputs and overall management of the transaction team, to ensure a successful conclusion.
Global HR & Payroll Services

www.ngahr.com

NGA Africa is a joint venture company between NGA Human Resources and Business Connexion
Numerous vendors are in a position where SARS has raised assessments and disallowed all inputs claimed because they state that no supporting documentation was uploaded as per requests via eFiling. If you are in such a position, the question is: “What remedies do you have or actions can be taken?”

With effect from 1 April 2003, legislation was introduced to assist you to resolve your tax disputes with SARS in a shorter period and in a more cost effective manner. This is known as the Alternative Dispute Resolution (ADR1) (NoO) to dispute the decision by SARS to raise an assessment.

ADR is a form of dispute resolution that is faster and more informal than litigation, or adjudication through the courts. The ADR process is entirely without prejudice and is off the record. ADR is, however, a voluntary process and both parties have to agree to the process before it can apply to the resolution of a dispute.

You must submit an ADR1 Notice of Objection wherein you provide with reasons and proof why the assessment should not be raised. This must be submitted to SARS who will:

1. Accept your objection entirely and reverse the assessment; or
2. Partly accept your objection and reverse part of the assessment; or
3. Reject your objection in which case the assessment will stand and you will be liable for the re-payment of the tax.

- If your objection is accepted entirely and the assessment is reversed, there is no further action to be taken.
- If SARS partially allows the objection you can either accept it and pay part of the assessment, or you can appeal the decision not to allow your objection.
- If SARS rejects your objection you pay the amount assessed or appeal the rejection.

Should you decide to act on the partial acceptance or rejection of your objection, you will need to raise an appeal.

If you wish to make use of the ADR process, you must indicate this in your Notice of Appeal (ADR2). SARS will then inform you, within 20 business days of receipt of the notice of appeal whether the matter is suitable for the ADR process or not. The Commissioner may also initiate the ADR process by
indicating to you within 10 days from the receipt of the notice of appeal, that the matter is appropriate for ADR.

When you have been assessed for taxes owed, the assessment should be accompanied by reasons from SARS which will explain why the assessment was raised. If these reasons are not adequate (or not included at all), you are entitled to request these reasons in writing within 30 business days from the date of the assessment.

If you have received an assessment and you do not agree that it is correct, you may lodge an objection. The objection must –

- be in a form prescribed by the Commissioner (ADR1) with the information requested on the form to be completed - this form can be downloaded from the SARS website;
- specify in detail the grounds upon which the objection is made;
- specify an address where you will accept notice and delivery of SARS’s decision in respect of the objection;
- be signed by you or your appointed representative; and
- be delivered to SARS at the address specified on the assessment, within 30 business days after the date of the assessment (or within 30 business days after the date that reasons for the assessment were furnished by the Commissioner, however the case may be).

An ADR may also be submitted after 30 days but valid reasons must be provided on the ADR-form why the objection is submitted late.

An objection that does not comply with these requirements may result in the objection not being entertained by SARS, whereafter SARS may inform you by notice within 60 days that it is not accepted as a valid objection. However, you may within 10 days of receipt of the notice by SARS that the objection is considered to be invalid, submit an amended objection. Where the amended objection complies with the requirements for a valid objection, SARS will treat it as such.

SARS will appoint, in the normal course, a trained and experienced person to facilitate the ADR proceedings. The person appointed is known as the Facilitator and may be a SARS official or any other person who is suitably qualified to carry out the relevant duties. The Facilitator is bound by a Code of Conduct and must seek a fair, equitable, and legal resolution of the dispute. You may represent yourself during the ADR (for example, the individual vendor, or the public officer in the case of a company). Alternatively, you may appoint another person to act on your behalf, for example, if you require the assistance of your lawyer or accountant during the proceedings.

The Commissioner may request that you deliver any information and / or documents that are required in order to make a decision regarding your objection within 60 days from the date of receipt of your objection.

The Commissioner must, within 90 days from the receipt of your objection, or within 60 days from the receipt of the requested further information, take a decision regarding the grounds of the objection. The decision can be either to allow or disallow the objection in full or in part. In the event that the objection is partially disallowed, it should be clear which part of the objection relating to the assessment is being disallowed.

At the conclusion of the ADR process, the facilitator must record the terms of any agreement or settlement reached. If no agreement or settlement is reached, that fact must also be recorded. If the dispute is resolved, it must be recorded and signed by you and a SARS representative. SARS will issue, where necessary, a revised assessment to give effect to the agreement reached after it has been presented to, and approved by, the Commissioner. In the event of the ADR process being unsuccessful, the unresolved dispute will be referred to the Tax Board or the Tax Court, depending on the amount in dispute.

If you are dissatisfied with the decision of SARS following the objection, you may appeal against that decision, in which case you must deliver a notice of appeal to SARS within 30 business days from the date of receiving notice of SARS’s decision in respect of the objection. The appeal must -

- be on the form prescribed by the Commissioner (ADR2);
- be signed by you or your authorised representative;
- indicate on which of the grounds specified in the objection you wish to appeal;
- indicate whether you wish to make use of the Alternative Dispute Resolution (ADR) procedures or rather appeal to the Special Board or Court for Hearing Tax Appeals.

As stated above, the benefits of the ADR process are that –

- it is less formal, more cost effective and the process must be concluded within 90 days.
When SCOA arrives, we "were" ready!
(Come to IMFO Stand 48 for our System and SCOA Prototype and IMFO Stand 83 for our Services)

Camelsa Consulting Group (Camelsa)
is a Municipal Systems and Advisory Company, with two divisions namely:

1. Municipal Systems Division - Sage Evolution by Sage Pastel

Camelsa is a leading, multiple award winning Sage Evolution Business Partner in the Public Sector providing:

- A fully Integrated Municipal Financial Management System (ERP including: Supply Chain, General Ledger, Bank Reconciliations, Billing, Assets, CRM, Creditors, Budgeting, Treasury Reporting, etc.)
- Supply Chain Management System
- Fixed Asset Management System
- Inventory/Stores Management System
- Caseware
- CRM System

2. Municipal Advisory Services Division

- SCOA Conversions
- Audit Readiness including AFS Preparation and Reviews
- Support to Budget & Treasury Office
- All Reporting & Reconciliations
- GRAP Training
- GRAP Asset Register Compilation & Physical Counting
- VAT Recovery

OUR CLIENTELLE INCLUDE:

Over 30 Municipalities, 4 Water Boards, KZN COGTA, Financial Fiscal Commission, and entities that report on GRAP Basis.
Sage Evolution by Sage Pastel has been supplied and implemented by Camelsa Consulting Group to over 30 Municipalities, 4 Water Boards and several entities that report on GRAP Basis.

Sage Evolution is a World Class Fully Integrated Municipal ERP offering the following:


- **Supply Chain Management** (Supplier Data Base, Requisitions, Purchase Orders, Supplier Rotations, Web Approvals, Evaluations, Scoring, Tender Management)

- **Accounts Payable** (Supplier Ledger, Age Analysis, EFT Payments, Payment Vouchers, Reconciliations, etc.)

- **Fixed Assets** (GRAP Compliant, Revaluations, Review of Useful Lives, Residual Values, Components, Images, etc.)

- **Customer Care** (Work Flow Driver, Incident Management & Escalations, Charts)

- **Billing & Accounts Receivable** (All Services, Rates, Sundry Services, Smart Device Integration, Clearance Certificates, Credit Control)

- **Treasury Reports** (Business Intelligence Centre Module or Caseware)

- **Other Interface and Integrations** (Caseware, Sage VIP, Payday, Debtpack, Microsoft Office, SMS Services, Mobile Apps)

- **Web Interface** (Customers Update of Details on Line and Statement Reprints, Requisition and Purchase Order Approvals, Treasury Reports, Employee Self-Service)

- **Report Scheduling** (Automated Print, File, & Email of Reports e.g. Treasury, Portfolio Committee, Council etc)

- **Online Backups** (Automated Offsite Backups to Secure Data Centre)

National Telephone: 0861 CAMELSA (226 3572)
Email: info@camelsa.co.za
Draft Municipal Regulations on Standard Chart of Accounts for Public Comment

(Government Gazette 36806 of 3 September 2013, Notice 892)

The Regulations related to the Standard Chart of Accounts (SCOA) have been published for comment. Comments need to be submitted to National Treasury by the end of November 2013.

The objective of introducing the Standard Chart of Accounts (or SCOA) is to provide uniform expenditure classifications for local government that align with those already established and implemented for national and provincial government departments. The draft Regulations propose segments and a classification framework for the standard chart of accounts that will enable National Treasury to provide consolidation local government information for incorporation in national accounts and national policy. Effectively, the introduction of SCOA will provide national norms and standards for the recording and collection of local government budget, financial and non-financial information which will include, in some instances, the specification of information required for national policy coordination and reporting. This should result in an improved understanding of the role of local government in the broader national policy framework and linkage to other government functions.

The draft Regulations also propose the specification of minimum business process requirements for municipalities and municipal entities as well as the implementation of processes within an integrated transaction processing environment.

The proposed Regulations will be applicable to all municipalities and municipal entities and will indicate is applicability and relevance to each specific municipal environment while accommodating organisational uniqueness and structural differences.

The Property Valuation Bill

After a meeting on 22 August 2013, the Minister has indicated that the scope and application of the Bill would include –

- a) the provision of a compulsory valuation service in respect of all property that has been identified for purposes of land reform and for purposes of expropriation by a national or provincial department, for the purpose of determining the amount of compensation for the property;
- b) at the request of a department, the provision of a valuation service in respect the acquisition and disposal by a national or provincial department of property for purposes other than those contemplated above, to determine the market value of the property;
- c) the setting of criteria for the determination of the compensation for property contemplated as in point (a) above;
- d) the development of policies, procedures and guidelines, excluding the method of valuation for the valuation of properties, the manner in which a valuation must be performed and any other relevant factors of property contemplated in paragraph (b); and
- e) the development of a system to monitor compliance with the criteria, policies, procedures and guidelines contemplated in paragraphs (c) and (d).

This Bill has just been submitted to Cabinet for approval to publish it for public comment.

The Municipal Property Rates Amendment Bill

(Government Gazette 36812 of 3 September 2013, Notice No. 917)

The Municipal Property Rates Explanatory Summary was published in Government Gazette. The Municipal Property Rates Amendment Bill and the related Memorandum on the Objects of the Amendment are available on the Department of Cooperative Governance and Traditional Affairs website.

The Bill makes provision for the amendment of the Local Government: Municipal Property Rates Act, 2004, covering various different issues. Some of the issues covered include:
- to delete the provisions dealing with district management areas;
- to provide that a rates policy must determine criteria for not only the increase but also for the decrease of rates and that by-laws giving effect to a rates policy must be published in terms of the Municipal Systems Act;
- to further regulate the categories of property in respect...
of which rates may be levied and to expand on the properties that a municipality may grant exemptions, rebates and reductions to;

• to regulate the timeframe of publication of the resolutions levying rates and what must be contained in the promulgated resolution;
• to provide for the exclusion from rates of certain categories of public service infrastructure and to provide for the phasing in of the prohibition on the levying of rates on certain types of public service infrastructure
• to provide for the exclusion from rates of certain categories of mining rights or mining permits, to provide that infrastructure above the surface in respect of mining property is rateable and the rates are payable by the holder of the mining right or mining permit and to provide that a mining right or a mining permit may not be considered in determining the market value of property;
• to provide that the exclusion from rates in respect of land belonging to a land reform beneficiary is extended to the spouse and dependants;
• to provide that an exclusion from rates in respect of the seashore lapses if any part thereof is alienated;
• to provide that a municipality may levy different rates on vacant property;
• to provide that a municipality may not recover rates in respect of a right of exclusive use registered against a sectional title unit from the body corporate;
• to provide that a person liable for a rate must furnish the municipality with his or her postal address;
• to provide that municipalities are not required to value properties excluded from rates;
• to provide for the period of validity of a valuation roll to be five years with a provision that the MEC for local government may extend the period of validity of valuation rolls by two additional years;
• to provide that a body corporate is required to provide information to a valuer;
• to delete the requirement for the payment of interest in specific instances;
• to delete the requirement for the establishment of a valuation appeal board in every district municipality, to provide for an appeal board to include a professional associated valuer without restrictions and with a minimum of ten years experience as well as to amend the quorum of an appeals board to include the valuer member of the Valuation Appeal Board;
• to amend the dates on which a supplementary valuation takes effect and to provide for the notification of owners of property affected by a supplementary valuation;
• to limit condonation by the MEC for local government through the framework to municipalities only;
• to provide for more effective monitoring and reporting by municipalities and provinces on critical areas of the implementation of the Act;

• to provide for transitional arrangements in respect of municipalities that have been affected by a redetermination of municipal boundaries.

The Amendment Bill will only become law once Parliament has approved it and the President has signed it.

The Electoral Amendment Bill, 2013

(Government Gazette No. 36626 of 1 July 2013, General Notice 681)

The Amendment Bill provides for-

a) the amendment and insertion of certain definitions;
b) the revision of provisions relating to registration as a voter;
c) the revision of provisions relating to special votes in election for the National Assembly and provincial legislatures and the procedure related thereto;
d) the revision of provisions relating to the number of party agents at a voting station;
e) Various corrections of certain important technical aspects in the text and other related matters.

The Bill, being Bill 22 of 2013, has now been published.


(Government Gazette 36816 of 4 September 2013, Notice 918)

The Department of Trade and Industry have published an invitation for the public to comment on The National Policy on Intellectual Property. Comments must be submitted by 4 October 2013.

This Policy particularly puts the onus on local government or metropolitan municipalities to exploit business opportunities that emanate from sporting events that take place in their areas. The recommendation is that municipalities must be able to quantify business opportunities and control and influence the issuing of tenders related to the sporting events occurring within the municipal jurisdictional boundaries, thus empowering small businesses.

It further goes on to state that spheres of government must compile a database of their emblems and utilise the Merchandise Marks Act to protect the emblems nationally.

The National Policy emphasises the Municipal Finance Management Act requirement that where a third person, such as a consultant, is paid to research and produce a report, copyright belongs to government (see the Municipal Supply Chain Management Regulations, Regulation 35 (4)).
The Institute of Municipal Finance Officers continually reviews the role it should play in the local government finance sphere, with particular focus on areas where there is limited support for designated professional roles and responsibilities that are integral to the assurance of sound fiscal governance at municipal level.” says Ms. Louise Muller the, IMFO President. She adds, “The immediate Past President must be congratulated for the foresight shown in establishing the Research Committee. This committee is significantly adding value to IMFO submissions on new and proposed changes to legislation and we are all looking forward to the first IMFO research document to be published.”

The Standing Committee on Research (SCR) was approved at an IMFO institute Council meeting, based on a decision that was taken at the IMFO’s strategic planning session. Research in the past has not been coordinated and recorded centrally. IMFO identified this shortcoming and the Institute Council responded to the call by establishing the SCR. The Standing Committee on Research (SCR) was constituted to deal with academic research related activities and comments on draft legislation that will impact on local government in the future. The committee is comprised of eleven (11) members, who were invited to serve on the SC. They are subject matter experts, consisting of the chairperson, Mr. Kevin Jacoby, the Chief Finance Officer from the City of Cape Town; other members are Institute Council members; representatives of local government in senior finance and other positions; and representatives from the:
- Tshwane University of Technology
- South Africa Local Government Association
- SA Cities Network and
- Financial &Fiscal Commission

The Research committee will:
- Develop and maintain a research policy that specifies the type of research (qualitative or quantitative) to be conducted;
- Develop a mechanism and framework to uphold a Code of Research Ethics;
- Develop, and annually update or review, a list of applicable public finance research subject matters that could be considered as research topics by students of higher education and research institutions;
- Compile an operating budget based on the annual plan of action to meet the needs of the Standing Committee
- Ensure that all research initiatives must be approved by the Institute Council;
- Ensure that all research conduct that is funded by IMFO becomes the intellectual property of IMFO
- Ensure that the research activities and outputs of IMFO receive the necessary attention; and
- Identify IMFO members who are subject matter experts that can assist with various ad hoc research projects.

The Research Committee will embark on the following four types of research:
- **Technical Research**: Research that is based on the requests from sector and provincial departments that require comment on draft legislation to ensure that the rights of Local Government are protected or improved;
- **Contract Research**: Research that is contracted out to measure the impact of a specific development on Local Government. The findings of this research would be published in an accredited research journal;
- **Commissioned Research**: Research where the researchers carry out research on behalf of IMFO. The researchers have to be acknowledged and supported by IMFO; and
- **Academic Research**: Research in terms of a memorandum of understanding with a University or Technikon in which the research partners will be post graduate students that are studying a specific related topic.

The SCR is currently probing the establishment of an accredited academic journal, which the requirements are stringent and requires research of the highest quality. The accredited academic journal will have many benefits, including attracting academics to research local government finance.

IMFO invites all those interested in researching local government to approach the SCR as they give research a new outlook and give rise to an advancing South Africa.

**For further information contact Mr Brian Young**
011 394 0879 brian@imfo.co.za
When I started my career with Durban Corporation, a university degree was thought to be the highest qualification that one could obtain. I did not see the need for further study. Only in attending meetings of the student body for IMTA did I see more than the issues and challenges which I faced in my immediate situation. I discovered when gaining a bachelor’s degree that my studies only provided a foundation for further learning, rather than an end in themselves.

The information that flowed from the Institute gave me insight to parts of the profession for which I had not had direct exposure, and generated enthusiasm for experiences other than that already encountered. This was also the source of knowledge that enabled me to overcome many challenges. As the increased increased increased legislation and other changes, the Institute has given necessary support for directing the new course that is needed.

If the vision of our Council is to be fulfilled, I believe that a progressive rather than conservative approach is needed. The professional standing of the Institute provides necessary credibility for its members to steer the way forward, while also enabling their development to positions of leadership. My hope is that you continue to achieve success in this role as guardian for future administration of municipal finances.

Regards,
Roger Rascher

EXPERIENTIAL LEARNING AT MMM

HOW IT ALL BEGAN
I am a current B.Tech student at the Central University of Technology (CUT), Free State, studying Financial Information Systems. I was introduced to IMFO in 2012 when we applied for IMFO internal auditing bursaries at school. I am currently on a learning training at Mangaung Metropolitan Municipality through the help from IMFO. In the mid-beginning of this year, I updated my information, academic and career, to the office in Pretoria and then asked if they can help me get a space for me at Mangaung Metro Municipality to do my training. Within a week my dream had come true, almost all the necessary arrangements were in progress.

QUALIFICATIONS
While in the process of getting me to start with my programme, I noticed the level of high qualified people who I was in contact with. It is always believed that employees of the municipalities do not have appropriate qualifications for the positions they hold in their offices but that is not true at all, am I am witnessing it right now that I am involved and working in the municipality. In my field alone, I am working with high qualified people, which include Chartered Accountants. Not a single person in the whole of the municipal offices is not studying, this showed me that the level and quality of detail to work requirements will carry on through the entire municipality in the long run because everyone is in a way encouraged to further their studies on the job.

WORKING ENVIRONMENT
I was also very pleased with the warm welcome that I received when I first arrived at the municipality, from everyone that I met on my first day. People who work here have an understanding of each other and the community which visit the offices for assistance and services. The relationship in the municipality is consistent not only through the employees but also the community. I even made friends in my first two days at the offices, due to the openness of the people and their friendliness towards me. Being taught through the systems and procedures, I felt the patience and the commitment in the person who helped me through the first ‘touch’ of the system used here.

WORKING IN FINANCE AND OTHERS
In my first week, I was taught the system that the municipal uses for its operations in a sub-section in finance department and a week later I was working unsupervised.

EXCITEMENT
I am also a part-time lecturer at the Central University of Technology, FS, teaching first year students Financial Information Systems as a subject and thinking about my training at the Municipality and my lecturing at the same time as well as attending my classes made me wonder how I will get all done simultaneously. But the anxiety of wanting to test my abilities was a reality now and I wanted to take all the opportunities presented to me right now without thinking twice about anything. I have gained massive knowledge to how I should manage my time. I feel at home here, just as they say, “Mangaung, At the Heart of it all”, home is where the heart is. And I would like one day to have an opportunity to teach one of the students from CUT who will have their training here in the future and watch them transform into cooperate machines.

I urge all the coming students to never be afraid to ask anyone for any kind of help, look where it got me!

THANK YOU IMFO & MANGAUNG METROPOLITAN MUNICIPALITY

Regards Molibeli Seutloali

Letters to Ed
### Meet our new members!

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Welcome to IMFO and thank you for joining the Institute of Municipal Finance Excellence!

### GENERAL MEMBERS

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### JUNIOR MEMBERS

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Limpopo Branch Seminar: 6 - 7 June 2013

Swaziland Branch:
- Training of Municipal Officers on Munisoft Accounting Package held on 23 August 2013
- Sibebe Walk - and discussions later on Rates Collection Strategies held on 28 July 2013

Eastern Cape Seminar: 5-6 September 2013
Membership Details Update

INITIALS:  SURNAME:
EMPLOYER:
DESIGNATION:
PHYSICAL ADDRESS:
CODE:
CITY/ TOWN:
POSTAL ADDRESS:
POSTAL CODE:
PROVINCE:
TEL (W):
EXT:
FAX:
MOBILE NUMBER:
EMAIL ADDRESS:

POSTAL ADDRESS:
PO Box 4003, Kempton Park, 1620

PHYSICAL ADDRESS:
22 Thistle Road, Kempton Park,
Johannesburg, 1620
Tel: +27-11-394-0879
Fax: +27-11-394-0886/+27-11-975-8487
http://www.imfo.co.za

Eastern Cape Seminar: 5-6 September 2013
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<td>MFMA 127(2)</td>
<td>1-7 months after Financial Year-end</td>
<td>Mayor</td>
<td>Municipal Council</td>
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<td></td>
<td>22</td>
<td>Reasons for delay of tabling annual report</td>
<td>MFMA 127(3)(a)</td>
<td>Promptly</td>
<td>Mayor</td>
<td>Municipal Council</td>
<td></td>
</tr>
<tr>
<td></td>
<td>23</td>
<td>Submit Annual report</td>
<td>MFMA 127(3)</td>
<td>Immediately after report is tabled in Council</td>
<td>Accounting Officer</td>
<td>AG, Prov Treas, Prov (Loc Govt)</td>
<td></td>
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<td>24</td>
<td>Non-compliance &amp; reasons of non-compliance</td>
<td>MFMA 128(1)</td>
<td>Promptly</td>
<td>Accounting Officer</td>
<td>Municipal Council, Prov Treas, AG</td>
<td></td>
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<tr>
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<td>25</td>
<td>Submit copies of Council meetings (annual report discussions)</td>
<td>MFMA 129(2)</td>
<td>Promptly</td>
<td>Accounting Officer</td>
<td>AG, Prov Treas, Prov (Loc Govt)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>26</td>
<td>All monthly returns (MFMA, DORA)</td>
<td>MFMA 129(2)</td>
<td>10 Days after month-end</td>
<td>Accounting Officer</td>
<td>Nat Treas</td>
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</tbody>
</table>
PwC in Partnership with Local Government

PwC has chosen to partner with Local Government to create and support sustainable municipalities. Our vision is to co-design and co-implement creative solutions for cities and their citizens.

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GROWING A FOCUSED, SUSTAINABLE AND DEVELOPMENTAL DBSA

We strive to provide sustainable infrastructure finance and implementation support in selected African markets to improve the quality of life of people in support of economic growth and regional integration.

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PwC has chosen to partner with Local Government to create and support sustainable municipalities. Our vision is to co-design and co-implement creative solutions for cities and their citizens.
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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.

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