VOLUME 14 • NUMBER 4 • WINTER ISSUE

IMFO

OFFICIAL JOURNAL OF THE INSTITUTE OF MUNICIPAL FINANCE OFFICERS

EXTRA

85 YEARS IMFO 1929-2014

R30.00

ISSN 1607-520X

IMFO

INSTITUTE OF MUNICIPAL FINANCE OFFICERS

85TH Golf Day

5 OCTOBER 2014
MILNERTON GOLF COURSE

85 YEARS IMFO 1929-2014

Promoting Municipal Finance, Audit, Risk and Performance Management in the Public Sector.

Message from ED

When looking around, one can definitely determine that we are living in exciting times! This year, the country is celebrating 20 years of freedom and democracy. This milestone no doubt encourages one to think back to many varying moments in time, which stimulate mixed emotions for the people of South Africa. Moments, which the City Press quotes as: “moments of challenge and change, trauma and truce”.

Our office and board members are busy preparing for the 85th IMFO Annual Conference, an event that will reflect on the country’s past. In doing so, we hope to try and understand the sacrifices of individuals and organizations who paved the way for South Africans to live free of discrimination and with equal opportunities. The awards that will be handed out to municipalities on the evening of the first day will be accompanied with a moment of silence and introspection. Municipal finance and governance should still be the key player in service delivery, where communities continue to live a life free of discrimination and with equal opportunities.

Throughout this busy time, I would like to acknowledge the writers who continue to contribute technical papers that educate and inform our readers. Until we meet again at the conference in Cape Town from 6-8 October 2014, thank you for your support.

Don’t forget to…

Follow us on Twitter: **@IMFO_editor**
Like us on Facebook: **Institute Municipal Finance Officers-IMFO**

Ciao!

IMFO

CONTENTS

MANAGING EDITOR
Ocean Makalima

EDITING ASSISTANCE
Lucas Opperman
Louise Muller
Brian Young
Kim Swift

ADVERTISING
Ocean Makalima
Lindi Nolte

LAYOUT AND DESIGN
Eloise Watson

PHYSICAL ADDRESS
IMFO
22 Thistle Road, Kempton Park
Tel: +27 11 394 0879
Fax: +27 11 394 0886
E-mail: oceanm@imfo.co.za
www.imfo.co.za

POSTAL ADDRESS
P O Box 4003
Kempton Park, 1620

PUBLISHER
The Institute of Municipal Finance Officers

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.

Foreword by the IMFO President

Dear Colleagues

IMFO is 85 years old and very much alive!

Yes, the Institute of Municipal Finance Officers (IMFO), originally known as the Institute of Municipal Treasurers and Accountants (IMTA), was established in 1929 – 85 years ago – with the objective of furthering the professionalization of local government finances. With the changing face of local government and the revision of the legislative environment in which local government operates, it became clear that the financial governance and oversight issues needed to be embraced to ensure a holistic approach to the funding of efficient and effective service delivery. IMFO has been addressing the seminar and networking needs of internal audit and performance and risk management in the local government sector, as well as maintaining the original focus on local government finances. The demise of the supporting structure for Public Finances and the slow, but very deliberate move towards the single public service (most especially through the PAMS Bill) has led to mounting pressure on IMFO to extend the mandate to deal with financial governance in the public sector.

At the Annual General Meeting, the members therefore adopted the new Memorandum of Incorporation, to embrace the broader public sector financial governance field. The administration and your board are working on a plan to see how this mandate can effectively be carried out while still enhancing the local government finance offering to our members. You will have noticed that IMFO is gearing up for the election of your new leadership, which happens every second year. Please do ensure that your membership fees are paid up so that you can either be elected or be involved in the process of selecting the future leadership of IMFO, leaders who are willing to work diligently to implement this expanded focus.

Besides the new mandate at the end of the 2013 and the excitement of IMFO being 85 years in 2014, this first quarter also brought International Women's Day on the 8th of March. The few days before this celebration were once again dedicated to the IMFO Women in Local Government Seminar. This is the second seminar that has been held, creating a safe space for women to focus on relevant financial and governance topics. It was wonderful to have ten students attend the seminar. Seeing their enthusiasm and hearing the depth of the questions they asked was extremely rewarding, especially when we realise that these are the future leaders of local government; the future providers of relevant, effective and economical services. There are many students that can add value to our municipalities and have a positive effect on the local government sphere. In light of this, I challenge municipalities to look at the way they can accommodate well trained but, as yet, inexperienced learners with a passion for local government, when going out on recruitment drives. I also challenge our Local Government SETA and other organisations with a heart for local government, to look at partnering with IMFO to implement an internship programme for as many of these students as possible.

While it seems like only yesterday, the frantic collation of information and review of responses to audit queries was underway, local government is, again, at financial year-end. At the time of you reading this, I am sure that national and provincial government departments will already be aware of the outcome of their audits. From a local government perspective, significant effort must be put into the preparations of the annual financial statements, if there is to be an unqualified, and hopefully clean, audit report for the 2013/14 financial year.

If the clean administration is still eluding your municipality, now is the time to ensure that everything is in place and implemented for 2014/15. IMFO entered into a partnership with i@ Consulting at the end of 2013 and has prepared draft policies that can easily be adapted for medium to small municipalities. Do use this resource to see that your policies are accurate, up to date in accordance with the latest legislative requirements and, most importantly, implemented. Please feel free to contact the IMFO offices for further support and information on the draft policies, should you feel that they can assist you.

The role of Information Technology (IT) is clearly changing: not only because of the implementation of SCOA (Standard Chart of Accounts) but also due to the emphasis that the King Code puts on IT governance. Our computer systems need to provide reliable and timely information on which decisions can be made, projections can be calculated and against which services, departments and individuals can be held accountable. Todays IT managers need to assist with adding value to the municipality, ensuring reports assist the Budget and Treasury Office to control costs, minimise risks and enhance contract, lease, project and performance management. Strong, reliable IT infrastructure that is flexible, adaptive and assists the officials in working cost-effectively and efficiently, while delivering flawless performance, is essential. The King III Report on governance in South Africa dedicates a full chapter (Chapter 5) to the governance of ICT (Information and Communication Technology). The principles follow a top-down approach, leaving the accountability to the governing body and management to address "leadership, sustainability and corporate citizenship" responsibilities for corporate governance and fully integrating ICT into an organisation. Government has taken this one step further with the publication of the ICT Governance Framework for implementation by national and provincial government, while the ICT Governance Framework for local government is being finalised.

One thing is certain about working in local government: there is always something new to implement, a piece of new legislation to get our heads around and some new performance measure that will need to be implemented – even if only by the office of the Auditor-General when conducting our audits! Remember to think about the impact of the Protection of Personal Information Act on the daily activities of your department and the public sector as a whole. Do keep your eyes on the overall focus, but also remember that we are here to use the public funds entrusted to us for the enhancement of the lives of the citizens of South Africa.

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

LM Muller

LOUISE MULLER
IMFO PRESIDENT: 2012/12 – 2013/14

IMFO

INSTITUTE OF MUNICIPAL FINANCE OFFICERS

Pieter Dirk Uys SHOW

6 OCTOBER - 6PM - AUDITORIUM

85 YEARS

IMFO 1929-2014

Promoting Municipal Finance, Audit, Risk and Performance Management in the Public Sector.

From the DESK of the CEO

Sometimes I am surprised at how quickly time flies. 2014 started with a bang and many exciting things were already happening and planned for the country. All the hype and activities prevent a lot of us from seeing the sun setting for an entire week, but it's all worth it in the end. Who could forget the excitement brought on by the country's fifth democratic elections that took place on the 7th of May? In addition to that, the celebration of 20 years of freedom and democracy continues to influence our activities and dominate our dialogue as a nation.

It would be remiss of IMFO, as an organization, not to reflect on the journey that our country has travelled, one that we have been a part of. The impending 2014 IMFO Conference theme is: "Good Governance - The Long walk". As per the culture of the IMFO Conference, various experts will cover the technical and management areas and show how we captain the sector, while simultaneously reviewing the journey we have travelled so far. We will also examine our future endeavors as public servants, as a business and within communities. We hope to welcome between 2500 to 3000 delegates this year and look forward to seeing you there.

This year, the conference will kick off with a Golf Challenge on Sunday the 5th of October at Milnerton Golf Club in Cape Town. This event is aimed at creating a point of social contact amongst our business sponsors, members and officials. More details about the Golf Challenge will be made available on our website, via Twitter and on our Facebook page. Make sure you check back regularly for updates.

Our Communications Officer once commented that IMFO has undoubtedly become a powerful, unstoppable positive force that is contributing to shaping local government. This development came with many changes that saw IMFO aligning its processes and structure to fit in with the requirements of the Companies Act as well as the principles of good corporate governance. Today, IMFO is strategically led by the Board of Directors, with the President also acting as the Chairperson of the Board. IMFO growth has not only necessitated more commitment and efforts from its directors, but also increased its quest for providing better service to its members and to the country in general. In keeping with its growth and operational requirements, the process of building IMFO offices is on course and it is envisaged that the entire process will be complete before the end of next year. As a non-profit organization, receiving no transfers or grants from government, this process has been a tall order, but we are positive that we will be able to achieve the goal.

On a technical note and with regards to support, IMFO continues to engage with all relevant stakeholders including Treasury, SALGA, DCOG and other institutions. It is through these engagements that we have an ability to meaningfully contribute to the public sector.

Education and professional development remains a key strategic focus for us. We continue to provide and facilitate training programmes within various areas of practice, such as financial management and reporting, internal audit, governance and performance management, to name a few. There are several branch and national workshops conducted throughout the year, and IMFO continues to provide in-house training to many municipalities. This training includes giving technical advice to members in any area of finance, governance and audits.

We are proud to say that in the next few months, the IMFO website will be modified to house a wealth of information at the same time as becoming more useful for our members.

I believe this is a good year for all of us and for the country we live in. We are here to serve you, our members and clients, so please contact us via e-mail, Twitter, Facebook or telephonically. See you at the conference in Cape Town.

MR PR MNISI
CHIEF EXECUTIVE OFFICER

Celebrating

85 YEARS
IMFO
1929-2014

Promoting Municipal Finance, Audit, Risk and Performance Management in the Public Sector.

The building committee is actively addressing the potential of building a dedicated IMFO Office.

This year marks South Africa's celebration of 20 years of freedom and democracy. The country is at a dual point of past reflection, while also looking ahead towards a shared vision that will make South Africa a better country for all!

Coincidently, the Institute of Municipal Finance Officers is also celebrating 85 years of municipal finance excellence in local government. This occasion requires us to look back on the achievements of the institute and the great progress we have made in the last 85 years.

- In response to legal requirements, IMFO has amended the IMFO Constitution into an MOI (Memorandum of Incorporation), which focuses on the broader Public Sector. This was approved at the 2013 AGM, which was held at the Durban ICC. This move is geared towards profiling IMFO and changing its structures and processes for better service to our members, stakeholders and the public at large.
- A significant moment was SAQA'S recognition of IMFO as a Professional Body for the purposes of the NQF Act of 2008. It is through this professional status that our members can proudly stipulate their IMFO membership level against their names, knowing that this is a professionally recognised title.
- Members are now accumulating CPD points in order to retain their membership status and are encouraged to submit relevant information to the office in order to update their points. Training opportunities are continuously sought out by IMFO, with a view to providing the necessary continuing educational and development opportunities to members, that will ensure that the opportunity exists for members to earn the necessary CPD points.
- Yet again, we celebrate 5 years of our Audit & Risk INDABA which has been championed by our Vice Presidents, Ms Jane Masite and Mr Sidwell Mofokeng. The INDABA was first launched in 2010 and has continued to grow from strength to strength. We express our gratitude to the Vice Presidents who have continued to provide support to the internal audit, performance management and risk practitioners within the local government sphere.

We also have an opportunity to envision the future of the professional body, which promotes municipal finance, audit, risk and performance managers in the public sector.

- The building committee is actively addressing the potential of constructing a dedicated IMFO Office and a Project Manager has been appointed on this in the interim. This will soon be accompanied by a new staff structure.

IMFO had its strategic planning session in December 2013 for 2014/15 - 2016/17.

As indicated earlier, IMFO extended its mandate and has now incorporated service to the Public Sector and related Institutions. Also, IMFO professional designations now cover disciplines such as internal audit and risk management. This strategic shift requires a clear plan and adequate capacity for it to be successfully realized. Annual indicators are being developed and will inform the Secretariat's performance scorecards. It is, however, important to note that a clear plan has not yet been introduced regarding the process of serving the entire Public Sector. Updates on performance in terms of the new strategy will start from the 1st quarter reporting for 2014/15, which will be covered in the next board meeting.

SAQA'S recognition of IMFO as a Professional Body for the purposes of the NQF Act of 2008.

IMFO CPD
Continuing Professional Development

Membership Level	Credits per 3-year Cycle	Minimum Credits per year	Voluntary Credits to be earned per year
Senior Associate	100	25	5 credits towards ethics
Associate	100	25	5 credits towards ethics
Licentiate	100	25	5 credits towards ethics
Junior	50	15	5 credits towards ethics

Members are now accumulating CPD points in order to retain their membership status.

CRM Benchmarking your municipality

By Dr Ludwig Geldenhuys, City of Cape Town

What does CRM stand for and where does it originate from?

When I was first introduced to this new concept I had no idea what it was about. I was immediately very keen to obtain a better understanding of this concept. I only began to understand the concept after I started to research the Paper on Governance, Risk Management and Audit, prepared by A.J. Gallagher & Co. in 2013. CRM refers to Collaborative Risk Management and to ''jump the gun'' the concept actually describes the process of integrating risk management in organisations and is also referred to as functional risk management.

My personal view is that the paper does not necessarily present new or ''wow'' concepts but it is an excellent mechanism to benchmark risk management processes against. When I considered the definition of CRM my initial thought was to ascertain to which degree does the risk management process of the municipality that I work for align to the objectives or intent of the CRM definition, which states that –

Definition:

- CRM is achieved when **various efforts** across the organisation **unite**
- Through **overarching** risk management initiatives
- To create a **whole**
- That is indeed **greater** than the sum of its individual parts.

This definition supported my opinion about the risk management process, namely that it is an excellent mechanism to break down silo's, to optimise the use of scarce resources as well as to integrate risk management principles in our daily tasks.

Further understanding of the CRM definition and intent has affirmed that I am (hopefully) on the right track in that CRM involves:

1. **Repackaging** of PROVEN and LONG-ESTABLISHED principles.
2. Treating IRM as a **process** and not a project or ''band aid'' (continuous vs once-off).
3. Highlighting the **difference** between organisations that have **risk managers** and those that **manage risks**.
4. Highlighting the **difference** between having a **CRO** and having an embedded **risk culture** that rewards risk ownership and builds risk assessments into every initiative on each level in the municipality.
5. **Less exhaustive** risk registers.
6. The **incorporation** of risk management in **planning processes** – it should thus be woven into the culture of the municipality not by the efforts of the CRO only, but across the municipality by risk and action owners.
7. It is about **creating risk consciousness** that becomes an instinctive and systematic part of the **culture** at the municipality.

The next question I posed to myself was: "How successful is my team and I in meeting the CRM attributes?" and perhaps this was the main contributing factor to a few sleepless nights. What alerted me more and which really contributed to ''adding oil on the fire'' is the realisation of what is actually expected from a CRO. If we are honest in taking a ''dipstick reading'', how would you gauge yourself against criteria such as: Do you -

1. **Inform** your municipality how to **manage risks at all levels?**
2. Submit **reports** that will **enhance** decision-making?
3. Assist managers not only to address to adverse effects of uncertainty, but also to **seize opportunities?**
4. Assist management to consider the **cost of not seizing opportunities** – ''*carpe diem failures*'' *(ERM currently focus more on cost of actions)*?
5. Assist your municipality with **stratification** of risks, i.e. Executive level, Tactical level, Operational level, etc?
6. Assist your municipality to determine the risk **altitude**, i.e. which risks will be best managed at what **level?**
7. Assist in cascading of risks **across** the municipality?
8. Eradicate the scarce time spent on developing <u>long risk registers that hampers management of risks</u> to rather spent 80% on strategic thinking and 20% on risk assessment – the **80/20 problem?**
9. Focusing on the management of **strategic** risks to enhance resilience?

The above mentioned criteria could be the contributing factors to the different perceptions regarding risk management and it could also be the reason why various risk managers approaches risk management differently. The question that could also be asked is if the differences in professional judgement to the risk management process have created the perception amongst risk professionals that risk management is at a cross-road? By way of comparison, as described in a poem, the outcome of comments of blind men who were describing an elephant by touching the elephant's body could be seen as a red flag when perceptions are being evaluated. E.g. some described the leg of the elephant as a pillar; the ear as a fan; the trunk as a pipe, a rope, a snake, etc. The poem ends with the words ''and so these men of Indostan disputed loud and long, each in his own opinion exceeding stiff and strong, though each was partly in the right and all were in the wrong!!''

A pre-requisite for the implementation and maintenance of CRM is to move away from long/exhaustive risk registers. Another question that could be asked in an attempt to develop more concise risk registers is to ask ''when is a risk a risk?'', because, as already alluded to, various perceptions or based on different professional judgements, a risk might not be a risk for everyone. For example: a risk of water contamination might be a risk for the Water Department, but for the Health Department it might not be seen as a risk, but as a contributing factor to the risk of the outbreak of a particular disease.

Another aspect that should be considered to manage time optimally during workshops is to educate the organisation to differentiate between a risk (those aspects that could prevent a department/unit from achieving its objectives) and an ordinary day-to-day managerial issue. The latter should not be taken on a risk register, but should be managed through the normal ''run of the mill practices''. Thus, the setting up of risk registers must not be done in such a way that it becomes a barrier that hampers the management of risks. If too much time is spent on setting up of risk registers with reference to the identification, evaluation and analysis of risks, it might be regarded by management as an unsupportable drain on time and resources. The challenge is to get the necessary buy-in from risk- and action owners to participate in the clean-up of risk registers to the point where it becomes a managerial tool to manage those risks that could prevent the achievement of objectives.

The CRM Paper addresses four essential risk management conditions to be addressed or eliminated in order to ensure an efficient, effective and sustainable risk management process. Although these essential conditions are familiar to most risk practitioners it needs to be reconfirmed, i.e.-
Essential risk management conditions:

1. Absence of an **appropriate tone** at the top – if Executives are not leading the charge for risk management, it will **stall/loose its momentum.**
2. Poor monitoring of **emerging** risks – no warning signal. The impact that emerging risks could have on the achievement of a municipality's objectives is extremely important and therefore a time factor of at least 12-18 months in the future should be considered.
3. Centralisation and/or **lack of accountability and leadership** – insufficient effort toward achieving objectives. The crux around this condition is to prevent centralising the responsibility to a Chief Risk Officer in a centralised office to take responsibility for the municipality's risk. Risk management should be cascaded to all levels in the municipality and every employee should become a risk manager by taking responsibility for actions to mitigate barriers in order to achieve the relevant set objectives.
4. Lack of **effective communication and training** – missing or weak risk management policies; poor training, etc. Effective risk management communication and consultation should be the first component in the risk management process. It should become a two way dialogue in order to create trust in the risk management process.

The CRM Paper highlighted a few hindrances to advanced risk management. It is essential for each risk department to benchmark against these hindrances to determine the potential existence of these hindrances and, if any are found to be prevalent, they should be attended to immediately. The following questions should be asked-

CRM Benchmarking your municipality

By Dr Ludwig Geldenhuys, City of Cape Town

Hindrances:

1. Do we focus on the right risks, e.g. are we only focussing on financial risks or are risks assessed on an integrated basis; are the risk registers used by officials to ''air their dirty laundry''; aren't important risks being ''swept under the carpet'' or their ratings manipulated; etc.?
2. Is risk management embedded as a habit in the municipality or has it become a compliance exercise to tick the correct boxes?
3. Do we have an approved risk acceptance level (appetite) in place to be used for benchmarking purposes?
4. Is our risk assessment process w.r.t. risk identification, analysis and evaluation value-adding, in other words do we as risk practitioners ask relevant questions; are the actions measurable and practical; have we identified relevant risk and action owners and are they kept responsible for implementation and execution of strategies to mitigate risks with pre-set timelines; etc.?
5. Have we as risk practitioners developed and implemented relevant risk management policies, frameworks and implementation plans to inter alia advise our risk community about their roles and responsibilities, reporting lines, etc.?
6. Do we update and review our risk registers in accordance with the approved implementation plan?
7. Do we have the sufficient and appropriate resources to drive risk management in the municipality?
8. Is risk management engrained in our municipalities at all levels and how do we secure that it is maintained and furthered in the municipality?

The CRM Paper propagates the transition from a ''risk management'' driven organisation to a maturity level of ''management of risks''. If one could visualize a bar with measurements from 1 to 10 where 1 indicates ''risk management'' and 10 indicates ''management of risks'' – where would you peg your municipality on this bar? What should be strived for in our municipalities is not to monitor the municipality's risks centrally by the CRO, but risk owners must take responsibility for risks within their domain at various ''altitudes'' and to manage risks optimally to an acceptable level. The more advanced a municipality is with the institutionalisation of risk management (mind set change) the bigger the change to a synchronised transformation from a ''risk management'' to a ''management of risk'' scenario.

This ideal state of risk management will be facilitated through a common risk management language throughout the municipality with a clear understanding that risk management is not only addressing risks (or problems), but also the optimisation of opportunities. The management of risk scenario is also facilitated by the understanding that it is not a single or standalone event, but a continuous process to ensure the achievement of strategic objectives as described in the Integrated Development Plan of a municipality.

Benchmarking criteria:

The CRM Paper highlighted criteria to be implemented to enhance the management of risks in municipalities. Whether you are the CRO in a municipality with a well-established risk management function or whether you are currently commencing to build such a function in your municipality, the following benchmarking criteria, which are not documented in any order of materiality, could be of great value, i.e.

1. There is an obligation on municipalities, from a legal perspective, to implement and maintain an efficient, effective and transparent system of risk management – do you comply with this legislative requirement?
2. Determine what guideline will suit the municipality best, e.g. PSRMF; ISO 31000; King Report; combination of various models; etc.
3. Determine the risk appetite or risk acceptance level (RAL).
4. Develop a risk management policy, framework and implementation plan. E.g. with regards to the latter determine the number of risk management assessment sessions to be conducted per annum, e.g. 1 complete update with 2 monitor and review sessions per annum.
5. Align risks to an appropriate IDP objective(s).
6. Develop actions to mitigate each contributing factor/root cause to a risk.
7. Obtain support from the top echelon – Identify Executive Director as champion to drive risk management on Executive (EMT) level.
8. Obtain Council approval for risk management policy, framework and implementation plan.
9. Obtain political buy-in, e.g. high risks to be discussed with relevant Mayco member.
10. Establish a committee to attend to risk management issues, e.g. RiskCo; Audit/Risk Committee; etc.
11. Each Directorate in municipality to identify at least one risk champion with risk co-ordinators for each Department to drive action implementation.

12. Update policy, framework and implementation plan ''regularly'' or at least once during political term of office.
13. Consider opportunities (upside risks) and not only threats (downside risks). The cost-of-lost opportunities (whether in monetary or reputational terms) should be considered.
14. Communicate and consult with stakeholders what CRM is about, e.g. develop pre-reading material to focus workshop attendees on the objective of risk related workshops; implement regular newsletters to keep stakeholders informed about risk related matters; etc.
15. Conduct research and inform RiskCo members and the risk community about developments w.r.t. risk management, etc.
16. Refrain from developing ''huge'' risk registers – apply the pareto principle, which implies that management of the top 20% of key risks could result in the remaining 80% to be rated below the RAL.
17. Develop, implement and maintain prompt lists, e.g. to determine cross cutting issues to be used with each assessment of risks.
18. Develop, implement and maintain an emerging risk register and prompt stakeholders with each risk assessment intervention to determine currency of emerging risks.
19. Assign appropriate stratification of risks or the altitude/ level to manage risks.
20. Consider the escalation of risks above RAL keeping ''safety net'' concept in mind.
21. Identify cross cutting actions and co-ordinate responses of various action/risk owners to implement remedial steps in a cost effective/value added manner.
22. Develop reports/dashboards in order for RiskCo members to take informed decisions, e.g. Top 10 risks; risks above RAL per Directorate and Department; High Impact and Low Likelihood reports; High Likelihood and High Control Effectiveness reports; action status reports; etc.

The CRM Paper did not address two topical issues in the risk management domain, which in my mind at least needs mentioning to start and stimulate debate in this regard. These two topics are Business Continuity Management (BCM) and Combined Assurance (CA).

BCM currently seems to be implemented ''in pockets'' in most municipalities and I do get the impression that it is subconsciously applied to a large extent, but unfortunately not properly documented. This opinion is based on the compliance with numerous pieces of legislation that is applicable to local government. Intense debate is currently taking place around who should be responsible for this function in a municipality, e.g. should it be a risk management function; should it be a stand-alone function; should it be integrated in existing functions in Departments/ units; etc. However, without certainty on who should take responsibility for BCM a starting point (from a risk management perspective) that could be considered is to prompt risk owners on the Single Point of Failures (SPF's) in activities under their control – the question that should be answered is if risk owners are satisfied that existing controls are effective in order to ensure that a failure in a specific activity won't halt an entire process. Potential SPF's should be identified via the risk assessment process and ranked to determine the criticality of a SPF. Risk owners should understand that the criticality of a failure is inter alia determined by the impact of the failure, e.g. domino effect or more than one incidents with a high impact happens simultaneously; the maximum acceptable outage that could be tolerated after a failure as well as the time that it would take to recover the business to such an extent that services are optimised; as well as to what degree back-up information, resources, etc. are available.

With regards to CA it appears from recent research that relatively speaking, consensus does exist around the responsibility and oversight role for CA, i.e. the risk management department and the Audit Committee respectively. It seems, based on my personal experience and research, that the most effective, efficient and sustainable model or criteria that should be used to base CA on is still debateable. What should give me as risk officer peace of mind is to engage with critical role players in this regard, being IA and AG, with the view to obtain mutual agreement on the model to be applied. A further bit of advice is to implement CA on a pilot basis purely because CA appears not to be a ''seasoned'' function in municipalities globally.

Conclusion

I trust that this paper will be value adding with specific reference to benchmarking risk management processes as applied by municipalities. As per the definition of CRM in this paper I want to wish all risk practitioners within the municipal sphere success with the institutionalisation of risk practices to achieve the optimum utilisation of scarce resources in order to maximise service delivery.

Management responsibility to review internal financial controls

By Danie de Lange, Cacadu District Municipality

INTRODUCTION

On a number of occasions I have raised the issue that management should take the responsibility of evaluating the effectiveness of internal controls. I am of the opinion that management relies too much on the internal auditors to provide assurance that internal controls are either functioning effectively that there are internal control deficiencies.

In terms of section 62 (1) (c) of the MFMA, the Accounting Officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems :-

- of financial and risk management and internal controls; and
- of internal audit operating in accordance with any prescribed norms and standards.

In terms of Section 77 (2) of the MFMA the top management must assist the accounting officer in managing and co-ordinating the financial administration of the municipality.

Lastly in terms of section 78 (1) (a) of the MFMA each senior manager of a municipality and each official of a municipality exercising financial management, must take all reasonable steps within their respective areas of responsibilities to ensure that the system of financial management and internal control established for the municipality is carried out diligently.

It is therefore evident that every official in the municipality is responsible for ensuring that internal controls are established and maintained, however it is clear that top and senior management are primarily responsible for the establishment of the internal controls and evaluating whether those systems are functioning effectively.

Control Components and Principles

I have come across a Deloitte article titled "Head Up" Volume 20, Issue 17 dated 10 June 2013 which summarize the Control Components and Principles. The diagram maps the principles to the topical sections and summarizes at a high level the internal control framework.

CONTROL COMPONENTS AND PRINCIPLES				
CONTROL ENVIRONMENT	RISK ASSESSMENT	CONTROL ACTIVITIES	INFORMATION AND COMMUNICATION	MONITORING ACTIVITIES
1. Demonstrates commitment to integrity and ethical values. 2. Exercises oversight responsibility. 3. Establishes structure authority and responsibility. 4. Demonstrates commitment to competence. 5. Enforces accountability	6. Specific suitable objectives. 7. Identifies and analyzes risk. 8. Assesses fraud risk 9. Identifies and analyzes significant change.	10. Selects and develops control activities. 11. Selects and develops general. controls over technology 12. Deploys through policies and procedures.	13. Use relevant information. 14. Communicates internally. 15. Communicates externally.	16. Conducts on-going and /or separate evaluations. 17 Evaluates and communicates deficiencies

The diagram is a useful framework for creating awareness of the components and principles of the internal control framework and will promote a better understanding of management's responsibilities regarding the establishment and maintaining of the systems and internal controls.

EFFECTIVE SYSTEMS OF INTERNAL CONTROL

In an effective system of internal control:

1. Each of the five components and relevant principles are required to be present and functioning.
   - **Present** is defined as "the determination that components and relevant principles exist in the design and implementation of the system of internal control to achieve specified objectives"
   - **Functioning** is defined as "the determination that components and relevant principles continue to exist in the conduct of the system of internal control to achieve specified objectives."

2. The five components are required to operate together in an integrated manner.
   - Management can demonstrate that components operate together when:
      - o The "components" are present and functioning; and
      - o "Internal Control deficiencies aggregated across components do not result in the determination that one or more major deficiencies exist."

INTERNAL CONTROL DEFINED

Internal controls can be defined as systematic measures (such as reviews, checks and balances, methods and procedures) instituted by an organization (management) to:

- Conduct its business in an orderly and efficient manner;
- Safeguard its assets and resources;
- Deter and detect errors, fraud, and theft;
- Ensuring accuracy and completeness of its accounting data;
- Produce reliable and timely financial and management information; and
- Ensure adherence to its policies and plans.

HOW SHOULD MANAGEMENT EVALUATE INTERNAL CONTROLS?

Management's actions to ensure that internal controls function effectively must be undertaken within an acceptable framework.

I believe that management can use an internal control checklist to test whether internal controls are functioning effectively.

I have come across a document titled "Management Control System – Checklist" author unknown which I have attached, that focuses on all the important financial management areas. I believe that we need to customize the document for the municipal environment.

The approach is new and I am convinced that there are not many municipalities in SA that have adopted a structured approach to evaluate their internal controls at least on an annual or six monthly basis.

The intervention to evaluate internal controls also provides an excellent opportunity to check whether policies, procedures, source documentation and delegations are still appropriate.

The staff in the various units will be involved in the evaluation process which can also serve as a training opportunity.

CONCLUSION

I am excited about this project and if approached with enthusiasm, it will lead to the improvement of financial management standards within the municipality. It can also lead to improve audit outcomes. The sign off by management that internal controls have been evaluated and tested will undoubtedly influence the external auditors opinion regarding whether there is effective leadership and monitoring of internal controls.

Basics of impairment

By Ian Engelmohr CA(SA), Drakenstein Municipality

The two standards of GRAP on impairment, namely cash- and non-cash generating assets (GRAP 21 & 26), contain a number of principles within their first few paragraphs which are subject to a huge amount of interpretation, and many times an incorrect interpretation is made. On the difference between a cash generating and non-cash generating asset in a public sector environment heavy discussions have arisen at various forums.

But this article serves to focus on the basic principle: "what is an impairment?"

It should be noted that throughout this article, where reference is made to an asset it includes a significant component of an asset, which has been separately recognised in terms of GRAP 17.

Difference between impairment and depreciation

To answer the question, what is impairment, you should revert to the definition of impairment, being a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation. Depreciation is the decrease in value of an asset as it should normally be used / consumed over its useful lifetime. An impairment by contrast is a sudden or unexpected decrease, normally linked to a certain event, in the value or ability of an asset (which is normally permanent) to operate as it should have, had the certain event never occurred.

How to identify if an asset is impaired

GRAP 21 and GRAP 26 include indicators that might indicate instances where an assessment of impairment will need to be performed.

EXTERNAL SOURCES OF INFORMATION

- Significant long-term changes with a negative effect on the entity have taken place during the period or will take place in the near future, in the technological, market, legal or government policy environment in which the entity operates, which could for example put strain on the use of a specific asset.

Specific to non-cash-generating assets

- A ceasing or pause, or rapid decline, in the demand or need for services provided by the asset.

Specific to cash-generating assets

- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and materially decrease the asset's recoverable amount.
- An asset's market value has declined significantly during the reporting period, more than would have been expected as a result of the passage of time or normal use, owing to for example the introduction of a newer model of the asset held.

INTERNAL SOURCES OF INFORMATION

- Evidence is available of physical damage to or obsolescence of an asset, for example the asset was damaged in a fire or accident.
- Significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.
- Reviews of remaining useful life: residual value or replacement cost shows a significant decrease in remaining useful life.

Specific to non-cash-generating assets

- A decision to halt the construction of the asset before it is complete or in a usable condition.

But it is precisely with these indicators that one of the major confusions with impairment testing comes in. The misconception exists that if any of the indicators exists, an asset must be impaired; this is especially the case if an asset has been damaged. The secretariat of the Accounting Standards Board (ASB) recently issued guidance in the form of a set of frequently asked questions on accounting for infrastructure assets. One of the questions asks if damaged assets are always impaired. The ASB states that damaged assets do not always necessarily need to be impaired. An asset is impaired if there is a loss in future economic benefits or service potential. Even though an asset might be damaged, it might not necessarily mean that such a loss has arisen.

So when would there be a loss in service potential or future economic benefits of an asset?

One must refer back to the GRAP "Framework", which states that assets provide a means for entities to achieve their objectives. Assets that are used to deliver goods and services in accordance with a municipality's objectives but which do not directly generate net cash inflows are often described as embodying "service potential". Assets that are used to generate net cash inflows are often described as embodying "future economic benefits". The future economic benefit or service potential embodied in an asset is the potential to contribute directly or indirectly to the flow of cash and cash equivalents to the entity or to the rendering of services by the entity. Thus with an impairment, the potential of the asset has been affected by the specific event, in most instances permanently.

On the practical side, we may consider what types of scenarios will not indicate impairment.

- Where insignificant parts of an asset must be repaired or replaced to maintain the same level of economic benefits or service potential.
- If the roof of a pump station has been damaged by storms (for example some tiles have cracked), the roof can be repaired without the pump station suffering any loss of future economic benefits or service potential.
- The same consideration applies where potholes have appeared in a road owing to either a lack of maintenance or excessive rain: this would not indicate impairment, but rather that an increase in the measured consumption of the asset is required. The road can be repaired at an insignificant amount.
- The armrest of an office chair breaks off, but the chair, although a bit damaged, does not lose its future service potential.

The following examples, using the same types of assets, will on the other hand indicate impairment.

- Where significant parts of an asset must be repaired or replaced to maintain the same level of economic benefits or service potential.
- If the roof and building of a pump station have been damaged by severe storms or by for example a tree falling onto the pump station, it will require major repairs or replacement of parts.
- The same applies where a section of road has been severely damaged by flooding and that section requires reconstruction: this would indicate impairment.
- An office chair breaks into pieces and because it is severely damaged it cannot be used anymore.

Technical accounting concepts

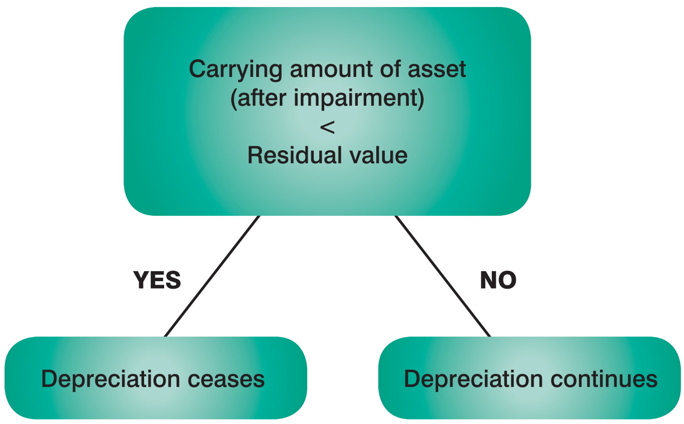
Should depreciation on an asset cease when it is impaired?

GRAP 17 states that depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal - unless the asset is already fully depreciated. Depreciation is recognised even if the fair value of the asset exceeds its carrying amount, as long as the asset's residual value does not exceed its carrying amount. Saying this, the residual value of an asset may increase to an amount equal to or greater than the asset's carrying amount. If it does, the asset's depreciation charge is zero unless and remains so until its residual value subsequently decreases to an amount below the carrying amount.

On the face of these paragraphs from GRAP 17, you could argue that with an impaired asset the residual amount would automatically be higher than the carrying amount after impairment. Note that an asset is impaired when the recoverable amount - the higher of the fair value less cost to sell and value in use – i.e. in the case of GRAP 21, the recoverable service amount - is lower than the carrying value of the asset. Thus your recoverable service amount could be regarded as the same as the residual value of your asset.

But if you revert to the definition of the residual value of an asset, it is the estimated amount that a municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. This then implies that one should disregard that an asset might have been impaired and thus the previous argument for reasoning that depreciation will cease on all impaired assets is invalid. Except where the originally calculated residual value is more than the carrying amount after impairment, will an asset still be depreciated, even though it is impaired.

Figure 1. Should depreciation cease on impairment?



Basics of impairment - *by Ian Engelmohr*

In regards to the period over which the restoration/ replacement cost should be depreciated, a municipality should consider whether the subsequent costs incurred have influenced (extended) the remaining useful life of the asset. If this is the case, the asset, including the subsequent costs, should be depreciated over the new remaining useful life determined.

If a major component is replaced, it should be capitalised and thus be depreciated, but when should it start to depreciate and over which term?

The GRAP standards do not specifically address the above scenario, but GRAP 17 states that parts of some items of property, plant and equipment may require replacement at regular intervals and provides the example of a road that may need resurfacing every few years. Under the recognition principle in GRAP 17 a municipality recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, if the recognition criteria are met. This means that any subsequent restoration or replacement cost should be capitalised onto the current carrying amount of the asset after impairment. If any parts are completely replaced, the carrying amount of those parts is derecognised in accordance with the derecognition provisions of GRAP 17.

GRAP 17 further states that depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Applying this principle to any subsequent costs of replacement or restoration of impaired assets, the subsequent costs should start to depreciate from the day that management identifies the asset as being able to operate in the manner it should have done before impairment.

In regards to the period over which the restoration/ replacement cost should be depreciated, a municipality should consider whether the subsequent costs incurred have influenced (extended) the remaining useful life of the asset. If this is the case, the asset, including the subsequent costs, should be depreciated over the new remaining useful life determined. If there is a change in the useful life of the asset it would not constitute a correction of an error, but a change in an estimate and applied prospectively in terms of GRAP 3.

How should the impairment principles be practically applied within my municipality?

It is suggested that an asset management policy be developed which includes the practical indicators for identifying whether an asset might be impaired. Such policy should be developed in conjunction with technical personnel (such as engineers). It was noted that National Treasury recently issued guidance on what certain indicators of impairment could be – it is available on *www.oag.treasury.gov.za/* .

Such a policy should include procedures on the sources from which these indicators could be identified and could include:

- Issuing a memo to all departmental heads requesting them to indicate whether any of the indicators of impairment exists in respect of any assets
- Reviewing the insurance claims submitted in the two/ three months after year-end, as these might indicate impairment in assets that existed at year-end.
- Preparing lists of assets to be sold at auction. Assets are normally sold at auction if the entity has no further use for the assets, thus providing an indicator of impairment.

Furthermore such a policy should provide clear guidance as to when subsequent costs incurred on assets should be classified as repairs and maintenance (which should be expenses) or restoration/ replacement of assets (which should be capitalised). This will assist further in identifying whether a damaged asset is in actual fact impaired.

The establishment and structuring of audit, performance audit and risk management committees in municipalities

By Riaan Visser, Ducharme Consulting

INTRODUCTION

Some municipal managers and other senior managers as well as councillors sometimes have difficulty to decide on how audit committees and the risk management committees should be structured, positioned and implemented within their respective municipalities. The purpose of this article is to provide some clarity on this matter given the fact that different legislation and regulations as well as policy guidelines issued by the national government are governing the establishment of audit and risk management committees.

THE REQUIREMENTS FOR A TRADITIONAL AUDIT COMMITTEE

Section 166(1) of the MFMA (Municipal Finance Management Act 56 of 2003) requires that each municipality/municipal entity must have an audit committee, subject to subsection (6). According to subsection (6) a single audit committee may be established for (a) a district municipality and the local municipalities within that district municipality, or for (b) a municipality and the municipal entities under its sole control. It is required by section 166(2)(a) that an audit committee must be an independent advisory body, which must advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters relating to amongst others risk management and performance management.

Paragraph 23 of the Public Sector Risk Management Framework of April 2010 also emphasise the fact that the audit committee is an independent committee responsible for oversight of the institution's control, governance and risk management.

REQUIREMENTS FOR PERFORMANCE AUDIT COMMITTEES

Regulation 14(2)(a) of the Municipal Planning and Performance Management Regulations of August 2001 requires that a municipality annually appoints and budget for a performance audit committee. According to Regulation 14(4)(a) a performance audit committee has the following responsibilities:

(i) To review the quarterly reports submitted to it;
(ii) To review the municipality's performance management system and make recommendations in this regard to the council of that municipality; and
(iii) To submit an audit report to the municipal council concerned at least twice during a financial year.

In terms of Regulation 14(4)(b) the performance audit committee must focus on economy, efficiency and effectiveness (the 3E's of performance management) as well as on impact in so far as the key performance indicators

The establishment and structuring of audit, performance audit and risk management committees in municipalities

By Riaan Visser, Ducharme Consulting

and targets set by the municipality are concerned, when reviewing the municipality's performance management system.

ALIGNMENT BETWEEN THE AUDIT AND PERFORMANCE AUDIT COMMITTEE

It is, however, envisaged by Regulation 14(2)(c) that a municipality may utilise any audit committee established in terms of other applicable legislation as the performance audit committee envisaged in paragraph (a), in which case the provisions of this sub-regulation, read with the necessary changes, apply to such an audit committee.

The provisions of the Regulation 14(2)(c) above is strengthened by MFMA Circular 65 of November 2012 which recommends that a Municipality must review its committees to ensure that in cases where there is an audit committee and a performance audit committee, that these are combined into one committee for effective management, oversight and reporting, as envisaged by section 166 of the MFMA. The circular also suggest that during the transition period the Chairperson of the Performance Audit Committee should report progress on a quarterly basis to the Audit Committee.

REQUIREMENTS FOR RISK MANAGEMENT COMMITTEES

Section 62 of the Munipal Finance Management Act requires the Muncipal Manager (Accounting Officer) to put in place a system of finacial and transparent controls. It is indicated in Paragraph 24 of the Public Sector Risk Management Framework of April 2010 that a Risk Management Committee should be appointed by the accounting Officer to assist him/her to discharge their responsibilities for risk management. The tone at the top for Risk management must be set by the Muncipal Council by ensuring that the accounting officer has complied with section 62 of the MFMA.Such a committee should comprise of both management and external members with the necessary blend of skills, competencies and attributes, including the following critical aspects:

(a) an intimate understanding of the Institution's mandate and operations;
(b) the ability to act independently and objectively in the interest of the Institution; and
(c) a thorough knowledge of risk management principles and their application.

It is also required that the chairperson of the Risk Management Committee should be an independent external person, appointed by the Council. The responsibilities of the Risk Management Committee should be formally defined in a charter approved by the Council.

In terms of MFMA Circular 65 of November 2012 the Audit Committee will be required to review recommendations made by Risk Management Committee and consider these in line with the Audit Committee charter. Based on such a review the Audit Committee must provide feedback to the municipal manager and the Council on the adequacy and effectiveness of risk management in the municipality and its entities.

According to paragraph 24(4) of the Public Sector Risk Management Framework there might be instances where the scale, complexity and geographical dispersion of the municipality's activities dictate the need for the Risk Management Committee to work through subcommittees. In those cases it is the necessary that the Risk Management Committee should ensure that:

(a) approval is obtained from the Council for the establishment of the sub-committees; and
(b) the terms of reference of the sub-committees are aligned to that of the Risk Management Committee; and
(c) the Risk Management Committee exercises control over the functioning of the subcommittees.

ALIGNMENT BETWEEN THE AUDIT AND RISK MANAGEMENT COMMITTEE

If there are both a risk management committee and an audit committee established for a municipality then it is necessary to consider how the responsibilities of the two committees could be separated.

According to paragraph 24(5) of the Public Sector Risk Management Framework of April 2010 the Risk Management Committee should have the following responsibilities:

(a) Review and recommend for the approval of the municipal council, the:
    (i) risk management policy;
    (ii) risk management strategy;
    (iii) risk management implementation plan;
    (iv) institution's risk appetite,
    (v) institution's risk tolerance
    (vi) institution's risk identification and assessment methodologies,
(b) Evaluate the extent and effectiveness of integration of risk management within the Institution;

(c) Assess implementation of the risk management policy and strategy (including plan);
(d) Evaluate the effectiveness of the mitigating strategies implemented to address the material risks of the Institution;
(e) Review the material findings and recommendations by assurance providers on the system of risk management and monitor the implementation of such recommendations;
(f) Develop its own key performance indicators for approval by the Council;
(g) Interact with the Audit Committee to share information relating to material risks of the Institution; and
(h) Provide timely and useful reports to the Audit Committee on the state of risk management, together with accompanying recommendations to address any deficiencies identified by the Committee.

Paragraph 23(4) of the Framework indicated that where there is a separate Risk Management Committee, the responsibilities of the Audit Committee should include the following:
(a) Reviewing and recommending disclosures on matters of risk in the annual financial statements;
(b) Reviewing and recommending disclosures on matters of risk and risk management in the annual report;
(c) Providing regular feedback to the Accounting Officer / Authority on the adequacy and effectiveness of risk management in the Institution, including recommendations for improvement;
(d) Ensuring that the internal and external audit plans are aligned to the risk profile of the Institution;
(e) Satisfying itself that it has appropriately addressed the following areas:
    (i) Financial reporting risks, including the risk of fraud;
    (ii) Internal financial controls; and
    (iii) IT risks as they relate to financial reporting.

However, paragraph 23(5) of the Framework suggested that where there is no separate Risk Management Committee, the risk management responsibilities of the Audit Committee should be identical to those listed in paragraph 24(5) as indicated above. In terms of paragraph 23(6) the Audit Committee should evaluate the effectiveness of Internal Audit in terms of its responsibilities for risk management.

RECOMMENDATIONS

From the regulatory framework and policy guidelines of the national government it should be clear that there is no reason why a municipality can't have one Audit Committee dealing with the accounting and financial matters, as well as performance management and risk management. This approach is already recommended by the National Treasury in MFMA Circular 65 according to which the audit committee and the performance audit committee should be combined into one committee. Metropolitan municipalities (category C municipalities) might, however, have a need for a Risk Management Committee, separate from its Audit Committee. They are probably in a better financial position to afford the establishment and functioning of such a Committee.

It is also necessary to keep in mind, from a financial affordability perspective, that most of the medium and smaller municipalities cannot afford their own Audit Committees and should therefore (or have already) opt for a shared service.

The advantage of having one Audit Committee is that such a Committee will be in a better position to be effective, if exercising oversight over the financial/accounting matters as well as performance and risk management matters, since it will have an holistic overview of institutional governance and the cause and effect that certain actions of management or council have on the achievement of the strategic and service delivery objectives of the municipality.

By Attie Butler, Ignite Advisory Services

A major challenge for municipalities

As the reporting of performance has improved during the past financial year, most of the Predetermined Objective (PDO) audit queries highlighted the problem that the performance reported in the Annual Performance Reports and Top Layer SDBIP's was not supported by sufficient evidence to prove the actual performance.

The portfolio of evidence (PoE) is a document or collection of documents from a task that you have managed. The PoE indicates that you have satisfied the performance requirements and that the actual result that was reported, is correct. At municipal level we usually refer to the proof or evidence of performance. The approved performance management policy framework of municipalities normally prescribes that the person responsible for the key performance indicator (KPI) should report on the results of the KPI by properly documenting the information in the performance response fields and/or make reference to where the PoE can be found. In the instance of poor performance, corrective measures should be identified and documented. The PoE should prove that the KPI was delivered and that the expected outcome / impact has been achieved. The actual performance should furthermore be monitored quarterly in terms of the objectives, KPI's and targets set. In order to measure the outcomes of the KPI's, the outputs and performance evidence should be documented and this POE evaluated. It is therefore important to note that the municipal manager needs to implement the necessary systems and processes to provide the PoE's for reporting and auditing purposes.

When we think of PoE's there are two key elements to discuss. The one element is to decide what the evidence for each KPI will be and the second element is to collate the evidence for each KPI. In terms of the decision of what evidence will prove our performance in terms of the target set for each KPI, we need to consider what systems and processes we have in place that can assist us to provide evidence of the achievement of our performance. Then we need to decide which reports or documents generated by the system or during he process will be proof that the KPI target has been achieved. The documents that should be used as a portfolio of evidence need to be carefully considered as they MUST sufficiently prove performance and provide the evidence that the target set has been achieved. It is therefore extremely important that we decide how reliable the identified evidence from this system and/or process will be and whether the information can be used as measurement during performance monitoring and reviews. This information should then be used to report performance and reviewed during internal and external audit purposes. Please note that there is no standardised list of the "correct" set of documents. The important factor is that this should be the source document that will prove the achievement of the actual result reported on.

In the instance where the work has been done by a third party on behalf of the municipality, the PoE must be obtained from the third party and safeguarded with the other PoE's.

The next element is to collate the evidence for each KPI. Every time that we have a target that we need to report on, we need to substantiate it with a PoE. The PoE's should be kept manually or electronically and should be maintained in a systematic and organized manner. It is furthermore important that the PoE's are maintained at the same standard for a department and for the organisation as a whole. Remember that the PoE should be properly referenced and safeguarded by the staff member responsible for performing the KPI. The senior management team must satisfy themselves during the evaluation of performance on an individual or organisational level that the PoE is sufficient and properly safeguarded.

In summary, the PoE is normally a document or a collection of documents from a project or projects managed. It provides the required evidence that the performance requirements have been satisfied. The fewest number of documents that will prove that the performance requirement was achieved should be used.

We propose that the internal auditor test the documentary evidence which can include a page from the project plan, an email to a key stakeholder, meeting minutes, financial system reports, certificates, project plans, external statistic reports, system generated reports, etc. to provide the necessary assurance that the KPI target has been achieved and that it can be proved.

Mthonjaneni striving for excellence in service delivery

By Asheena Devanarayan, Conlog (Pty) Ltd

Third Party Vending System… To Be or Not To Be?

Private sector and government work together to create a better South Africa!

Access to basic services like water and electricity should be the constitutional right of all South African residents. As a country we have progressed immensely in the past 20 years, though the harsh conditions under which many people live as a reminder that as a nation we still have a long road to travel.

This was the case with Melmoth, a town incorporated by the Mthonjaneni local Municipality in the northern coastal region of KwaZulu Natal. Forming part of the uThungulu District Municipality, Mthonjaneni is located approximately 170km north of Durban. The town has a population of about 907,519 people.

Aptly named, Mthonjaneni is the isiZulu translation for "a spring of water". The picturesque area is a testament to nature's true beauty offering visitors stunning sceneries. The municipality has made great strides towards bettering the lives of their residents of Melmoth, one of them being the access to electricity through prepayment and vending services.

Prepayment systems have proven to be very effective in the distribution of electricity, putting the consumer in control as they are able to monitor their usage through prepaid meters located in or within close proximity of the household. The consumer is required to purchase credit tokens for the meter in order to be connected to the electricity supply. The creation of tokens, along with the customer and meter information is managed by the accompanying vending system.

The issue at hand for the residents of Melmoth was the accessibility of the credit tokens. Credit tokens could only be purchased directly from the municipality during standard working hours and residents were literally left in the dark over weekends and public holidays. Without electricity, residents had to resort to the use of candles, paraffin lamps and wood fires to cook, heat water, and when weathers were not favourable, to keep warm. This was not only an inconvenience but also extremely hazardous as candles and lamps left unattended often lead to fires.

For every problem, there is a solution; a vending system, that allows multiple vendors and merchants to retail electricity on behalf of the utility was introduced. The vending system would give the residents of Melmoth the choice to purchase credit tokens at their convenience from several vendors, located around the town; this brought about a world of change to their lives.

Customer service and community participation is the core function of any healthy community, thus meeting with members of the community, councilors and members of the Mthonjaneni local Municipality at a community meeting is the key to spotting an excellent vendor. The community is provided orientation and training to explain the concept of third party vending, how to utilise the system as well as how technical queries can be addressed. This type of interaction with the community is extremely beneficial and serves to promote open communication between the municipality and the residents. Educating consumers also empowers them with the knowledge required to reap the full benefits of the third party vending system. Within a week of the meeting, systems were live and consumers were able to purchase electricity from conveniently located vendors including local ATM's, supermarkets and 24 hour convenience stores.

As trivial as this may seem to some, to a mother who couldn't switch on the stove to cook a meal for her family, the change would be phenomenal. Never again would the residents of Melmoth have to go without electricity for an entire weekend due to inaccessibility of services.

Mthonjaneni local Municipality and the town of Melmoth are examples of the great things that can happen when private sector and government work together to create a better South Africa for all its residents.

Serious financial problems

By Waratwa Mtshali & Zola Ntolosi, Barnstone

Continuous transaction monitoring can significantly reduce the more than R2 Billion lost as a result of unauthorised & irregular as well as fruitless and wasteful expenditure.

No one can deny that municipalities in South Africa are experiencing serious financial problems. In the 2012/2013 financial year only 4.6% of the municipalities in the country received a clean audit. There hasn't been a proven link between a clean audit and service delivery but the increased dissatisfaction experienced by many South Africans has been revealed by the increased number of often violent service delivery protests.

With over R2 billion rand lost in unauthorised and irregular expenditure as well as fruitless and wasteful expenditure it's easy to deduce that the financial health of municipalities in South Africa is worrisome.

Spare a thought for the hard working and diligent officials who are committed to deliver services especially considering that most of them are consumers of the very services provided as well. In most instances, the municipalities' ability to deliver services and to be fully accountable is often times a result of limited or non-existent controls making it easy for funds to go unaccounted for. Fortunately, with the sophisticated level of the South African banking system as well as the fact that all payments can be made electronically, this creates the space to track and trace all transactions and hold people accountable for transactions that can lead to significant losses and impact our municipalities negatively as mentioned above.

Continuous transaction monitoring offers a control failure or control circumvention safety net, in that a continuous transaction monitoring system analyses 100% of transactions against defined criteria and alerts decision makers, through exception reporting, of any anomalies before payments are made. It affords organisations, especially the municipalities, the ability to prevent losses and to avoid the need to recover money irregularly spent which, at times can be costly and time consuming. In the event that the amounts being spent are significant it can have a direct impact on service delivery. Consider the recent case, for example, where a municipality was recently in the news due to allegations that some of the office bearers and officials colluded to deny the community running water in order to force the municipality to pay their company to provide water tankers.

For the duration of the alleged scam it means that there was no concerted plan to invest or maintain water infrastructure. It's also a well-known fact that unutilised infrastructure is prone to vandalism and destruction. It's our belief that if continuous transaction monitoring was in place, with proper

alerts for irregular or abnormal transactions, an alarm would have been raised a long time ago – the expenditure on water tank rentals pattern is not in line with the norm. Part of the power of continuous transaction monitoring is that if an alarm went unattended it would be automatically escalated. At a managerial level, the reports produced by the transaction monitoring system would give incredible insight to those tasked with the oversight function at the local government level.

To ascertain the financial health of municipalities one does not need to wait for the AGSA reports. Municipalities should be continually monitoring their transactions and taking proactive steps to ensure a clean bill of health. Part of the key difference when the continuous transaction monitoring system is implemented, is that the management team is covering 100% of their transactions as opposed to sampling (at times as low as 10%) done at audit times. It also means accountability for each transaction is easy to determine and therefore there is no need to generalise when dealing with control failures but rather each individual can be held responsible for their actions or lack thereof. Having a clean audit is therefore not only possible but within reach.

Municipalities often have expensive information technology systems for each department or business units namely procurement, finance, HR and payroll, billing and supply. Often millions have been spent for custom written software and each system usually requires expensive consultants to assist with the maintenance and support. Extracting information from these systems can also be time consuming and often these systems don't talk to each other making it even more difficult for management to access information when needed.

In most municipalities there are no systems implemented to assist the dedicated and ethical municipal officers to achieve a clean audit. If there are systems, the staff are not adequately trained and the very systems are not correctly implemented therefore rendering them ineffective. Monitoring and evaluation (M&E) systems are designed to continuously monitor 100% of all transactions from all financial applications and the municipality's ERP solutions. It is virtually impossible for the naked eye to track and trace every transaction. Therefore, cunning and dishonest employees can misappropriate funds meant for service delivery projects. Without the correct internal controls these funds can be diverted into the pockets of corrupt officials who want to benefit unjustly.

In order to move towards a clean audit, the solution would be to engage with the private sector for M&E systems. This will ensure that 100% of all transactions can be monitored and evaluated for irregular and or abnormal transactions as well as any transactions that could be potentially fraudulent. By running integrity checks based on indicators which will be established in line with key governance and compliance principles, any suspicious or untoward transactions will be highlighted in real time. This means that as municipal

Serious financial problems

By Waratwa Mtshali & Zola Ntolosi, Barnstone

officials you will be proactive in fighting fraud and corruption but most importantly ensuring that as managers, you have business intelligence which is crucial when making business critical decisions. The power of M&E systems is that you can rest assured that every transaction will be monitored meaning no stone will be left unturned.

Corrupt officials are often not prosecuted and the recouping of any stolen funds has in the past proved difficult due to a lack of evidence. With M&E systems implemented in municipalities all transactions will be monitored and evaluated ensuring the availability of an audit trail which could be used during the prosecution of corruption officials. The current technology used for billing, finance, HR and payroll would be maximised as every transaction would be monitored and evaluated ensuring that the municipality saves money which would otherwise be untraceable and unaccounted for.

As a municipal manager and municipal finance officer wouldn't you want to have a snapshot of what is going on in your municipality at a click of a button? It would be extremely advantageous to monitor and evaluate all transactions during the financial year so to identify duplications, eliminate any errors, minimise misuse and even prevent fraud before it happens. This will ensure better forecasting and better planning for the next financial year as budgets will be accurately accounted for and in line with projects being completed in time and of best quality as each municipality would know their financial position at a click of button. With credible information at ones fingertips, service delivery protests would be reduced as municipalities would be meeting their mandates timeously.

All transactions and processes need to be compliant with the municipal strategy and the law. Monitoring and evaluation systems would help municipal officers to ensure that they are in line with their budgets during the fiscal year. A proactive approach needs to be implemented in the municipalities to ensure that business critical decisions can be made with accurate and reliable information.

The serious financial challenges faced by municipalities are often caused by not accurately knowing ones financial position. This is because without M&E software municipalities have been operating with blinkers on - merrily processing hundreds or even thousands of transactions and not being able to monitor and evaluate them. By monitoring and evaluating each and every transaction, each municipality can account for all monies coming in and going out. The road to a clean audit for the 275 municipalities may be long and daunting for municipal financial officers, but it needn't be. If all relevant stakeholders work together and are supported with M&E systems implemented in the municipality, the work done by the municipal manager and chief financial officer in implementing internal controls and sound processes to ensure segregation of duties, would be complemented.

If you chose not to implement M&E software, any irregular or abnormal transactions will not be highlighted in advance ensuring that you as the municipal manager or financial officer can't attend to it before it escalates to problematic proportions. You will be denying yourself the opportunity to have a clean audit. Instead you are choosing to carry on working the same way as before. Doing the same thing and expecting a different result is called insanity. Trying to achieve a clean audit without M&E systems to compliment the good work already being done is ludicrous. Don't be the municipality that is left behind.

In conclusion the Auditor General's annual report highlights the serious financial problems plaguing our municipalities. These are known by most, if not all, municipal officials. Therefore the solution would be to compliment your current municipal strategy with M&E systems to assist you as the chief financial officer, municipal manager or as the Accounting Officer, to proactively know what is going on in your municipality. By monitoring and evaluating 100% of all transactions through exception reporting all the time you will be starting your journey on the road towards a clean audit leaving no stone unturned.

Rapid Increase in costs of municipal services

By SA Cities Network

Michael Kihato and Geoffrey Bickford[1]

Introduction

Healthy municipal finances are reliant on steady revenue streams. Municipalities supply households, businesses and government bodies with a package of services including water, electricity, refuse removal and sanitation. In return for receiving these services, households, government departments and businesses are required to pay the municipality. In addition, they are also required to pay property taxes based on the municipal valuation of their property.

In principle, the cost of provision of these services should be covered by these payments. It is argued that "full cost pricing"[2] of infrastructure and services through user charges is necessary to achieve financial sustainability. However this is never easy. The costs of externalities and sunken costs mean that, even at the best of times, pricing is a complex affair.[3] Further, pricing of a service such as water needs to take into consideration the fact that this is a basic necessity for living. The general level of poverty means affordability is always a persistent problem. This is the rationale behind fiscal transfers from national government:- local government should be relieved of some of the costs of dealing with the poor. Nevertheless full cost pricing is the underlying legislated principle in the calculation of tariffs for the provision of services.

Understanding the challenge

The South African Cities Network (SACN) State of City Finances Report 2013 (City Finances Report) has dedicated an entire chapter (Chapter 2) to the question of municipal tariffs and how affordable these are to households today and importantly, how these will evolve in the future.[4] This is timely given the spectacular increase in the costs of services, most notably electricity, over the last number of years. When services are provided, it is presumed that the users of these services have the ability to pay for them, with the exception of the very poor. However, this is now increasingly not so, especially for lower to lower-middle income household users. The rapid rise in costs associated with providing electricity and water services is creating a real threat that these services are becoming more and more unaffordable. This can affect the sustainability of finances in our large cities.

A simple method can be used to illustrate this problem. A standard basket of services[5] provided to four different, low, lower-middle to high income earning households within four income bands is taken: R3,201–6,400 per month (Type A service); R6,401–R12,800 per month (Type B service); 12,801–25,600 per month (Type C service); and R25,601–51,200 per month (Type D service). The correlation between the income of the person and the service type is made by taking the value of the property and matching this with an income band for the price of the house, and the typical or average basket of services ordinarily consumed by that category of household.

Table 1: Standard service package and property value correlation

Standard service packages	Property value in 2008/9 (R)	Electricity consumption assumed (kwh/month)	Water consumption assumed (kl/month)
TYPE A	100,000	400	20
TYPE B	250,000	500	25
TYPE C	500,000	800	30
TYPE D	1,000,000	1 500	40

It must be remembered that these are not the absolute poor, but represent income earners who would ordinarily afford to pay for their consumption of services. The rise in the cost of services over time for these households is then calculated over time.

Table 2: Overall percentage increases in cost of service packages between 2009 and 2012, 4 service packages in eight SACN member cities (%)

Metropolitan municipality	TYPE A	TYPE B	TYPE C	TYPE D
Income per month	R3,201–6,400	R6,401–R12,800	12,801–25,600	R25,601–51,200
City 1	-6%	-18%	35%	38%
City 2	29%	16%	21%	35%
City 3	-1%	-3%	27%	26%
City 4	29%	28%	30%	32%
City 5	18%	20%	24%	51%
City 6	24%	22%	28%	36%
City 7	48%	46%	43%	45%
City 8	8%	39%	26%	31%

1 *The authors work for the South African Cities Network.*
2 *Many meanings are ascribed to full cost pricing, but generally it includes initial investment, operations and maintenance costs, charged to the consumer. See Kihato, M. (2012). Infrastructure and housing finance: exploring the issues in Africa, paper commissioned by the Centre for Affordable Housing and Finance in Africa INTERNET http://tinyurl.com/pole3xd Accessed on 12 November 2013.*
3 *For example, in South Africa, this complexity is reflected in the National Treasury requirements that water service authorities (mostly municipalities) set tariffs that are based on costs, and consider social equity, financial viability and environmental sustainability.*
4 *The chapter was written by Roland Hunter of Hunter van Ryneveld. This article has borrowed substantially from that chapter.*
5 *The basket of service costs is property tax, electricity, water, sanitation and refuse removal.*

From the table above, a number of things are clear. Firstly, across the different services packages, the highest increase in costs is happening at the latter services packages, that is Type C and D. This is because municipalities are more willing to pass on the real costs of the services to higher income earners at this end of the spectrum. This is not always the case though. Municipalities 2, 4, 5, 6 and 7 have increased the costs of service packages Type A and Type B by between 29 percent and 48 percent. Type A and Type B services are used by lower to lower-middle income earners.
Secondly, some municipalities are considerably absorbing the increasing costs of services, specifically for Types A and B packages. Municipality 1, for example, has had the real cost of services for packages Type 1 and 2 actually decline by 6 percent and 18 percent respectively. This reduction was in the face of very high inflation for the bulk supply of these services.

The increase in the costs of services is then compared to the incomes for the same household. This is done by comparing what proportion of the household income the costs of services constitute over the same period.

Table 3: Percentage of income cost of service packages constitute, 2009 and 2012 in SACN member cities (%)

Year		2009				2012			
Service package		**TYPE A**	**TYPE B**	**TYPE C**	**TYPE D**	**TYPE A**	**TYPE B**	**TYPE C**	**TYPE D**
Benchmark household income (R per month)	2012 values	6,000	12,000	24,000	48,000	6,000	12,000	24,000	48,000
	2009 values	5,198	10,397	20,794	41,587	6,000	12,000	24,000	48,000
City 1		11.2%	10.8%	6.2%	4.9%	10.5%	8.8%	8.4%	6.7%
City 2		7.6%	8.0%	6.5%	5.5%	9.8%	9.3%	7.8%	7.5%
City 3		10.2%	7.8%	5.1%	5.3%	10.1%	7.6%	6.5%	6.6%
City 4		14.4%	9.5%	7.0%	5.9%	18.6%	12.2%	9.1%	7.8%
City 5		9.8%	6.8%	5.6%	5.3%	11.6%	8.2%	7.0%	8.0%
City 6		11.6%	8.3%	6.2%	5.3%	14.4%	10.2%	7.9%	7.2%
City 7		13.2%	8.5%	6.6%	5.3%	19.6%	12.5%	9.5%	7.8%
City 8		13.7%	9.2%	8.1%	5.7%	14.7%	12.9%	10.3%	7.6%

From the table above, it can be seen that there is a steady rise in the proportion of income households use to pay for services between 2009 and 2012. For Type A and B for instance, households in City 5 were paying 9.8 and 6.8 percent of their incomes for these services in 2009. This shot up to 11.6 per cent and 8.2 percent of their incomes respectively in 2012.

What does this all mean?
Broadly, as service costs rise municipalities can do two things. They can transfer these costs on to the consumer. All signs are that this is not a sustainable model. Households are currently heavily in debt, and the situation is not improving.[6] This leaves very little room for households to absorb these higher costs. A view held by many municipalities also is that municipal debt is not often seen as a priority for many households and thus not always ranking highest in terms of payment. This may be the legacy in South Africa of illegitimate local governments and service payment boycotts from the previous regime. It could also be because of the relative ease with which other creditors resort to means such as blacklisting, compared to municipalities. Ultimately, what this means is that transferring the costs may be futile as this debt will in fact be harder to recover as it is incurred by households. Indeed cities are already owed very large sums by households, government and commercial users for services provided. The City Finances Report states that the nine SACN member cities were owed almost R20 billion in the financial year 2011/2012. Bad debt provision for all the cities for the same year was more than R30 billion. While this has stabilised in the recent past as is seen from figure 1 below, there is potential for considerable worsening as debtors increase.

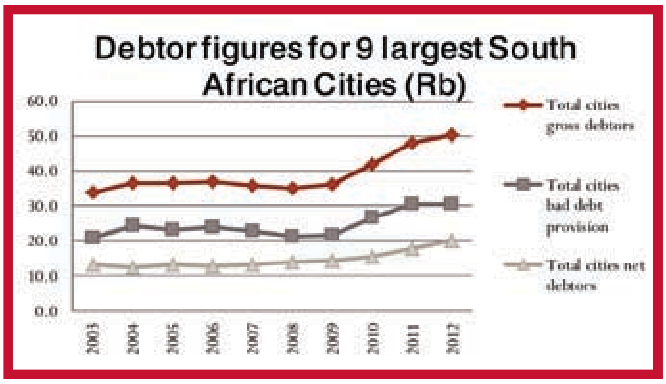
---

6 See for example Meltzer I (2013) Understanding SA's apparent conspicuous expenditure BDLive October 16 2013 INTERNET http://www.bdlive.co.za/opinion/2013/10/16/understanding-sas-apparent-conspicuous-expenditure Accessed on 04 November 2013.

Rapid Increase in costs of municipal services

By SA Cities Network

Figure 1: Gross and net debtor amounts 2003-2012 SACN member cities



In fact, the more costly and unaffordable municipal services become, the more this debt will increase, as motivation to pay is even less because *"willingness to pay is likely to weaken, as tax morality is hard to sustain when essential service`s are unaffordable".* [7]

The second thing that cities can do is of course absorb these costs. Again this is unsustainable in the long run given the ever rising costs of meeting this deficit. Also, the useful mark ups from water and electricity used to fund other city services will not materialise, as cities take on the brunt of these increases. Either way, following both these paths will eventually lead to financially weaker cities posing a challenge to provision of basic services and contesting their ability to fulfill their substantial new spending responsibilities, especially public transport and housing.

The way forward

A key principal to city financial sustainability is that the cities should deliver the quantity and quality of services required by its residents and businesses at a price they can afford to pay. As seen from above, this principle is going to be increasingly challenged. At the most fundamental level, these increases are brought upon by factors beyond the municipalities control, that is, increases in bulk service charges imposed by Eskom and the various Water Boards. However, it could also be that unaffordable service charges imply that the services offered by the cities are incorrect in type, quantity or quality and/or their operational and administrative efficiency is low, relative to what city consumers and taxpayers can afford to pay. Solving the problem of unaffordable city services thus requires a multitude of approaches.

Firstly, an increase in efficiencies is necessary. Extra revenue effort by city governments in collecting uncollected revenues is paramount. Saving on areas of waste and inefficiency is also important. Cities should ensure other costs, such as personnel costs, are contained, and that the service delivery output from personnel and other resources used is increased. A fundamental review of the service delivery models may also be necessary to re-examine aspects of product offerings to deal with this challenge.

There is also an important intergovernmental fiscal question to ask, especially when the cities are the home of increasing numbers of urban poor. The rise in un-affordability of households already poor - the potential for an increase in households entering this band that cannot afford services and the essential nature of these services - means national revenues should be brought to bear more in meeting these costs at a city level.

Finally, an increase in efficiencies and models of delivery or a greater share of national revenues cannot be the solution in the long term. Municipal financial health is ultimately dependant on the ability of people to pay for services, which originates from their ability to access economic opportunities. A virtuous cycle exists in economic growth and municipal financial systems. At the heart of any long term strategy should thus be faster and more equitable economic growth. Cities ultimately have to be aggressive, innovative and steadfast in planning and implementing actions to incentivise local business and entrepreneurship opportunities.

7 *State of City Finances Report 2013, page 65.*

IN & AROUND IMFO

Value Added Tax

CONTENT	**DESIRED LEARNING OUTCOMES - OUTPUT TAX; DESIRED LEARNING OUTCOMES - INPUT TAX; DESIRED LEARNING OUTCOMES - GENERAL**							
TARGETED AT:	**ANY PERSON INVOLVED IN THE VAT FUNCTION OF ORGANISATION; ESSENTIAL FOR EMPLOYEES INVOLVED IN THE SALES CYCLE**							
TRAINING	**DATE**	**TOPIC**	**PLACE**	**TIME**	**DAYS**	**IMFO Member**	**Non-Member**	**SEATS**
	22-Oct	Value Added Tax	Gauteng	08:30 – 16:00	2	R 2 710.00	R 2 910.00	25 seats
	24-Oct	Value Added Tax	Durban	08:30 – 16:00	2	R 2 710.00	R 2 910.00	25 seats
	27-Oct	Value Added Tax	Bloemfontein	08:30 – 16:00	2	R 2 710.00	R 2 910.00	25 seats
	29-Oct	Value Added Tax	Mpumalanga	08:30 – 16:00	2	R 2 710.00	R 2 910.00	25 seats
	31-Oct	Value Added Tax	Polokwane	08:30 – 16:00	2	R 2 710.00	R 2 910.00	25 seats
	03-Nov	Value Added Tax	Rustenburg	08:30 – 16:00	2	R 2 710.00	R 2 910.00	25 seats
	05-Nov	Value Added Tax	George	08:30 – 16:00	2	R 2 710.00	R 2 910.00	25 seats
	07-Nov	Value Added Tax	Kimberley	08:30 – 16:00	2	R 2 710.00	R 2 910.00	25 seats
	10-Nov	Value Added Tax	East London	08:30 – 16:00	2	R 2 710.00	R 2 910.00	25 seats

Cash and Cash Management

CONTENT	**BE ABLE TO UNDERSTAND THE LEGAL FRAMEWORK FOR CASH MANAGEMENT; BE ABLE TO DETERMINE THE ROLE AND THE BENEFITS OF CASH FLOW MANAGEMENT; BE ABLE TO UNDERSTAND THE IMPORTANCE OF REVENUE AND EXPENDITURE MANAGEMENT AND THE RELATED LEGISLATED FRAMEWORK; TO BE ABLE TO APPLY THE PRINCIPLES IN PRACTICE**							
TARGETED AT:	**HEADS OF DEPARTMENT, LINE MANAGERS, BUDGET AND TREASURY OFFICE STAFF (BTO)**							
TRAINING	**DATE**	**TOPIC**	**PLACE**	**TIME**	**DAYS**	**IMFO Member**	**Non-Member**	**SEATS**
	3-4 November	Cash and Cash Management	Durban	08:30 – 16:00	2	R 4 500.00	R 4 800.00	25 seats
	6-7 November	Cash and Cash Management	East London	08:30 – 16:00	2	R 4 500.00	R 4 800.00	25 seats
	10-11 November	Cash and Cash Management	Kimberley	08:30 – 16:00	2	R 4 500.00	R 4 800.00	25 seats
	13-14 November	Cash and Cash Management	George	08:30 – 16:00	2	R 4 500.00	R 4 800.00	25 seats
	17-18 November	Cash and Cash Management	Gauteng	08:30 – 16:00	2	R 4 500.00	R 4 800.00	25 seats
	20-21 November	Cash and Cash Management	Bloemfontein	08:30 – 16:00	2	R 4 500.00	R 4 800.00	25 seats
	24-25 November	Cash and Cash Management	Mpumalanga	08:30 – 16:00	2	R 4 500.00	R 4 800.00	25 seats
	27-28 November	Cash and Cash Management	Polokwane	08:30 – 16:00	2	R 4 500.00	R 4 800.00	25 seats
	27-28 November	Cash and Cash Management	Rustenburg	08:30 – 16:00	2	R 4 500.00	R 4 800.00	25 seats

IN - HOUSE TRAINING (ON REQUEST)

Supply Chain Management
SDBIP - Performance & Management
Budgeting
GRAP - Annual Financial Statements
Oversight Role of Councillors
Risk Management

ANY OTHER courses

For more information please visit:
www.imfo.co.za
OR
contact Ms Getrude Tsotetsi
getrude@imfo.co.za
011-394-0879

IN & AROUND IMFO

THE LOCAL GOVERNMENT MUNICIPAL PROPERTY RATES AMENDMENT BILL

has now been passed by both the NA and NCOP committees. The NA had amended it quite substantially from the original wording, following public engagement. Game farming was separated out again from the definition of "agricultural property".

Municipalities will be allowed to add further sub-categories of property to those in section 8 of the current Act, with 15 months notice. The Minister may be approached to limit property ratings for sectors, but this will not apply retrospectively. Places of public worship and one residence for the main religious officiator are already zero-rated, but this was clarified, although the MPs on the Select Committee for Security and Constitutional Development indicated very strongly that they want this to be reviewed in the next Parliament.

The validity period for ratings remains at four years for areas in metropolitan municipalities, but five for areas outside metropoles. Valuation Appeal Boards may include professional Associate Valuers with up to ten years experience, under certain conditions. Phasing out of zero-ratings for public spaces such as roads, railways, airport areas, dams and breakwaters will be done in the next five years.

Source: The Parliamentary monitor

MEC welcomes recognition of Gauteng Provincial Treasury's work in supporting municipalities to achieve good budgeting

MEC welcomes recognition of Gauteng Provincial Treasury's work in supporting municipalities to achieve good budgeting and fiscal management

Gauteng MEC for Finance Ms Barbara Creecy today congratulated Gauteng Provincial Treasury for achieving two important awards. Treasury's important work with municipalities was recognised last week at the 'Institute of Municipal Financial Officers' Annual Audit and Risk Indaba, where the department received two significant awards for its work.

The first award was for "Dedicated support for operation clean audit", the second was for "Dedicated support for governance processes in municipalities".

Commenting to the media at the presentation of Ekurhuleni's 2014/15 Budget this morning by MMC Moses Makwakwa at the Germiston Council Chambers, the MEC said: I want to congratulate my predecessor MEC Mandla Nkomfe for his award winning work in supporting municipalities to promote good budget and fiscal management".

The two awards recognise Gauteng Provincial Treasury's contribution to helping municipalities improve supply chain management, accelerate spending and revenue collection in line with approved budgets.

It also recognises the work done in establishing and hosting quarterly Internal Audit and Risk management forums. These forums help amongst others to ensure municipalities address issues raised by the Auditor General in their annual audit reports.

The Gauteng Provincial Treasury hopes to build on its existing track record of working with municipalities in the area of financial management to enhance co-operation around budgeting for service delivery priorities.

"As the new MEC for Finance in the province I want to strengthen relations with this important sphere of government to ensure continued support and cooperation" said the MEC. "That's why I'm here today to understand Ekurhuleni's budgetary priorities".

The Gauteng Provincial Government together with the three Metros and two District Municipalities have a combined budget of over R200 billion.

"It is more urgent and more important than ever before that we build a closer relationship between provincial and local government on budget matters. In tough economic times, improved co-operation will allow us to stretch the rand better to meet the needs of our people," said the MEC.

IN & AROUND IMFO

Women Seminar
6-7 March 2014, Emperors Palace

Tshwane University of Technology delegates

Estelle Setan,
National Treasury

Shirley Machaba, Partner in PwC
Advisory Services

Louise Muller,
President of IMFO

Mapatane Elizabeth Kgomo, COGTA
(Local Governance)

Cllr. Lahliwe Rapapadi,
Emfuleni Local Municipality

Dr. Mamikie Molapo,
Motivational Speaker

Janine Pedro

Jabu Nkosi,
City of Joburg

Gladys Dube, Ehlanzeni District
municipality & Elmari Wassermann,
Steve Tshwete Local Municipality

Ocean Makalima,
IMFO

Khali Jamda & Mamogale Malatji,
PWC

Lindi Nolte,
IMFO

Seba Ngwana, IMFO
& Khali Jamda, PWC

Jazz Meloz Musical Group

Breakfast Seminar

Goodies

Gauteng Branch Seminar
15-16 May 2014, St George Hotel

IN & AROUND IMFO

Delegates

Andile Dyakala, City of Tshwane

Cllr D Mabiletsa, City of Tshwane

Morne Jacobs, Institute for Performance Management

David Garegae, Chairperson Gauteng Branch

Piet Tebjane, Mogale City

Yasmin Coovadia, National Treasury

Nthabiseng Mokete, City of Tshwane

Oscar Somers, PWC

Getrude and delegates at Registration

Pumla Maphisa, CEO Crosscheck

Margaret Seoka (AGSA), Oscar Somers (PWC), Jane Masite (IMFO Vice President)

Carl Stroud, National Treasury

Audit & Risk INDABA
21-23 May 2014, East London ICC

IN & AROUND IMFO

IMFO EXECUTIVE

ROY MNISI, CEO IMFO

EMFULENI MAYOR RECEIVING AWARD

IMFO STAFF

THEMBA MTHETHWA, PUBLIC PROTECTOR SOUTH AFRICA

MEISIE NKAU, AGSA

DAVID MOLAPO, MOTIVATIONAL SPEAKER

DRESSED TO SOPHIATOWN THEME

JOHN BADENHORST, BUFFALO CITY

IMFO AWARDS GAUTENG TREASURY

ATI COMMITTEE MEMBERS

SOPHIATOWN POSE

Public Sector Accounting Seminar
9 -10 June 2014, Emperors Palace

IN & AROUND IMFO

Colin Pillay, IMFO Board Member


Schalk Human, National Treasury


Panel discussion


Andile Dyakala, City of Tshwane


Panel Discussion


Erna Swart, ASB & Chris Nagooroo, IMFO Past President


Seba at registration

Louise Muller (IMFO President), Sidwell Mofokeng (IMFO Vice President), Alice Muller (AGSA), Chris Nagooroo (IMFO Past President)

IN & AROUND IMFO

Western Cape Seminar
2 & 3 June 2014, Goudini Spa

National Anthem by Goudini-Bad N.G K-Primer


Attentive delegates


President Louise Muller, Lucky Draw Winner


Executive Committee with Lucky Draw Winner

Opening Ceremony


Sharing solid information


Lindi Mbobosi & speaker

LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT 32 OF 2000

(GN 225, Government Gazette 37500 of 29 March 2014)

The upper limits of the total remuneration package payable to municipal managers and managers directly accountable to municipal managers was published with effect from 1 July 2014.

LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT 56 OF 2003

(GN R430, Government Gazette 37699 of 30 May 2014)

The Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings have been published and are effective as of 1 July 2014. (Note that these replace those originally published in GN 425 in GG 37682 of 30 May 2014 which were withdrawn.)

LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003 - EXEMPTION FROM REGULATIONS 15 AND 18 OF MUNICIPAL REGULATIONS ON MINIMUM COMPETENCY LEVELS, 2007

The Minister of Finance, acting in terms of section 177(1)(b) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), hereby exempt all municipalities and municipal entities from regulations 15 and 18 of the Municipal Regulations on Minimum Competency Levels, 2007 (promulgated under Government Notice R493 of 15 June 2007), as set out in the Schedule.

Subject to the period and conditions in paragraphs 2 and 3, all municipalities and municipal entities are exempted from regulations 15 and 18 of the Municipal Regulations on Minimum Competency Levels, 2007 (herein called “the Regulations”), to the extent that the regulations prevent a municipality or municipal entity to-

(a) continue employing, in terms of regulation 15 or 18(2) of the Regulations, a financial official or supply chain management official who has not attained the required qualification and competency levels by the date stipulated in regulation 15 or 18(2), as the case may be;

(b) appoint, in terms of regulation 18(1) of the Regulations, a person as a financial official or supply chain management official who does not meet the required qualification and competency levels.

The exemption is for the period 1 April 2014 to 30 September 2015. A municipality or municipal entity must implement the following conditions:

(a) A financial official or supply chain management official that is employed by virtue of the exemption in paragraph 1(a) must attain the required qualification and competency levels by 30 September 2015. This condition must be included in the personal development plan, which forms part of the performance agreement, of the official, if such agreement and plan is required.

(b) A financial official or supply chain management official appointed by virtue of the exemption in paragraph 1(b) must attain the required qualification and competency levels within 12 months from the date of appointment. This condition must be included in-

  (i) the employment contract, by stipulating that, if the required qualification and competency levels are not attained within 12 months after appointment, the official’s employment will terminate automatically within one month after the end of the 12 month period; and

  (ii) the personal development plan, which forms part of the performance agreement, of the official, if such agreement and plan are required.

(c) A municipality or municipal entity must post the performance agreements and personal development plans, referred to in subparagraphs (a) and (b), on the official website of the municipality or any other website the municipality may use for its postings.

A municipality must submit a report to the National Treasury on the implementation of the conditions, referred to in paragraphs 3(a) and (b), in respect of the municipality and each of its municipal entities in such format and on such dates as the National Treasury determines.

There are 52 regionally based training providers to support financial management and supply chain management training needs for all officials interested in obtaining the minimum competency levels. The list of training providers can be obtained from the following link: *http://mfma.treasury.gov.za/MFMA/Training%20and%20Validation/Training%20Providers%20and%20Modules/Training%20Providers.pdf*. This is updated regularly as the LGSETA accredits new training providers.

Municipalities must make every effort to ensure that they appoint appropriately and fully competent officials leading up to and going beyond 30 September 2015.

The progress reports must be submitted using Annexure B forms that were approved by the National Treasury in the initial processing of Special Merit Case applications. This must be supported by a one page progress report signed by the Municipal Manager. The dates for submission of progress reports on implementation of the minimum competency levels are as follows:

- 30 June 2014;
- 30 September 2014;
- 10 December 2014;
- 30 March 2015;
- 30 June 2015;
- 30 September 2015

The Regulations on the Minimum Competency Levels have been aligned with the DCoG Local Government Regulations on Appointment and Conditions of Employment of Senior Managers published on 17 January 2014 by Regulation 2(2)(b).

SKILLS DEVELOPMENT ACT, 1998 (ACT NO. 97 OF 1998) - EXTENSION NOTICE ON THE APPOINTMENT OF THE LOCAL GOVERNMENT SECTOR EDUCATION AND TRAINING AUTHORITY (LGSETA) ADMINISTRATOR

(Notice 161, Government Gazette 37407 of 5 March 2014)

The Director-General: Higher Education and Training has reviewed the appointment of Mr Nqabekaya Nqandela and has extended the administration of the LGSETA with another twelve (12) months from 20 March 2014 to 20 March 2015.

INCREASE OF MAXIMUM AMOUNT OF EARNINGS ON WHICH THE ASSESSMENT OF AN EMPLOYER SHALL BE CALCULATED - COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES ACT, 1993 (ACT No. 130 OF 1993) AS AMENDED

(Notice 471, Government Gazette 37735 of 12 June 2014)

The Minister of Labour has set the prescribe amount of R332 479 per annum as the maximum amount of earnings for Compensation for Occupations Injuries and Diseases with effect from 1 April 2014.

INFRASTRUCTURE DEVELOPMENT ACT (ACT 23 OF 2014)

(Notice 447, Government Gazette 37712 of 2 June 2014)

This Act provides for the facilitation and co-ordination of public infrastructure development which is of significant economic or social importance to the Republic to ensure that infrastructure development in the Republic is given priority in planning, approval and implementation. It also ensures that the development goals of the state are promoted through infrastructure development and aims to improve the management of such infrastructure during all life-cycle phases, including planning, approval, implementation and operations. This Act is managed and monitored through the Presidential Infrastructure Coordinating Commission which currently exists and continues to exist. The Commission acts through its Council, which consists of, amongst others, the Executive Mayors of metropolitan councils as well as the chairperson of the South African Local Government Association

recognised in terms of the Organised Local Government Act, 1997 (Act No. 52 of 1997), as the national organisation representing municipalities.

Every organ of state must ensure that its future planning or implementation of infrastructure or its future spatial planning and land use is not in conflict with any strategic integrated project implemented in terms of this Act. This does not derogate from any power of a province or municipality to implement any infrastructure project which falls outside the ambit of a strategic integrated project as defined by the Commission.

Strategic integrated projects which exist when this Act commences include, inter alia:

- SIP 6: Integrated municipal infrastructure project
- SIP 7: Integrated urban space and public transport programme
- SIP 8: Green energy in support of the South African economy
- SIP 9: Electricity generation to support socio-economic development
- SIP 10: Electricity transmission and distribution for all
- SIP 11: Agri-logistics and rural infrastructure
- SIP 15: Expanding access to communication technology
- SIP 18: Water and sanitation infrastructure

PUBLIC FINANCE MANAGEMENT ACT 1 OF 1999

(GenN 150, Government Gazette 37392 of 7 March 2014)

The Standard Interest Rate applicable, from 1 March 2014 and until further notice, to loans granted by the State out of the State Revenue Fund, and/or to all other debts which must be paid into the State Revenue Fund, has been fixed at nine percent (9.00%) per annum. This Standard Interest Rate is applicable from 1 March 2014 and until further notice, to all drawings of loans from State money, except loans in respect of which other rates of interest are specifically authorized by legislation or the Minister of Finance.

NATIONAL ENVIRONMENTAL MANAGEMENT ACT 107 OF 1998 HAS BEEN AMENDED: NATIONAL ENVIRONMENTAL MANAGEMENT: WASTE AMENDMENT ACT, (ACT NO. 26 OF 2014)

(Notice 449, Government Gazette 37714 of 2 June 2014)

The purposed of the amendment is:

- to require the MEC responsible for waste management to act in concurrence with the Minister when requesting certain persons to compile and submit industry waste management plans;
- to establish a pricing strategy and provide for the content and application of the pricing strategy;
- to establish the Waste Management Bureau and provide for the determination of policy and the Minister's oversight in relation to the Waste Management Bureau;
- to provide for the objects, functions, funding, financial management, reporting and auditing, immovable property of the Waste Management Bureau;
- to provide for the employees of the Waste Management Bureau as well as to provide for the appointment and the functions of the Chief Executive Officer of the Waste Management Bureau; and
- to provide for transitional provisions in respect of existing industry waste management plans.

DISASTER MANAGEMENT ACT 57 OF 2002, NATIONAL DISASTER MANAGEMENT FRAMEWORK, 2005, FIRE BRIGADE SERVICES ACT 99 OF 1987, NATIONAL HEALTH ACT 61 OF 2003 & NATIONAL URBAN SEARCH AND RESCUE FRAMEWORK

(GenN 120, Government Gazette 37374 of 26 February 2014)

The National Urban Search and Rescue Framework has been published.

REVISED CODE OF PROFESSIONAL CONDUCT AND FEES PAYABLE TO THE IRBA WITH EFFECT FROM 01 APRIL 2014 - AUDITING PROFESSION ACT 26 OF 2005

(BN 25 in Government Gazette37392 of 7 March 2014)

The revised Code of Professional Conduct for Registered Auditors has been published. It came into effect from 1 April 2014. This Code, incorporating amendments, was published by the Independent Regulatory Board for Auditors (IRBA). It is also published in the IRBA Manual of Information (2014) and may also be downloaded from the IRBA website: www.irba.co.za.

In terms of the Auditing Profession Act, 2005 (Act 26 of 2005), the IRBA must prescribe various fees on an annual basis. The Fees Payable from 01 April 2014 to 31 March 2015 include:

Registration as an auditor

- Individual registration, payable on application for registration - R6 940.00
- Proficiency interviews, payable on notification of interview - R1 180.00 (Application of the "Three-Year Rule")
- Registration of Registered Auditor to provide B-BBEE verification assurance services, payable on application for registration - R4 945.00
- Annual renewal of registration payable by any person as long as he/she remains registered as an auditor and has not reached the age of 65 years - R3 910.00
- Annual renewal of registration payable by any person as long as he/she remains registered as an auditor and is over the age of 65 years - R1 955.00
- Annual renewal of B-BBEE approval payable by any person as long as he/she remains approved for B-BBEE verification as an auditor - R2 775.00
- Administration fee for reinstatements (not limited to reinstatements after lapsing) - R2 000.00
- Once-off fees payable in respect of registration of training contracts on registration - R1 820.00

Accreditation fees for professional bodies

- Application fee - R38 105.00 Payable on application (non-refundable)
- Evaluation fee Payable on progress (Up to a maximum of) - R1 219 405.00
- Should the professional body withdraw its application for accreditation, the IRBA will charge for recovery of costs incurred.
- Annual monitoring fee - R419 650.00 Payable annually

DETERMINATION OF AMOUNT FOR PURPOSES OF SECTIONS 15 AND 16 OF THE SMALL CLAIMS COURTS ACT, 1984

(Notice No. R. 185, Government Gazette 37450 of 18 March 2014)

The jurisdiction of the small claims courts, in regard to ss 15 and 16 of the Small Claims Court Act, has been extended to causes of action not exceeding the value of R 15 000,00.

JUSTICES OF THE PEACE AND COMMISSIONERS OF OATHS ACT 16 OF 1963

(GN R421, Government Gazette 37683 of 30 May 2014)

The designation of Commissioners of Oaths has been amended.

LICENCE FEES FOR ELECTRICITY GENERATION - ELECTRICITY ACT 41 OF 1987

(GenN 264, Government Gazette 37630 of 16 May 2014)

The Licence fees payable by licensed generators of electricity for the period 1 April 2014 to 31 March 2015, first published in GenN 234 in GG 37490 of 4 April 2014, were retracted and replaced.

LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003: EFFECTIVE DATE FOR ELECTRICITY TARIFF DETERMINATION FOR MUNICIPALITIES AND MUNICIPAL ENTITIES

(GN 506, Government Gazette 37776 of 27 June 2014)

Once again National Treasury overrode their own legislation, negating the public participation process for the local

Legal Corner

government budget process by giving notice that the Minister of Finance has, in terms of section 43(2), read with section 28(6) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), approved that, if the National Energy Regulator of South Africa promulgates the electricity tariff determination for municipalities and municipal entities on or before 30 June 2014, the determination may specify 1 July 2014 as the effective date of the tariff.

EMPLOYMENT EQUITY ACT: EMPLOYMENT EQUITY REGULATIONS, 2014

(Government Notice R 124, Government Gazette 37338 of 28 February 2014)

The Employment Equity Regulations were first circulated at the end of February 2014 for comment. These regulations cover:

- Elimination of Unfair Discrimination;
- Duties of a Designated Employer;
- Enforcement Mechanisms and
- General Administrative Matters

The Employment Equity Act has been amended by the inclusion of section 6(4), which prohibits the differentiation in pay between employees who perform the same or similar work, or work of equal value. Such differentiation constitutes unfair discrimination. This raises some interesting questions on what exactly work of equal value is. The Regulations advise on the criteria to be considered when objectively assessing various jobs. The regulations also cover factors justifying differentiation in terms and conditions of employment. A prominent legal firm is considering the following issues in light of the amendment to the Act and the related Regulations:

- What if the individuals do not work the same number of hours?
- Must employees in different geographies receive the same pay?
- What role does the employee's ability to bargain a higher salary play?
- How do we evaluate the complexity levels of jobs fairly?
- Can employees demand information on job evaluation and pay across the organisation?
- What role does performance play?

PROTECTION OF PERSONAL INFORMATION ACT, ACT 4 OF 2013

The President of South Africa (President) proclaimed that certain sections of the Protection of Personal Information Act, No. 4 of 2013 (POPI) came into force on Friday 11 April 2014, including:

- Section 1 - Definitions
- Part A of Chapter 5 - regulating (among others) the establishment, duties and powers of the Information Regulator; and
- Sections 112 and 113 - provisions regulating the right of the Minister of Justice and Constitutional Development (Minister) to issue regulations and the procedure the Minister must follow in doing so.

It is important to note that section 114, which deals with transitional arrangements around POPI, has not come into force. This means that the 12 month grace period to ensure compliance with the provisions of POPI has not yet commenced – although it is expected that this effective date will be announced later this year. Parties will have a one year grace period from the commencement of section 114 to ensure compliance with the provisions of POPI, unless this grace period is extended as allowed by POPI.

POPI is a ground-breaking piece of legislation and has significant and far reaching consequences for all companies and businesses that process the personal information of individuals or of juristic persons (such as other companies, close corporations, trusts and the like). This impacts all companies and businesses that process information relating to employees, customers, suppliers and other third parties.

Time is of the essence and businesses should immediately start taking steps to ensure that they are compliant with POPI by the end of the grace period. Compliance with POPI will be complex, time-consuming and will require careful planning and the allocation of considerable resources.

THE WOMEN EMPOWERMENT AND GENDER EQUALITY BILL

The Women Empowerment and Gender Equality Bill has been passed by the National Assembly and is now awaiting approval by the National Council of Provinces. The implications of the Bill, if passed, will require employers' decision making bodies to be comprised of a minimum of 50% female representation.

the Bill is enacted, not all of its provisions will apply to every employer. The provisions may only apply to employers with 150 or more employees and employers with fewer than 150 employees, but which have a turnover above the thresholds set Schedule 1 of the Bill. Depending on the sector, this can range from R6 million to R75 million. Even if the employer meets the required criteria, the Bill may still not apply to them because there is no blanket application. Instead, the Bill empowers the Minister for Women, Children and People with Disabilities to designate public and private organisations to which the Bill will apply, as well as which provisions are applicable to each employer.

Equal representation is merely one objective of the Bill while the general objective is to compel employers to identify gender gaps and make gender concerns integral to their internal policy considerations; a process the Bill refers to as 'gender mainstreaming'. Designated employers would need to introduce policies to invest in and develop their female employees so as to enable them to achieve the progressive realisation of the Bill. It goes further to require social development, thus a designated employer may have to provide some form of gender related public education.

By progressive realisation, the Bill firstly requires the designated employer to have policies in place, to address particular gender issues within the stipulated time (one year to address equal representation and socio-economic issues and two years for eliminating discrimination and economic empowerment issues).

The Bill itself is not prescriptive and affords the Minister much discretion and power. It allows the Minister to request and review reports and policies from the designated employees and empowers the Minister to make further recommendations. These recommendations may have significant impact as failure to follow them may, after dispute resolution processes have been followed, result in a fine or up to five years imprisonment for the accounting officer (who is responsible for the implementation of the Bill in a public body) or responsible director (in a private body the directors are responsible for implementation). The fine could be as high as 10% of the employer's turnover.

For Coastal Municipalities and Provinces:

The Department of Environmental Affairs has published the **WHITE PAPER ON THE NATIONAL ENVIRONMENTAL MANAGEMENT OF THE OCEAN.**

(GN 426 in Government Gazette 37692 of 29 May 2014)

NATIONAL ENVIRONMENTAL MANAGEMENT: INTEGRATED COASTAL MANAGEMENT ACT 24 OF 2008

(GenN 383, Government Gazette 37682 of 30 May 2014)

The draft National Coastal Management Programme has been published for comment.

New Members

STUDENT MEMBERS					
PROVINCE	TITLE	INITIALS	SURNAME	DESIGNATION	EMPLOYER
GP	Mr	AP	Molope	Student	Tshwane University of Technology

GENERAL MEMBERS					
PROVINCE	TITLE	INITIALS	SURNAME	DESIGNATION	EMPLOYER
KZN	Mr	KMR	Buthelezi	Business Advisor	SEDA
KZN	Mr	EK	Khuzwayo	Accountant	Ugu Municipality
WC	Mrs	F	Kruger	Manager: Expenditure	Knysna Municipality
KZN	Mr	KMR	Perumal	General Manager: Corp Serv	Umshwathi Municipality
WC	Dr	NE	Kahlberg	MMC: Finance	Cape Winelands Municipality

JUNIOR MEMBERS					
PROVINCE	TITLE	INITIALS	SURNAME	DESIGNATION	EMPLOYER
NW	Mr	BM	Lekanyane	Assets Officer	Madibeng Municipality
FS	Ms	T	Raborife	Intern: Finance	Mangaung Municipality
EC	Mr	N	Dokoda	Intern: Finance	Buffalo City Municipality
KZN	Mr	L	Nxumalo	Intern: Finance	Mandeni Municipality
KZN	Ms	NM	Cele	Intern: Finance	Mandeni Municipality
KZN	Mr	ATM	Gwala	Intern: Finance	Imbabazane Municipality
LP	Mrs	IY	Buys	Manager	Provincial Treasury: Limpopo
EC	Ms	V	Yekwayo	Intern: Finance	Ntabankulu Municipality
EC	Ms	C	Mbono	Intern: Finance	Ntabankulu Municipality
EC	Ms	Z	Maphungu	Intern: Finance	Ntabankulu Municipality
KZN	Mr	XM	Xolo	Practitioner: SCM	Hibiscus Municipality
KZN	Ms	PX	Mncube	Practitioner: SCM	Ntambanana Municipality
EC	Mr	N	Madolo	Assistant Manager	A2A Kopano Incorporated
EC	Mr	A	Makiva	Internal Auditor	Amathole District Municipacility
WC	Ms	AE	Boezak	Intern: Finance	Bitou Municipality
WC	Ms	S	Arendse	Intern: Finance	Bitou Municipality
EC	Ms	ZO	Mataka	Intern: Finance	Bitou Municipality
WC	Mr	MT	Abrahams	Assistant Prof Officer	City of Cape Town
EC	Mr	TF	Kwini	Accountant	Chris Hani District Municipality
WC	Mr	VS	Dala	Expenditure Officer	Bitou Municipality
WC	Ms	BM	Mvila	Accountant	Bitou Municipality
KZN	Mr	GL	Ncalane	Controller: Finance	Uthungulu District Municipality
KZN	Mr	DE	Mkhize	Internal Auditor	Hibiscus Municipality

JUNIOR MEMBERS					
PROVINCE	TITLE	INITIALS	SURNAME	DESIGNATION	EMPLOYER
EC	Mr	A	Manquma	Internal Auditor	Amathole District Municipacility
EC	Ms	C	Sibidu	Internal Auditor	Amathole District Municipacility
FS	Mr	TA	Makoko	Practitioner: Asset Management	Tswelopele Local Municipality
KZN	Mrs	BG	Ngcobo	Accountant	Uthungulu District Municipality
WC	Mr	D	Steyn	Ass Professional Officer	City of Cape Town
KZN	Mr	NS	Manukuza	Senior Accountant	Ethekwini Municipality
EC	Ms	L	Makhalima	Accountant	Mbizana Municipality
KZN	Mr	NS	Myeni	Intern: Finance	Ilembe Municipality
WC	Ms	KF	Krweca	Ass Professional Officer	City of Cape Town
WC	Ms	ST	Xhala	Ass Professional Officer	City of Cape Town
WC	Ms	NL	Ramotsamai	Intern: Finance	Bitou Municipality
WC	Mr	M	Noholoza	Intern: Finance	Bitou Municipality
WC	Mr	S	Siyolo	Intern: Finance (SCM)	Bitou Municipality
WC	Mr	IJ	Pretorius	Senior Accountant	Bitou Municipality
WC	Ms	WW	Mngeyiyana	Ass Professional Officer	City of Cape Town

LICENTIATE MEMBERS					
PROVINCE	TITLE	INITIALS	SURNAME	DESIGNATION	EMPLOYER
KZN	Ms	AS	Hlefana	Accountant	Hibiscus Municipality
KZN	Ms	GT	Magudulela	Accountant	eDumbe Municipality
KZN	Ms	MKJ	Nieuwenhuis	Accountant	Ethekwini Municipality
LP	Ms	NM	Lion	Chief Finance Officer	Greater Tzaneen Municipality
WC	Ms	S	Bashe	Manager: Debt Management	City of Cape Town
KZN	Mr	ZN	Mhlongo	Chief Finance Officer	Umlalazi Municipality
B-Swa	Ms	TN	Mahlalela	Accountant	Siteki City Council
KZN	Mr	TM	Ngcobo	Senior Clerk	Ingwe Municipality
KZN	Mr	S	Mngwengwe	Deputy Chief Finance Officer	eDumbe Municipality
EC	Ms	NM	Mangqunge	Principal Clerk	Nkonkobe Municipality
KZN	Ms	HC	Sithole	Accounting Administrator	Ethekwini Municipality
WC	Mrs	A	Kariem	Manager: Income	City of Cape Town
WC	Mrs	AK	Sunkar	Manager: Budget	Knysna Municipality

New Members

LICENTIATE MEMBERS					
PROVINCE	TITLE	INITIALS	SURNAME	DESIGNATION	EMPLOYER
KZN	Ms	NP	Mkhize	Accountant	Ezinqoleni Local Municipality
KZN	Mrs	NC	Sibiya	Officer: Revenue & Assets	Ezinqoleni Local Municipality
KZN	Mr	KM	Mbatha	Ass Manager: Expenditure	Mandeni Municipality
EC	Ms	N	Majova	Accountant	Mbizana Local Municipality
EC	Mr	N	Makupula	Senior Internal Auditor	Amathole District Municipality
EC	Mr	NR	Soga	Chief Finance Officer	Amathole District Municipality

ASSOCIATE MEMBERS					
PROVINCE	TITLE	INITIALS	SURNAME	DESIGNATION	EMPLOYER
KZN	Ms	SD	Ncube	Director: Expenditure	KwaDukuza Municipality
KZN	Mr	WB	Ntuli	Accountant	Ethekwini Municipality
EC	Mr	RR	Links	Director: Strategic Services	Amathole District Municipality
FS	Mr	PD	Khiba	Manager: Budget	Dihlabeng Municipality
KZN	Mr	ES	Sithole	Municipal Manager	Richmond Municipality
LP	Mr	NA	Nare	Senior Manager	Provincial Treasury: Limpopo
NW	Mr	CS	Mabe	Chief Audit Executive	Rustenburg Municipality
LP	Mr	N	Marobane	Chief Audit Executive	Sekhukhune Municipality
LP	Mr	SS	Teffo	Manager: Municipal Finance	Provincial Treasury: Limpopo
NC	Ms	AB	Wele	Accountant	Pixley Ka Seme District Municipality
EC	Mr	V	Pillay	Chief Finance Officer	Buffalo City Municipality
LP	Mr	R	Mohaudi	Acting Chief Finance Officer	Ephraim Mogale Municipality
EC	Mrs	SS	Langbooi	Internal Auditor	Amathole District Municipality
WC	Mr	K	Carse	Chief Accountant	Drakenstein Municipality
EC	Mr	BK	Benxa	Chief Finance Officer	Nyandeni Local Municipality
EC	Mr	CX	Sikobi	Manager: Budget	Nyandeni Local Municipality
EC	Mrs	N	Langa	Officer: Budget & Reporting	Nyandeni Local Municipality
EC	Mr	MG	Ravjee	Senior Internal Auditor	Amathole District Municipality
GP	Mr	M	Shivambu	Deputy Director	DCGTA
LP	Mr	MM	Tshivule	Manager	Limpopo Provincial Treasury

ASSOCIATE MEMBERS					
PROVINCE	TITLE	INITIALS	SURNAME	DESIGNATION	EMPLOYER
KZN	Ms	FK	Tshangela	Internal Auditor	Hibiscus Coast Municipality
KZN	Mrs	HB	Mazubane	Internal Auditor	Hibiscus Coast Municipality
NW	Mr	TRL	Molebaloa	Senior Internal Auditor	Madibeng Local Municipality
EC	Mr	A	Mtyhida	Internal Auditor	OR Tambo District Municipality
KZN	Mr	ME	Mzobe	Accountant: Expenditure	Ntambanana Municipality
EC	Mr	BR	Bekezulu	Internal Auditor	OR Tambo District Municipality
LP	Mr	MJ	Tlaka	Accountant: Budget	Sekhukhune District Municipality

X -

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

Reporting Requirements

Reporting Requirements (Local Government Finance)

MONTH	NO	REPORTING REQUIREMENT	LEGISLATION	LEGISLATION DEADLINE	RESPONSIBLE PERSON	TO WHOM
AUGUST	1	Change of Primary Bank account details	MFMA 8(5)	30 Days before effecting	Accounting Officer	National Treasury, Prov Treasury, AG
	2	Details of a new bank accounts	MFMA 9(a)	90 Days after opening	Accounting Officer	Prov Treasury, AG
	3	Unauthorised, irregular, wasteful or fruitless expenditure	MFMA 32(4)	Promptly	Accounting Officer	Mayor, MEC (Loc Govt), AG
	4	Advertise/advise new long-term debt	MFMA 46(3)(a)(ii)	Promptly	Accounting Officer	National Treasury, Prov Treasury, Public
	5	Serious financial problems	MFMA 54(2)	Promptly	Mayor	Mun Council, MEC (Loc Govt)
	6	Impending shortfalls in budgeted revenue & over-spending & steps taken to prevent / rectify	MFMA 70(1)	Promptly	Accounting Officer	Municipal Council
	7	Overdrawn bank accs, reasons, rectifying	MFMA 70(2)	Promptly	Accounting Officer	National Treasury
	8	Statement: Budget etc per requirements	MFMA 71(1)	1-10 Days after month-end	Accounting Officer	Mayor, Prov Treasury
	9	Failure to adopt / implement budget related policies	MFMA 73	Promptly	Accounting Officer	Prov Treasury
	10	Returns, documents, information, explanations & motivations as prescribed	MFMA 74(1)	As prescribed	Accounting Officer	National Treasury, Prov Treasury, AG, (Loc Govt)
	11	Entity - details of a new bank account	MFMA 86(1)(a)	90 Days after opening	Entity Accounting Officer	Acc Officer of parent Mun
	12	Entity - Stmnt: budget etc per requirements	MFMA 87(11)	1-10 Days after month-end	Entity Accounting Officer	Acc Officer of parent Mun
	13	Entity - Impending shortfalls & steps	MFMA 101(1)	Next meeting	Entity Accounting Officer	BOD of entity, Parent Mun & Council
	14	Table report above	MFMA 101(2)	Next Council meeting	Accounting Officer	Municipal Council
	15	Entity - Unauthorised, irregular, wasteful or fruitless expenditure	MFMA 102(1)	Promptly	BOD of entity	Mayor, Mun Mngr of parent mun
	16	Entity - Returns, documents, information, explanations & motivations as prescribed	MFMA 101(1)(b)	As prescribed	Entity Accounting Officer	National Treasury, Prov Treasury, AG, (Loc Govt)
	17	Entity - Improper interference by Cllrs	MFMA 103	Promptly	Entity Accounting Officer	Speaker of parent mun Council
	18	Deviations from a recommended tender	MFMA 114(1)	Promptly	Accounting Officer	National Treasury, Prov Treasury, AG
	19	Entity - Deviations from a recom. tender	MFMA 114(1)	Promptly	Entity Accounting Officer	National Treasury, Prov Treas, AG
	20	Prepare & submit Financial Statements	MFMA 126(1)(a)	1-2 months after Fin Y-end	Accounting Officer	AG
	21	Entity - Prep & submit Fin Statements	MFMA 126(2)	1-2 months after Fin Y-end	Entity Accounting Officer	Parent Municipality
	22	Prep & submit Consolidated Fin Stmnts	MFMA 126(1)(b)	1-3 months after Fin Y-end	Accounting Officer	AG
	23	Entity - Submit annual report	MFMA 127(1)	1-6 months after Fin Y-end	Entity Accounting Officer	Municipal Manager
	24	Table mun & entity annual report	MFMA 127(2)	1-7 months after Fin Y-end	Mayor	Municipal Council
	25	Reasons for delay of tabling annual report	MFMA 127(3)(a)	Promptly	Mayor	Municipal Council
	26	Submit Annual report	MFMA 127(5)	Immediately after report is tabled in Council	Accounting Officer	AG, Prov Treasury, Prov (Loc Govt)
	27	Non-compliance & reasons of non-complia	MFMA 128©	Promptly	Accounting Officer	Mun Council, Prov Treasury, AG
	28	Submit copies of Council mtngs (annual report discussions)	MFMA 129(2)	Promptly	Accounting Officer	AG, Prov Treasury, Prov (Loc Govt)
	29	All monthly returns (MFMA, DORA, etc)		10 Days after month-end	Accounting Officer	National Treasury

MONTH	NO	REPORTING REQUIREMENT	LEGISLATION	LEGISLATION DEADLINE	RESPONSIBLE PERSON	TO WHOM
SEPTEMBER	1	Change of Primary Bank account details	MFMA 8(5)	30 Days before effecting	Accounting Officer	National Treasury, Prov Treasury, AG
	2	Details of a new bank accounts	MFMA 9(a)	90 Days after opening	Accounting Officer	Prov Treasury, AG
	3	Unauthorised, irregular, wasteful or fruitless expenditure	MFMA 32(4)	Promptly	Accounting Officer	Mayor, MEC (Loc Govt), AG
	4	Advertise/advise new long-term debt	MFMA 46(3)(a)(ii)	Promptly	Accounting Officer	National Treasury, Prov Treasury, Public
	5	Serious financial problems	MFMA 54(2)	Promptly	Mayor	Mun Council, MEC (Loc Govt)
	6	Impending shortfalls in budgeted revenue & over-spending & steps taken to prevent / rectify	MFMA 70(1)	Promptly	Accounting Officer	Municipal Council
	7	Overdrawn bank accs, reasons, rectifying	MFMA 70(2)	Promptly	Accounting Officer	National Treasury
	8	Statement: Budget etc per requirements	MFMA 71(1)	1-10 Days after month-end	Accounting Officer	Mayor, Prov Treasury
	9	Failure to adopt / implement budget related policies	MFMA 73	Promptly	Accounting Officer	Prov Treasury
	10	Returns, documents, information, explanations & motivations as prescribed	MFMA 74(1)	As prescribed	Accounting Officer	National Treasury, Prov Treasury, AG, (Loc Govt)
	11	Entity - details of a new bank account	MFMA 86(1)(a)	90 Days after opening	Entity Accounting Officer	Acc Officer of parent Mun
	12	Entity - Stmnt: budget etc per requirements	MFMA 87(11)	1-10 Days after month-end	Entity Accounting Officer	Acc Officer of parent Mun
	13	Entity - Impending shortfalls & steps	MFMA 101(1)	Next meeting	Entity Accounting Officer	BOD of entity, Parent Mun & Council
	14	Table report above	MFMA 101(2)	Next Council meeting	Accounting Officer	Municipal Council
	15	Entity - Unauthorised, irregular, wasteful or fruitless expenditure	MFMA 102(1)	Promptly	BOD of entity	Mayor, Mun Mngr of parent mun
	16	Entity - Returns, documents, information, explanations & motivations as prescribed	MFMA 101(1)(b)	As prescribed	Entity Accounting Officer	National Treasury, Prov Treasury, AG, (Loc Govt)
	17	Entity - Improper interference by Cllrs	MFMA 103	Promptly	Entity Accounting Officer	Speaker of parent mun Council
	18	Deviations from a recommended tender	MFMA 114(1)	Promptly	Accounting Officer	National Treasury, Prov Treasury, AG
	19	Entity - Deviations from a recom. tender	MFMA 114(1)	Promptly	Entity Accounting Officer	National Treasury, Prov Treasury, AG
	20	Prep & submit Consolidated Fin Stmnts	MFMA 126(1)(b)	1-3 months after Fin Y-end	Accounting Officer	AG
	21	Entity - Submit annual report	MFMA 127(1)	1-6 months after Fin Y-end	Entity Accounting Officer	Municipal Manager
	22	Table mun & entity annual report	MFMA 127(2)	1-7 months after Fin Y-end	Mayor	Municipal Council
	23	Reasons for delay of tabling annual report	MFMA 127(3)(a)	Promptly	Mayor	Municipal Council
	24	Submit Annual report	MFMA 127(5)	Immediately after report is tabled in Council	Accounting Officer	AG, Prov Treasury, Prov (Loc Govt)
	25	Non-compliance & reasons of non-complia	MFMA 128©	Promptly	Accounting Officer	Mun Council, Prov Treasury, AG
	26	Submit copies of Council mtngs (annual report discussions)	MFMA 129(2)	Promptly	Accounting Officer	AG, Prov Treasury, Prov (Loc Govt)
	27	All monthly returns (MFMA, DORA, etc)	MFMA 128©	10 Days after month-end	Accounting Officer	National Treasury

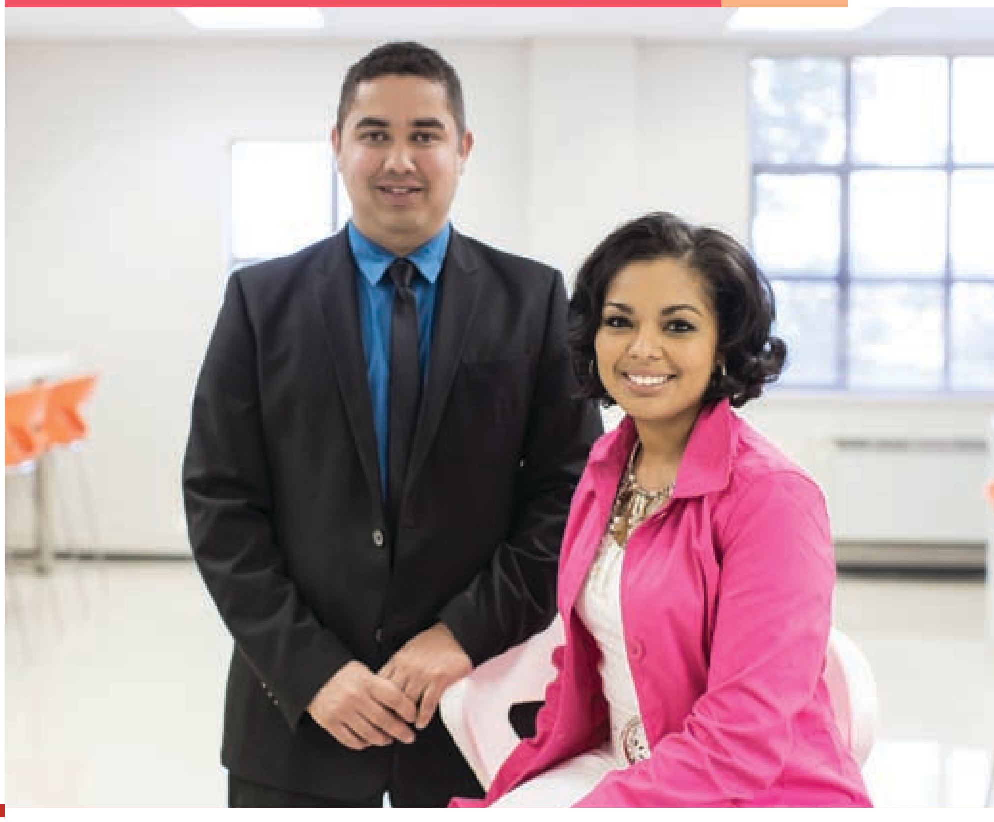
Reporting Requirements

Reporting Requirements (Local Government Finance)

MONTH	NO	REPORTING REQUIREMENT	LEGISLATION	LEGISLATION DEADLINE	RESPONSIBLE PERSON	TO WHOM
OCTOBER	1	Change of Primary Bank account details	MFMA 8(5)	30 Days before effecting	Accounting Officer	National Treasury, Prov Treasury, AG
	2	Details of a new bank accounts	MFMA 9(a)	90 Days after opening	Accounting Officer	Prov Treasury, AG
	3	Cons report - all withdrawels each quarter	MFMA (11(4)	Within 30 days	Accounting Officer	Prov Treasury, AG
	4	Unauthorised, irregular, wasteful or fruitless expenditure	MFMA 32(4)	Promptly	Accounting Officer	Mayor, MEC (Loc Govt), AG
	5	Advertise/advise new long-term debt	MFMA 46(3)(a)(ii)	Promptly	Accounting Officer	National Treasury, Prov Treasury, Public
	6	Implementation of the budget & financial state of affairs	MFMA 52(d)	Within 30 days of each quarter	Mayor	Municipal Council
	7	Serious financial problems	MFMA 54(2)	Promptly	Mayor	Mun Council, MEC (Loc Govt)
	8	Impending shortfalls in budgeted revenue & over-spending & steps taken to prevent / rectify	MFMA 70(1)	Promptly	Accounting Officer	Municipal Council
	9	Overdrawn bank accs, reasons, rectifying	MFMA 70(2)	Promptly	Accounting Officer	National Treasury
	10	Statement: Budget etc per requirements	MFMA 71(1)	1-10 Days after month-end	Accounting Officer	Mayor, Prov Treasury
	11	Failure to adopt / implement budget related policies	MFMA 73	Promptly	Accounting Officer	Prov Treasury
	12	Returns, documents, information, explanations & motivations as prescribed	MFMA 74(1)	As prescribed	Accounting Officer	National Treasury, Prov Treasury, AG, (Loc Govt)
	13	Entity - details of a new bank account	MFMA 86(1)(a)	90 Days after opening	Entity Accounting Officer	Acc Officer of parent Mun
	14	Entity - Stmnt: budget etc per requirements	MFMA 87(11)	1-10 Days after month-end	Entity Accounting Officer	Acc Officer of parent Mun
	15	Entity - Impending shortfalls & steps	MFMA 101(1)	Next meeting	Entity Accounting Officer	BOD of entity, Parent Mun & Counc
	16	Table report above	MFMA 101(2)	Next Council meeting	Accounting Officer	Municipal Council
	17	Entity - Unauthorised, irregular, wasteful or fruitless expenditure	MFMA 102(1)	Promptly	BOD of entity	Mayor, Mun Mngr of parent mun
	18	Entity - Returns, documents, information, explanations & motivations as prescribed	MFMA 101(1)(b)	As prescribed	Entity Accounting Officer	National Treasury, Prov Treasury, AG, (Loc Govt)
	19	Entity - Improper interference by Cllrs	MFMA 103	Promptly	Entity Accounting Officer	Speaker of parent mun Council
	20	Deviations from a recommended tender	MFMA 114(1)	Promptly	Accounting Officer	National Treasury, Prov Treasury, AG
	21	Entity - Deviations from a recom. tender	MFMA 114(1)	Promptly	Entity Accounting Officer	National Treasury, Prov Treasury, AG
	22	Entity - Submit annual report	MFMA 127(1)	1-6 months after Fin Y-end	Entity Accounting Officer	Municipal Manager
	23	Table mun & entity annual report	MFMA 127(2)	1-7 months after Fin Y-end	Mayor	Municipal Council
	24	Reasons for delay of tabling annual report	MFMA 127(3)(a)	Promptly	Mayor	Municipal Council
	25	Submit Annual report	MFMA 127(5)	Immediately after report is tabled in Council	Accounting Officer	AG, Prov Treasury, Prov (Loc Govt)
	26	Non-compliance & reasons of non-complia	MFMA 128©	Promptly	Accounting Officer	Mun Council, Prov Treasury, AG
	27	Submit copies of Council mtngs (annual report discussions)	MFMA 129(2)	Promptly	Accounting Officer	AG, Prov Treasury, Prov (Loc Govt)
	28	All monthly returns (MFMA, DORA, etc)		10 Days after month-end	Accounting Officer	National Treasury
	29	All Quarterly returns (MFMA, DORA, etc)		20 Days after end of Qrtr	Accounting Officer	National Treasury
	30	Quarterly statistics of Local Government	Stats Act (1999/16)	3 Weeks after qrtr end	Accounting Officer	Statistics SA
	31	Actual & expected Cap Exp	Stats Act (1999/16)	3 Weeks after qrtr end	Accounting Officer	Statistics SA

www.pwc.co.za

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.