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Good Governance - The Long Walk

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Message from Ed

Good Governance - The Long Walk

This conference issue definitely does not disappoint as it covers a number of crucial issues which municipalities continue to struggle with in some areas. I am almost sure that reading through this issue one will enjoy at least two articles that will be beneficial to you or your colleagues.

The conference theme is aligned to the journey in which IMFO has travelled in order to be where it is today. In the past issues, the IMFO President – Ms Louise Muller together with the Chief Executive Officer – Mr Roy Patrick Mnisi have tried to compress into the journal, the long walk travelled by IMFO by highlighting in each issue the challenges and achievements of IMFO. This conference has events lined up to commemorate this special year and the City of Cape Town is the best place to celebrate this achievement as it is next to the heritage site Robben Island where former President Nelson Mandela was imprisoned for 18 of the 27years.

In celebrating 85 years inspiring excellence in service delivery, IMFO prides itself with its past achievements. To date, IMFO takes great pride to have reached the point where the institute is promoting Municipal Finance, Audit, Risk and Performance Management in the Public Sector. This makes one appreciate the past leadership; Presidents and board members who have played a strategic role in steering IMFO to where it is today.

This conference will ensure that all delegates walk away well equipped with solutions for municipal finance, audit, risk and performance management challenges. There are entertainers who will not only touch on the legendary Madiba's long walk but will add a bit of flair with South African humour that is promised to keep you well entertained.

This would all not be possible if it were not for the IMFO Leadership, Presidency; Board Members and CEO. Our exhibitors continue to play a crucial role each year and our delegates continue to propose new things that not only add value to the program but inspires more municipal officials to play an active role in achieving excellence in service delivery for all.
Thank you for your support!
Don't forget to…

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Ciao!

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Foreword by the IMFO President

Dear Colleagues

IMFO is 85 and very much alive! Here we are at the 85th Annual Conference of the Institute of Municipal Finance Officers – 6-8 October in Cape Town. With the theme of "Good Governance – the Long Walk" we hope to bring honour to the first 20 years of our South African democracy and the great leader that started this long walk it took to get to the freedom we all enjoy at this time. I trust you will be joining in what promises to be an amazing event where best practices can be shared, networking can take place and where the sharing of ideas will enable us all to walk those paths that will ensure a stronger local government, better able to deal with the service delivery challenges we all face. Transformation takes time, and the more we transform, the more we see how much needs to still be transformed.

The Fifth Parliament in South Africa started with a review of the work to be done for this new 5 year term. Many factors obviously touch on the work to be done by the local government sphere being the service delivery arm of government). The newly formed Department of Water and Sanitation (DWS) will be looking at the Bucket Eradication Programme (BEP) with renewed vigour. According to the Department, there are currently 272 995 bucket toilets spread out across all provinces. A budget of R889, 2 million has been put in place for 2014/15 for a target delivery of 30 000 units to be replaced, with a further R975,4 million for 2015/16 to replace a further 32 500 units. In order to support good sanitation, water services need to be effectively managed. South Africa has nine water boards:
- Amatola, Bloem, Lepelle, Magalies, Mlathuze, Overberg, Rand, Sedibeng and Umgeni. Their biggest challenge is to get municipalities to pay for the water used – R2,9 billion is currently owed to these water boards. Coupled with this, the challenges faced by water boards include the lack of long-term service level agreements, aged and inadequate infrastructure, deteriorating raw water quality, water conservation and related demand management as well as illegal connections. It will cost around R570 billion to provide full universal water access at the required level to all of South Africa. As custodians of public funds we all need to ensure that good governance is implemented so we can see the full transformation of our beautiful country.

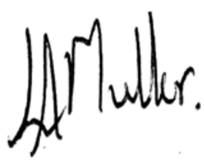
As a member, you will have helped with the transformation of IMFO from a single focus on local government finances to addressing financial and governance related aspects in the public sector: firstly through accommodating the needs of local government professionals dealing with Internal Audit, Risk Management and even Performance Management, and, secondly and more recently changing the mandate through the Memorandum of Incorporation to address the broader public sector financial and governance fields.

We know that many member of IMFO are doing amazing things in the local government sphere, being those agents of change and bringing about transformation - we would love to hear from you. Either tell us about what you are doing, or nominate a colleague to be recognised for the exceptional work they are putting into improving the local government sphere or transforming overall service delivery in a particular jurisdictional or service focus area. Please do also take note of the requirements to be made a fellow of IMFO. IF you feel you have met the criteria which are published on the IMFO website, please submit a portfolio of evidence to the IMFO offices so that the necessary evaluation can take place. Further, as an IMFO member, you will also need to submit proof, on an ongoing basis, of various meetings and training courses that you have attended to ensure that your professional development points are regularly updated. If you have any queries, do not hesitate to contact the IMFO office.

While these might appear to be mundane or insignificant issues to attend to, it is important that we all keep on developing ourselves so we provide the very best service possible, remain passionate about the work we are doing and keep on inspiring others to move to greater heights. I recently read a very interesting and challenging quotation that I would like to share with you: *"Parking in your comfort zone isn't for free. It's costing you your dreams"* - Elsa Bester. IMFO members cannot afford to "park in a comfort zone".

I was certainly pushed out of my comfort zone when our IMFO members elected me as President! As this time also marks the end of my two years as President of this Institute, I want to thank each and every one of our members, adherents, attendees, sponsors and Board members for the support provided over these two years. Further, significant appreciation must be extended to the IMFO Secretariat for their momentous support, unfailing professionalism and ever-expanding expertise – they have been amazing! While the workload has continued to increase exponentially, the staff compliment actually decreased! This has to be addressed urgently and the Board has already given the CEO the necessary authority to rearrange the staffing structure, together with a small increase in staff budget allocation, to address the most immediate growth areas in order to address the needs of our members. At the same time the Board continues to pursue new offices within the budgetary limitations set by the membership. This is no easy task where every Rand we consider needs to be weighed up as to where the best return will be achieved. Leadership is not easy, it is not comfortable, but it can be very rewarding. I can only thank those who went before and set a very sound financial and governance structure in IMFO so we can tackle the challenges head-on. I thank my heavenly Father for the wisdom and guidance He gives me daily – and specifically has provided for the role I have played in IMFO. I pray that your incoming Board, which will be announced at the AGM scheduled to be held on 6 October in Cape Town, will continue to lead this Institute (which must get a new name in the future to reflect the transformation that has taken place) on the long walk of good governance, sound financial viability and long-term sustainability.

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



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

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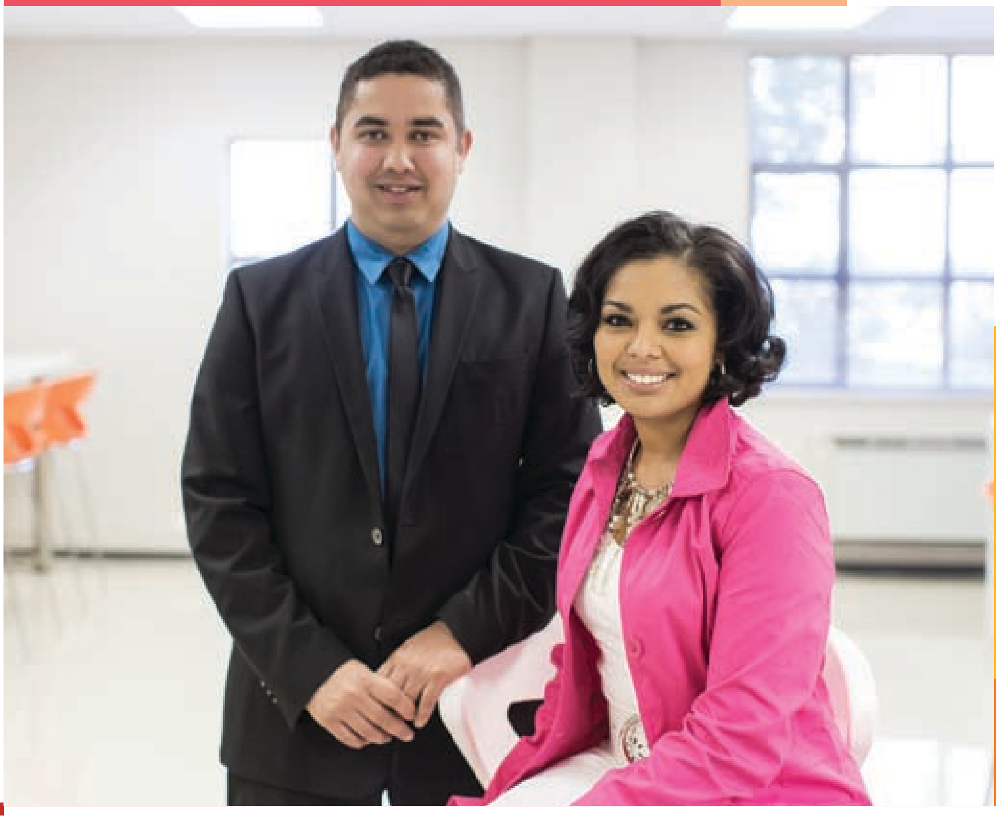
PwC in Partnership with Local Government



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.

From the DESK of the CEO

It is my pleasure once again to have a privilege to write to you our readers of the IMFO Journal. The year 2014 has been moving very fast for us at IMFO as it filled with lots of challenges and excitement. As one of the fastest growing professional bodies in existence, our stakeholders' expectation increased immensely and we keep on looking for ways to respond to the needs of our members in particular and the sector in general.

This year, IMFO celebrates 85 years of existence making it one of the oldest professional bodies in the country. In the past 85 years, IMFO has recorded a lot of achievements and shaped the local government financial management in many ways. The year 2014 is not only symbolic in that it marks 85 years of IMFO service to the local government but it's very important as it is a year that all South Africans celebrate the 20 years of democratic government that created a society in which all human beings enjoys human dignity and freedom. A lot about 20 years of democracy has been said in many memorial lectures, political speeches, radio debates and I will spare you another narrative.

As I was writing this, the IMFO Secretariat was hard at work preparing for the 2014 IMFO Annual Conference scheduled to take place in Cape Town from the 06th to the 08th October 2014. The IMFO Annual Conference is our flagship event where we get all local government stakeholders to meet and discuss topical issues affecting the sector. This year, practitioners and all stakeholders will not only be looking at the journey travelled so far but will also look at the journey ahead as there are still many miles to go before we can all say that we have arrived. I would like to specifically thank all our members, partners and friends, government departments and all business entities that continue to support and conference and make it what it is today. We owe the growth of IMFO to all those who support us in all our endeavours.

The process of election of IMFO Board members started in April this year and was concluded at the time of printing this journal but announcement was not yet made. This was one of the interesting processes of IMFO as it brings about new leadership to continue building the good foundation laid by the outgoing Board.

We thank all outgoing Board members for the great leadership and congratulate the incoming members.
As indicated in the organization of IMFO, the process of building the IMFO Offices in Kempton Park started but did not reach the anticipated milestone due to some challenges relating to the size of the stand. Decision to continue the process has been taken and we hope to have completed office space by 2015.

Lastly, I would like to indicate that this year we are seeing a huge rise in membership application. We consider this development as a symbol of confidence in us practitioners. We are going to continue doing our best to build IMFO and be a widely recognized professional body advancing sustainable financial management and good governance.

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iGRAP 1 and the monster it created

By Ian Engelmohr CA(SA), Drakenstein Municipality

In writing this piece I wrote the conclusion first, thus if you don't want to read through this jabber, skip to the last paragraph.

More than two years ago the amendments to iGRAP 1 (Applying the Probability Test on Initial Recognition of Revenue) was approved and issued by the Accounting Standards Board. The change in iGRAP 1 was so small, most people did not even give any thought to it - because what impact will the change of a few words have on the way we have been applying GRAP from non-exchange transactions? – well let me tell you that the change has had horrific consequences.

It seems that everything went wrong in the initial adoption of GRAP 23 by Municipalities in 2012/13. The intention of GRAP 23 required revenue to be measured based on the fair value of the receivable at acquisition, using the entity's best estimate of the inflow of resources to the entity. GAMAP 9 specified that traffic fines could be measured using an estimate based on past experience of amounts collected, although noted that GAMAP 9 also acknowledged that where a reliable estimate could not be made, then revenue could be recognised on the cash basis. But although there are differences between GAMAP 9 and GRAP 23, the implementation of GRAP 23 was completely misunderstood – if, as a comparison, one has a look at the major municipalities' financial statements for the 2012/13 financial year, there are little, if any restatements in regards to fines, which should have been the case had GRAP 23 been correctly applied.

This "artificial" increase of revenue has the following consequences:

- The grading of municipalities for purposes of determining Employee, Senior Management (Municipal Managers and Managers directly accountable to Municipal Managers) and Public Office Bearers' remuneration - based on the different regulations and guidelines – are based on the amount of revenue a municipality presents in its annual financial statements.

The "artificial" increase of revenue influences the grading of municipalities, increasing the remuneration to be paid and thus putting an additional, unjust, burden on the tax payer.

- The VAT apportionment ratio of municipalities are being pushed down, impacting the VAT that can be claimed in mixed supplies departments.

It should be remembered that the turnover based apportionment ratio is calculated as: the total value of taxable supplies divided by the total of all supplies. The apportionment calculations are based on the turnover figures reflected in the annual financial statements which normally represents supplies (invoiced transactions) made during that year and not receipts received, notwithstanding that the municipality (vendor) may be permitted to account for VAT on a receipts (cash) basis.

As allowed under GAMAP 9, fines were in most cases presented on the cash basis. Even after the adoption of GRAP 23 in 2012/13 the way that GRAP 23 was interpreted by most, if not all municipalities who issue fines – and their auditors – is that fines revenue should be estimated using the payment percentage. Applying this interpretation had the effect of the revenue amount being very near to the average fines received by a municipality on a yearly basis, thus having very little or no effect.

Now, why would the clarification by GRAP 1 on applying the probability test on initial recognition of non-exchange revenue have such an effect on the VAT apportionment calculation? Due to the fact that where supplies made were previously reflected in the annual financial statements on a receipt basis or during the initial application and interpretation of GRAP 23 in 2012/13 based on the payment percentage (recovery), such supplies are now recognised on an accrual basis following the guidance of iGRAP 1. In terms of iGRAP 1 fines issued should be recognised in total after issue, only taking into account any "controllable" reductions (i.e. those within the discretion of the municipality). IGRAP 1 indicates that entities should not consider the probability of non-payment on the initial recognition of revenue. This should be considered as a subsequent event when assessing impairment. The consequence of the matter is that in the case of traffic fines there will be a negative effect, as these accruals are in respect exempt supplies and thus directly influences the VAT apportionment ratio to be calculated by municipalities.

The question is that this will most definitely influence the VAT apportionment of all municipalities, who issue fines, except maybe for a few metros, if the revenue from fines does not form a substantial part of the metro's revenue.

iGRAP 1 and the monster it created

By Ian Engelmohr CA(SA), Drakenstein Municipality

The whole matter is spilt milk, as little can be done to reverse the harm done by a few word changes in an interpretation. There is however a good lesson to be learnt to prevent such a monster from creeping out again. The crux of the matter is that municipalities should get involved with the process of commenting on Exposure drafts, discussion papers and post implementation reviews by the Accounting Standards Board (ASB) and inputs on the development of guidance by the Office of the Accountant General. On the post implementation review of GRAP 16, 17, 21 and 26 for example only 7 Municipalities submitted written comments that equates to 2.5% of all Municipalities. Currently the following documents are out for comment by the ASB:

- Discussion paper 9 on Materiality- Reducing complexity and improving reporting; and
- Discussion paper 10 on Accounting for living and non-living resources: Comments due on both discussion papers by 16 January 2015

What are these Discussion Papers about?

Discussion paper 9 has been developed by the ASB to raise awareness about the role materiality should play in the preparation of the financial statements. The Discussion Paper highlights how the ASB considers materiality when it develops Standards of GRAP, how preparers should consider materiality when preparing their financial statements, and how auditors consider materiality during the audit process. The development of this discussion paper is due to input on prior projects where a number of respondents (including Municipalities) highlighted that one of the most significant challenges they experience in preparing their financial statements, is how to apply materiality. As a result, entities often apply the individual requirements of the Standards of GRAP to immaterial transactions, rather than focusing on what is material. This has led to unnecessary complexity being created in the application of the Standards, as well as providing users with information that distracts their focus from key issues.

Discussion paper 10 sets out proposed principles on accounting for living and non-living resources. Entities (including Municipalities) hold a wide range of resources that could include living resources such as animals and plants, and non-living resources, such as water, land and minerals, oil and gas, and other non-regenerative natural resources. Some entities (including Municipalities) hold these living and non-living resources to meet their mandate, while others act as a custodian for the benefit of present and future generations. As a result, accounting for living and non-living resources potentially has a far-reaching effect on financial reporting in the public sector.

Which new Standards have been approved and have an effective date

The following three standards: GRAP 105 (Transfers of Functions Between Entities Under Common Control); GRAP 106 (Transfers of Functions Between Entities Not Under Common Control) and GRAP 107 (Mergers) become effective for Municipalities for periods starting after 1 July 2015. Guidance has been developed by the OAG and is available on their website. The question is whether Municipalities have actually read the relevant standards and guidance. With the next upcoming Local Government elections, certain changes in municipal boundaries and major changes in the structure of certain municipalities (for example the merger of municipalities) have been approved – the effect is that Municipalities should already take cognisance of these standards and assess the impact of these new standards on the changes awaiting them.

Which new Standards have been approved but don't have an effective date as yet

GRAP 32 (Service concession arrangements: Grantor); GRAP 108 (Statutory Receivables) and GRAP 18 (Segment reporting) has been approved, but is not yet effective. Of these three, GRAP 18 (Segment reporting) will have the biggest effect and will most likely be implemented with the implementation of SCOA in 2017.

What is still in the pipeline to be issued at a later stage

The proposed amendments to GRAP 16 (Investment Property); GRAP 17 (Property, plant and equipment), GRAP 21 (Impairment of non-cash generating assets) and GRAP 26 (Impairment of cash generating assets)

Conclusion

In conclusion, to make a difference and influence the way standards are written and application guidance are developed, Municipalities, Provincial Treasuries and other stakeholders should be involved from the comment stage of exposure drafts, discussion papers and post-implementation reviews by the Accounting Standards Board and the development of practical guidance, after standards and interpretations have been issued.

Ian Engelmohr CA(SA) has been a public sector auditor and external consultant and is currently the Financial Accounting Research Expert at Drakenstein Municipality.

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Are you Planning for the Implementation of SCOA?

By Danie de Lange, Cacadu District Municipality

1. INTRODUCTION

From limited research undertaken and experience gained in the development of an in-house municipal Chart of Account (COA), it is clear that the COA serves as the foundation for a municipality's financial record keeping and reporting systems. The code should therefore provide a logical structure that is flexible and facilitates the addition of new accounts and deletion of old accounts.

The COA segments are used to record the financial effect of each transaction. It is therefore important that the COA is intended to consider all financial reporting needs, producing sufficient flexibility to allow for the development of financial reports and financial statements.

It is understood that the sequence of the segments and the classification of account code structures for SCOA will be prescribed.

The methodology or approach in the development of the account code structure is important as it must provide elements of information in a logical sequence that must answer key questions about each fiscal transaction – the who?, what?, why?, where? and how? of each activity.

The most important decision regarding the COA structure is whether these questions would be answered through a limited number of data fields, each providing multiple information elements or through the use of multiple fields (segments) each capturing a unique information element.

2. APPROACHES OR STYLES FOR DEVELOPING A NEW ACCOUNT CODE STRUCTURE

Institutions will usually adopt either a "Linear style" or "Matrix Style" when developing the new account code structure within the regulated segmental framework.

2.1 "Linear" Style

Generally the linear style uses a "cost-centre" combination to identify most of the elements (who, why, how and where) of information. The cost centre can be a combination of fund organisation, activity or project. The type of account is captured using a natural account / object classification. The limitation of the linear style is in its capacity to track across disciplinary activities / projects or programmes as well as initiatives funded from various sources.

2.2 "Matrix Style"

The cornerstone of the "matrix" style is the use of multiple segments, each intended to capture a unique element ("what, who, why, how and where?) of information. This style defines a specific use or purpose for each segment which can easily be aligned to the regulated segments. By doing so it provides the availability of data at a level to allow greater reporting and fiscal management capabilities.

3. SEGMENTS AND CLASSIFICATION FRAMEWORK FOR SCOA

Section 4 of the regulations regulates that the SCOA must contain segments as detailed in the schedule and that the Minister will determine the classification framework.

It is possible that certain segments such as the Function Segment and Standard Classification can have sub functions which can be combined into a single field through the use of hierarchial structures, so that detailed organisation values roll up to the higher levels. Likewise the Funding Segment could incorporate the fund type and the description of the specific fund in the field.

Typically, actual transactions occur at the lowest level of the hierarchy while the higher levels support reporting and budgeting.

It is suggested that the hierarchial order would require the account item segment to be at the lowest level and that the coding structure be arranged so that values roll up to the entity totals (Regional and Municipal).

The SCOA project is a complex project, which will have a significant impact on the way municipalities process transactions and do their financial reporting. The benefits as more fully detailed in the preamble of the Regulations will be achieved as the regulations prescribe aspects relating to the design of account code structure.

It will be very useful if certain aspects of the account code structure are standardized such as the order of segments and segment code fields (line item order). This will then mean that all municipalities will use the same segmental order and expenditure, revenue, asset and

liability codes. The standardisation of these elements will have many benefits where municipal staff move from one municipality to another as they will not have to learn new codes.
The COA should be designed with the overriding goal of keeping the chart of accounts format simple, logical and scalable.

The unpacking of the segments and theories about the development of an account code structure for municipalities highlights the importance of standardising the order of the segments and hierarchial code structure.

NT should therefore prescribe the segmental classification and the order of the segments as well as the line item account code structure (fields) and descriptions (classifications).

4. ESTABLISHMENT OF A TECHNICAL COMMITTEE FOR SCOA

The SCOA Committee will require the co-operation of municipalities to ensure successful implementation of the project.

The Cacadu District Municipality (CDM) will be establishing a SCOA Implementation Team (SIT) which will be responsible for the implementation of the SCOA at the CDM.

The members of the SCOA Committee are detailed in section 9. It is not clear what the total membership is as the Director – General may appoint further members in terms of section 9 (i) (d) and 9 (1) (2).

It has been suggested that a member of the Institute of Municipal Finance Officers also be nominated to serve on the SCOA Committee.

5. RESPONSIBILITIES OF MUNICIPAL COUNCILS, BOARD OF DIRECTORS AND ACCOUNTING OFFICERS

The introduction of SCOA will probably have a significant impact on the administration of the municipalities and more specifically on the office of the Chief Financial Officer (CFO) who will have to champion the project.
In terms of section 10 (d) the SCOA Committee must develop guidelines for the implementation of the Regulations. The Accounting Officer has in terms of section 13 of the regulations the responsibility for implementing the regulations.

It will therefore be important that an effective change management strategy is developed and adopted at each municipality to implement the new COA and associated reforms in the accounting and reporting systems.
Without an effective change management strategy which is driven by the Accounting Officer, a project of this nature with its many risks could have a disastrous impact on the financial management of municipalities if its implementation is not managed effectively.

Introducing changes in the account code structure and the way financial transactions are interpreted and recorded could provoke opposition / resistance from key stakeholders. A change management strategy should be developed to explain why the change is necessary and what objectives will be achieved. It will be important to undertake a detailed risk identification and risk evaluation process to ensure that strategies are developed that address the risks and uncertainties.

The development of the change management strategy should involve the following key steps:

- Securing explicit support from all municipal departments;
- Identifying organisation changes necessary to implement the new processes and changed rules and procedures, clearly articulating the benefits;
- Identifying documentation changes including input (payment vouchers, journals) and output documents (reports);
- Identifying human capacity development needs including training programmes;
- Identifying a SCOA change management champion within the municipality as well as a SCOA Implementation Team (SIT) consisting of:
  - SCOA Champion
  - IT Person responsible for Software Changes
  - Departmental Representatives
  - Internal Audit
  - Service Provider / Vendor

  The SCOA Implementation Team should report to the Accounting Officer and formal minutes should be kept of all meetings:

- Developing a plan for informing various users of the new systems and procedures.

The effective and efficient migration of existing data from the old SCOA to the new SCOA is one of the cornerstones for the success of this project and its improved reporting capabilities.

This will be a key responsibility of SIT and will take a considerable amount of planning. Any failure in this regard will result in poor quality data and undermining the success of the project. The timing of the implementation of the SCOA on 1 July 2017 is a key date and all integrity tests must be completed prior to that date.

The process of mapping the data in the historical years to the new SCOA will also require careful planning and testing of the integrity of the data.

6. SUMMARY

The Standardized Chart of Accounts is critical for an effective government accounting and reporting framework for classifying, recovering and reporting information on financial transactions and balances. The Chart of Accounts is also the foundation for any computerized accounting and reporting system. The definition, use and maintenance of the SCOA are critical to ensure data integrity and usefulness of reports produced by the financial accounting and reporting system. To ensure the successful implementation of SCOA, municipalities are advised to develop change management and SCOA implementation plans referred to in this article.

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VAT implications of a Mass Exempt Supply

By Pratish Ramada, Maxprof

Four years on from the 2010 world cup and the men and women of Brazil can finally lay down their hard hats as they look back on yet another successful soccer world cup, but only just…

The build up to the soccer world cup really highlights a country's ability to pool resources and unite as a nation in trying to impress the rest of the world on one of the most watched sporting events in history. But what happens after the dust has settled?

In 2004, when FIFA President, Joseph "Sepp" Blatter, announced that South Africa would be hosting the 2010 FIFA World Cup, our nation united and embarked on the journey to proving to the world that WE could exhibit the best show, sparing no expense.

Municipalities drafted project plans for FIFA fan parks, new stadiums and upgrade to old stadiums, infrastructure, designated design routes, people movers, surveillance and security among others.
Budgets, incorporating this expanded expenditure, were approved and the road to the world cup began.

As the activities carried on for these projects were continuous and regular, they were deemed to be made in the furtherance of the municipality and so formed part of their enterprise activities for VAT purposes. With the exception of specifically exempt supplies, all other supplies were deemed taxable at either the standard rate or zero rate of VAT.

A successful culmination to the 2010 World Cup and South Africa had dominated over its predecessors. But now that the celebrations were over and business was back to normal, municipalities were faced with certain challenges surrounding the future intended use of their assets.

Soccer stadiums, for example, were open to hire for private use, income of which was taxable at the standard rate of 14 percent.

eThekwini Metropolitan Municipality managed to secure a 3 year deal with the BBC Entertainment to host the BBC Top Gear Festival from 2012 to 2014 at the Moses Mabhida Stadium.

Most recently, Nelson Mandela Bay Municipality and Premier Soccer League team Chippa United announced that the Cape Town based outfit will be making the iconic Nelson Mandela Bay Stadium its home ground for at least the next three years.

Another supply which may be controversial to some was the introduction of a Transport System referred to by different names countrywide: Integrated Public Transport (IPT); Tshwane Rapid Transport (TRT); Integrated Rapid Transport (IRT); Rustenburg Rapid Transport (RRT); Bus Rapid Transport (BRT); but is in essence the same supply.

In terms of Section 12(g) of the VAT Act No. 89 of 1991; *"the supply by any person in the course of a transport business of any service comprising the transport by that person in a vehicle operated by him of fare-paying passengers and their personal effects by road or railway, not being a supply of any such service which would be charged with tax at the rate of zero percent under Section 11(2)(a);"* is exempt from VAT.

In terms of Section 17(1) of the VAT Act No.89 of 1991, the supply of goods or services not in the course of making taxable supplies, which is for another intended use, would result in the requirement to apportion the input tax deductible.

VAT News No. 32 of 2008 outlined the standard method of apportionment accepted by SARS being the Turnover Based Method. This standard method relies essentially on the simple arithmetic relationship between taxable and total supplies made.

It follows that the introduction of a mass exempt supply, such as the Public Transport System, by municipalities has a substantial influence on the apportionment ratio applicable to such municipalities.

What affect will the income generated from fare-paying passengers have on total revenue as opposed to the potential "loss" in revenue from reduced input tax deductions resultant from an apportionment ratio below 95%?

The following example will illustrate the potential viability risk associated with this type of supply.

Example:
Municipality A currently receives R1,2 billion in VAT refunds annually (assume output tax of R100 million and input tax of R1,3 billion) and has an apportionment ratio of 95.7% which, in terms of the de minimus rule, entitles the municipality to a 100% input tax deduction.

Assume the municipality receives R100 million in Transport System grants which is exempt for VAT purposes as it is directly attributable to the exempt supply. It also receives R100 million from fare-paying passengers for use of the transport system thereby breaking even during the same financial year.

Further, the result of acquiring a total exempt income of R200 million is a reduced apportionment ratio to 90%.

VAT implications of a Mass Exempt Supply

By Pratish Ramada, Maxprof

Assume all other factors remain the same, the year-on-year effect of Revenue gains/losses would be as follows:

YEAR 1		R 'mil
Income –	Grants (Exempt Transport System)	100
	Fare-paying passengers	100
Less:	Reduced input tax effect (R1,3 billion @ 90%)	(130)
Net Gain		**70**
YEAR 2		R 'mil
Income –	Fare-paying passengers	100
Less:	Reduced input tax effect (R1,3 billion @ 90%)	(130)
Net Loss		**(30)**

It is therefore arguable that from year 2, in the above illustrative example, the potential loss in revenue from the reduced input tax deductions would challenge the viability of this type of supply in the municipal environment.

An alternative to the provision of this type of supply would be to formalise another Government entity, similar to SANRAL, to administer this function as Principal but authorities would first have to analyse their administrative burden surrounding a Section 18 change in use adjustment for many of its' already existing assets.

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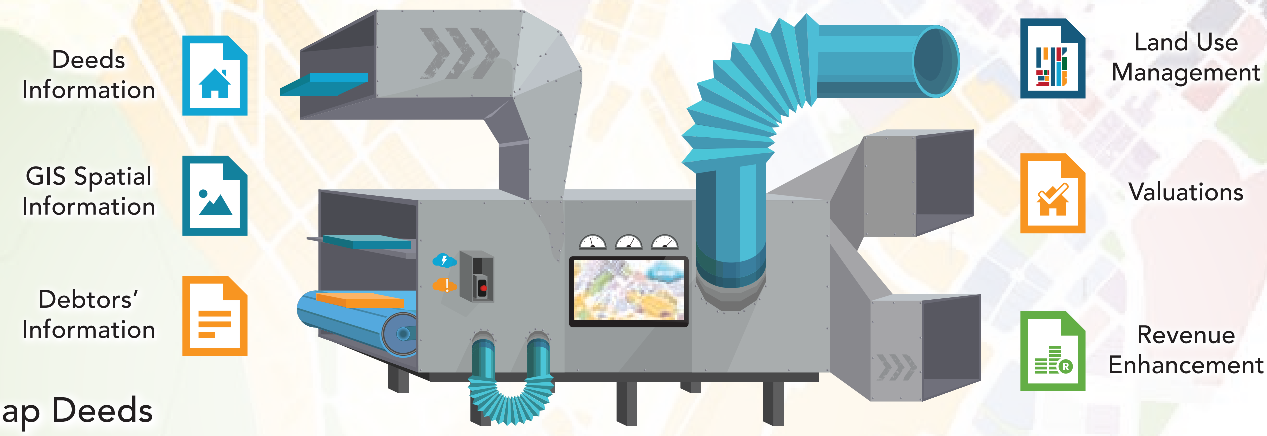

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Mapping: the Key to Revenue Enhancement & Financial Management. *By Nic Klopper, www.1map.co.za*

The Surveyor General's Office goes to great lengths to source and manage spatial, aerial and topographic data. This data is made available to all at nominal cost. This information is crucial for planning, and improving service delivery.

If all of this information exists and is readily available, why is it under-utilized?

Spatial management software has traditionally been complex, often requiring expensive hardware and dedicated IT support staff to manage and maintain. Converting the data to the format required can also be extremely time consuming, undermining the benefit of acquiring the data at an apparently low cost.

Running multiple software solutions within a municipality will result in numerous distinct datasets that are inherently incompatible. It becomes virtually impossible to integrate these datasets and analyse them with a view to maximise revenue.

What would be the ideal solution?

1. All spatial data must be sufficiently comprehensive and accurate to satisfy the requirement of most users' applications.

2. Regularly updated, seamless, national data layers are required, and interested parties should be able to download data from a central, online portal.

3. Third party applications should be developed to interface with this data. In this manner different applications add value to the same common dataset (valuations, zoning etc.) and all the data is compatible from the outset.

4. Mapping applications must be intuitive, and confront the user with only the level of complexity required for the intended purpose. All departments (Billing, Service Delivery, Credit Management, Infrastructure, etc.) should be able to benefit from mapping applications.

5. The final barrier is cost: software, hardware and infrastructure represent significant expenses. The ideal way to minimize these expenses would be to implement a web-driven mapping application, so that all the costs normally associated with such applications are managed centrally, in a secure environment, by a dedicated team. This central management ensures the best possible uptime and data security.

The Ideal Mapping Solution would serve a Municipality by:

Step 1
Developing an affordable web application with reliable, scalable, Open Source technology.

Step 2
Sourcing, hosting and regularly updating spatial data for the entire country, including all data available from the Surveyor General. The structure should support data custodians and channel efforts towards achieving data of an ever-higher quality.

Step 3
Developing a feature-rich interface (API) so that third-party developers can easily create functions that add value to the spatial data already available on the platform.

Step 4
Developing basic municipal mapping functionality so that each local authority in the country will have access to the spatial data for its area. A number of municipalities have already moved away from using traditional mapping software and now use an online application.

How does Spatial Analysis Facilitate Revenue Enhancement?

Services to businesses and individuals need to be affiliated with the entity responsible for payment. These services are almost all location-based, and as such, it makes good sense to upload the customer database to a Mapping Platform. These location-based services include water and refuse collection, for instance.

Once you know who makes use of particular services at a given location, and who is liable for the municipal accounts, it becomes much easier to follow through with an accurate billing schedule.

Typically, multiple agencies would need to coordinate and move data back and forth to make this kind of analysis possible. Using a Central Repository, however, simplifies the process dramatically. Upload all the pertinent data from as many sources as required, and the information will all be available as discrete layers within the Mapping Platform. After performing Visual Spatial Analysis, the Customer Database and superimposed Services Layers can be bookmarked and shared with the billing department to follow up on payments. This data can be shared either as a Spatial Representation, or as a Spreadsheet.

Disclosure of Irregular Expenditure

By Danie de Lange, Cacadu District Municipality

Have we shot ourselves in the foot?

Browsing through the Auditor Generals (AG) “Consolidated General Report on Audit Outcomes of Local Government”, for the 2012/2013 financial year, I came across a section dealing with Irregular Expenditure.

What is Irregular Expenditure?

In the introduction it is stated “Irregular Expenditure” is expenditure that was **NOT** incurred in the manner prescribed by legislation. In other words one or more of the requirements of the MFMA or SCM regulations and other legislation were not complied with. Such expenditure according to the AG does not necessarily mean that money had been wasted or that fraud had been committed. It may merely by a measure of an auditee’s ability to comply with legislation relating to expenditure and procurement management.

I am not so sure that the media and the general public have this understanding. Without fail the media has reported irregular expenditure “written off” as money that has either been stolen, lost or wasted. There is no doubt in my mind that these unfavourable reports each year does tremendous harm to the reputation and image of municipalities in South Africa and abroad.

Extent of Irregular Expenditure

Irregular Expenditure identified during the 2012/2013 financial year amounted to R11, 6 Billion. In the previous financial year (2011/2012) the irregular expenditure amounted to R9, 3 Billion which represents an increase of 20%.

The non-compliance with legislation that regulates SCM is the cause of 98% of the irregular expenditure.

Irregular Expenditure is described in detail in Chapter 1 of the MFMA under the heading “Definitions”.

It is clear that even if only one of the prescribed provisions in the SCM process is adhered to, the whole transaction is treated as an irregular expenditure and must be disclosed as such in the Annual Financial Statements.

So, even if all but one of the provisions of the laws pertaining to the procurement of a contract amounting to R20 million has been complied with, the full amount must be disclosed as irregular expenditure.

The non-compliance could relate to such incidents where a bona fide error is made regarding:

- The tender advertisement which was not placed on the website;
- An instance where the Municipal Manager did not sign the document where the details of the bid committees members were provided; and
- An instance where the outcome of the bid process was not placed on the website.

I am not inferring that some of the provisions of the regulations are less serious than others, however when one takes into account how these incidents of irregular expenditure is reported in the media it may be necessary to rethink how irregular expenditure is currently being disclosed in the AFS.

NT Circular No 68 Unauthorised, Irregular Fruitless Wasteful Expenditure

NT has published MFMA Circular No 68 dealing with the accounting disclosure and legal consequences of Unauthorised, Irregular Fruitless Wasteful Expenditure.

The process to be followed when dealing with irregular expenditure is dealt with in terms of section 32 (2) (b) which states that irregular expenditure may only be written-off by Council if, after an investigation by a Council Committee, the irregular expenditure is certified as irrecoverable. The circular states that the writing-off of the irregular expenditure is not a primary response, it is subordinate to the recovery process, and may only take place if the irregular is certified by Council as irrecoverable, based on the findings on an investigation.

Although the circular states that the Municipal Council has no power in terms of the MFMA to condone non-compliance in terms of the MFMA or any of its regulations, if it is satisfied that there has been no negligence, fraud or financial loss, it may declare the amount irrecoverable and resolve that the irregular expenditure be written off.

This is another concept in the terminology of irregular expenditure which is difficult to grasp. In the accounting profession when an amount it written off usually a journal entry is processed where one account is credited e.g. debtor's account and another account e.g. bad debts is written off.

In respect of irregular expenditure due to non-compliance where there has been no financial loss and the amount is certified as irrecoverable and written off by Council, no accounting transaction is processed. The reason being there is no financial loss and it is a compliance issue that is being dealt with. However, in a case of irregular expenditure where there is a financial loss and it has to be recovered, the debt will be raised by means of a journal entry.

I am of the opinion this may also be one of the root causes for the misunderstanding of the irregular expenditure by the media and the public.

Why must the irregular expenditure be written off if the error relates to non- compliance to legislation?

Clearly the legal terminology "written-off" used in this regard can confuse the uninformed public. Should we rather not use the term that Council **sanctions** the irregular expenditure?

Serious Irregular Expenditure

The law does not distinguish between serious and less serious irregular expenditure and I do not believe it should. However I do believe that we should distinguish between irregular expenditure which has been classified as such due to mere non-compliance (Minor Breach) and serious irregular expenditure which has resulted from a financial loss. The loss may be due to theft, fraud, corruption or intentionally or negligently not complying to legislation with the aim to benefit personally from such a procurement transaction.

These would be cases of financial misconduct which in terms of Section 32 (6) of the MFMA must be reported to the South African Police Services (SAPS).

To address the current misunderstandings relating to irregular expenditure which have damaged the reputation of the municipalities it has been suggested that only those irregular expenditure transactions that have been reported to SAPS should be disclosed in the AFS.

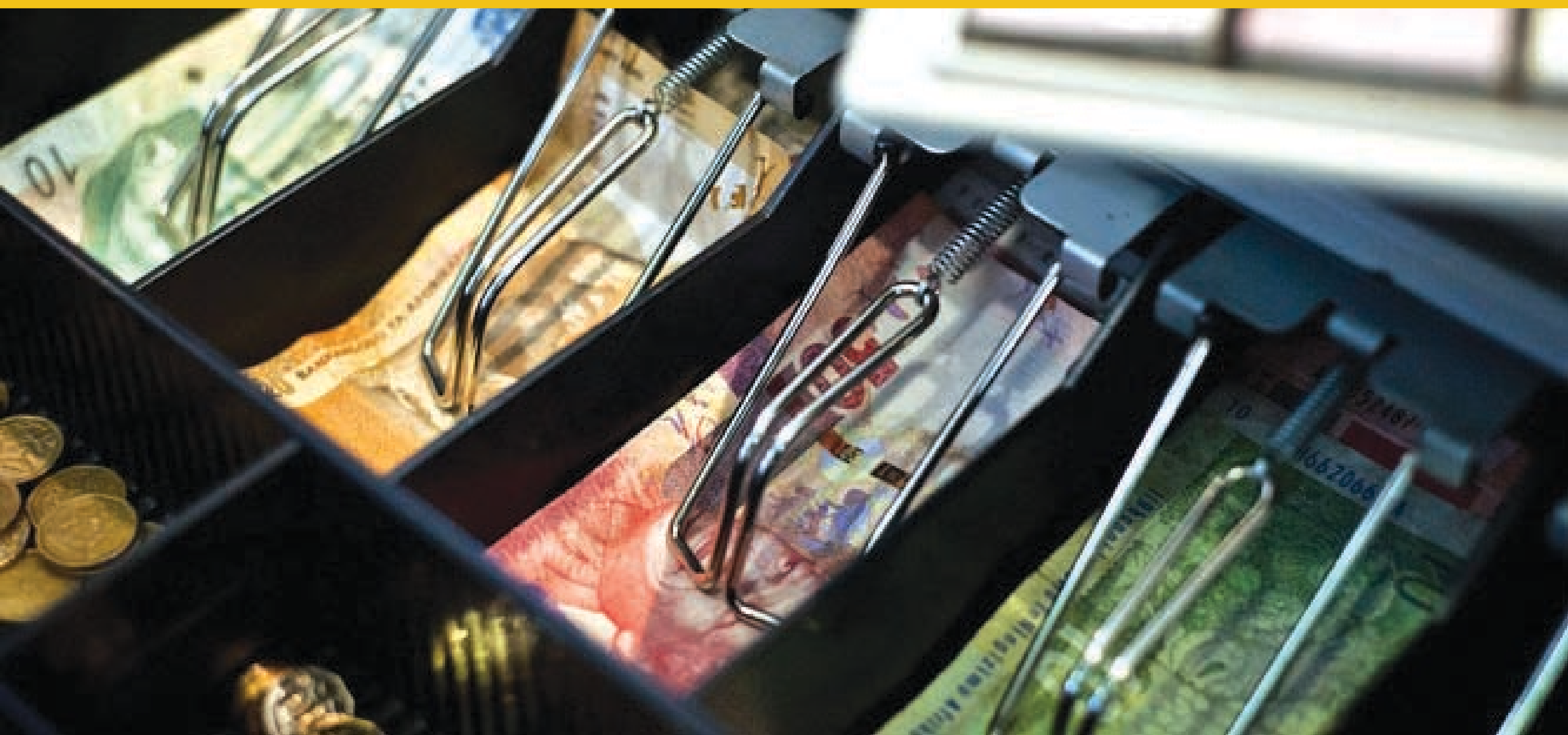
A process and procedure should also be developed where it is possible for the Accounting Officer to investigate and sanction minor breaches similar to the SCM deviation process.

I am not sure whether this approach will receive support; however I do believe we need to develop strategies to disclose the irregular expenditure in a manner that it is clearly understood by the media and public.

Of course, if we develop adequate steps to prevent irregular expenditure, it would not be necessary to write articles advocating changes in the disclosure requirements of irregular expenditure.

References

- *NT MFMA Circular No 68*
- *Auditor-Generals Consolidated General Report on Audit Outcome – Auditor General's Website*



To Revalue or Not

By Louis Boshoff and Werner Welgemoed, www.iatconsulting.co.za

Measuring property, plant and equipment at historic cost or depreciated replacement cost?

THE ISSUE

GRAP 17 requires municipalities to recognise and measure Property, Plant and Equipment (PPE) at the component level, and to depreciate assets over their useful lives. PPE may be measured on either the historic cost or fair value basis. When assets are measured on the historic cost basis, value is determined by the original purchase price of the asset. The most popular method for assessing the fair value of PPE is the Depreciated Replacement Cost (DRC) method. DRC is the replacement cost of an existing asset after deducting an allowance for wear or consumption to reflect the remaining economic life of the existing asset. GRAP states that once a municipality has adopted the revaluation model, it may not revert back to the cost model in accounting for assets.

However, since many municipalities for a variety of reasons adopted the DRC method to assist them in migrating to GRAP, the Accounting Standards Board's Directive 11 provides a framework through which Municipalities may revert back to the cost model under certain conditions. This article explores the merits of both the historic cost and DRC methods to determine which is most appropriate for municipalities, considering the criteria of fair presentation, sustainability, stakeholder and management decision-making, and cost.

FAIR PRESENTATION

The overriding criterion for any set of financial statements is fair presentation of financial position and performance, including its asset position. The lion's share of asset value of a municipality will be locked into its long life assets such as infrastructure, community facilities and buildings, where lifespans are typically measured in decades. Let's consider, by way of an example of a reservoir, the extent to which the historic cost and DRC methods would support the requirement for fair presentation.

Example: A 300 kℓ reservoir constructed in 1993 at a cost of R 890 526

The Current Replacement Cost (CRC) of the reservoir as at 30 June 2013 would have been in the order of R 2 856 038. The financial position of the reservoir at this reporting date would have been:

Measurement basis	Carrying value	Accumulated depreciation	Annual depreciation
DRC (fair valuation)	1 457 602	1 398 437	73 089
Componentised historic cost	463 876	426 650	22 790
Bundled historic cost	454 170	436 356	24 044

Reporting on the basis of historic cost would result in understatement of the true cost of the reservoir by some 69%, depending on the level of componentisation. At the reporting date the water-retaining reinforced concrete structure, which is the one component within the reservoir that represents a little over 50% of the total value of the reservoir, will have had 29 years' remaining useful life. Over time, the magnitude of the understatement using the historic cost method would simply keep on increasing. This is because the current replacement cost of the reservoir will continue to escalate and depreciation will continue to drive down the carrying value of the asset.

This example clearly demonstrates that reporting on long-life assets using the historic cost method does not support the overarching requirement of fair presentation of financial results.

SUSTAINABILITY

Cities and towns are long term phenomena whose lifespans are measured from decades to millennia. And for as long as there are cities and towns, there will need to be municipalities, infrastructure networks and community facilities. Municipalities must therefore remain viable operations in the long run, and must continue to reinvest to ensure that infrastructure capacities remain intact and that service continue to be rendered. In addition to capital investment to eradicate service provision backlogs and to meet the demand for population and economic growth, municipalities should therefore invest in the renewal of the infrastructure portfolio an amount more or less equal to the depreciation of assets. More specifically, the municipalities should invest in asset renewal an amount more or less equal to the depreciation as measured against replacement cost, as replacement cost keeps increasing over time. To illustrate this point, let's again consider the example of the reservoir:

Measured against the lifespans of its longer-life, high-value components (pipework 80 years, civil structures of about 50 years), about a third of the life of the reservoir has been consumed by 2013. At that point the current replacement cost was close to R 2.9 million – more than three times the original acquisition cost – and will continue to rise over the next forty years until replacement of the reservoir. Yet the total amount available for asset renewal or replacement through depreciation provisions using the historic cost method would forever remain fixed R 890 526. This amount is woefully insufficient to replace the reservoir now or at any point in the future. Accounting for the reservoir using the DRC mechanism, on the other hand, would ensure that sufficient provision for replacement is made through depreciation charges that continually keep track with current replacement cost needs. From a sustainability point of view, therefore, DRC is the preferred method.

Many of those opposed to the DRC method recognises its superiority in providing sufficiently for depreciation, and dislike this method for this very reason. Their main argument is that the introduction of the DRC method will lead to significant increases in rates and tariffs. Whilst this is a concern, and any increase in rates and tariffs must be approached with due care to avoid overburdening taxpayers and suppressing economic activity, this argument is fundamentally flawed. Wear and tear is real, in time assets must be renewed or replaced, and this will cost money. Not increasing rates and tariffs to adequately provide for depreciation simply shifts the renewal burden to some point in the future where the renewals burden will become unaffordable. Furthermore, several municipalities such as the Ekurhuleni Metropolitan Municipality and the Buffalo City Metropolitan Municipality have shown that it is possible to implement DRC-based depreciation provisions and still provide a competitively-priced basket of services, compared to other cities.

STAKEHOLDER AND MANAGEMENT DECISION-MAKING

Financial ratio analysis is a favoured method by financial managers and other stakeholders to assess the financial position, performance and prospects of an organisation, and to plan for the future. Since historic cost over time increasingly loss track of real costs, any ratio analysis, or any other form of analysis based on the financial statements, provides skewed results. This point can be demonstrated by considering National Treasury's benchmark that 8-12% of carrying value should be spent on maintaining assets each financial period.

Example of inadequacy of maintenance provisions benchmarked against historic cost-based carrying value

Assumptions:

Asset value	1 000 000	Annual DPRN	50 000
Asset useful life	20	NT maintenance benchmark	8%
DPRN method	SL	Discount rate	6%

Modelled maintenance provisions:

Useful life	Carrying value	Maintenance provision of 8% of carrying value (nominal values)	Maintenance provision of 8% of carrying value (real values)	Maintenance budget as real % of carrying value
0	1 000 000	80 000	80 000	8%
5	750 000	60 000	44 835	6%
10	500 000	40 000	22 336	4%
15	250 000	20 000	8 345	3%
20	-	-	0	0%
20		840 000	602 792	

To Revalue or Not

By Louis Boshoff and Werner Welgemoed, www.iatconsulting.co.za

This example shows that maintenance provisions in nominal terms decrease per annum as the asset ages. This effect of decreasing maintenance provisions over time is even more pronounced when expressed in real value, and counters both logic and empirical evidence. As an asset ages, wear and tear will accumulate, the condition of an asset will deteriorate, and more must be spent on asset maintenance. The difficulty encountered in employing historic cost-based ratio analysis is not limited to asset maintenance, it extends across the range of asset sustainability ratios. DRC-based ratio analyses do not encounter the time problem experienced by historic cost, since ratio analyses in any given assessment period are based on current costs.

COST

Protagonists of the historic cost method argue that measurement and reporting on the basis of fair value, under the umbrella of the valuation model, is more costly than the historic cost method, largely because of the assumption that assets must be revalued annually, and because it takes a more systemic approach, knowledge of unit costs and skill to determine DRC at the asset component level. However, GRAP does not require revaluation at the end of each year. Instead it requires annual review to determine whether asset values are current. Only where this is found not to be the case is revaluation required, which would be a desktop study of limited cost, overlaid on records that need to be kept up to date and accurate in any case through the adoption of annual processes to comply with GRAP. And, for all the reasons stated in this article, the benefits of up to date asset values far outweigh the costs of keeping asset values current. The second point, namely that DRC requires a systemic approach, knowledge of unit costs and skills to determine and/or apportion costs to the component level, is valid. But this equally applies to the historic cost method. This is because GRAP requires the unbundling of assets to component level, regardless of the measurement basis used.

CONCLUSION

Over time the historic cost method, when applied to long life assets such as infrastructure, increasingly understates the value vested in assets. It leads to insufficient provision being made for depreciation and therefore asset renewal, and in this way does not support the sustainability test that every municipality must meet. It distorts financial analysis results, likely to lead to incorrect or inappropriate decisions being made based on historic cost data. To revalue or not to revalue? Depreciated replacement cost is in every respect the superior method over historic cost. Any municipality serious about transparency and fair presentation of its financial statements, about sustainability and making robust decisions based on relevant reported financial results will adopt the revaluation model.

A NEW VISION

FOR REVENUE GENERATION IN MUNICIPALITIES

METROPOLITAN GOVERNMENT SYSTEMS

Before the budget vote in Parliament, Cooperative Governance Minister Pravin Gordhan told reporters that Government would "enforce a back-to-basics approach for the country's 278 municipalities". He was quoted as saying, "We want every municipality in South Africa to ensure that it undertakes core basic functions as efficiently, as effectively, and as religiously as is humanly possible". Unfortunately, for many municipalities, even the basic mandates for success will be difficult to achieve – the reasons for which we explore in detail here – unless the necessary tools and skills are applied to overcome a legacy of historic challenges, inaccuracies and backlogs.

Janet Channing - Managing Director, MGS

Breaking down the challenges

Data: When data is inaccurate, incomplete or both, there are significant implications for revenue collection, user satisfaction and sentiment, administration and even larger sustainability issues. It is critical that the data sets within billing, the valuation roll and the spatial layer are aligned. Discrepancies between billing and valuation rolls can impact on a municipality's revenue. Rates are municipality's primary source of income. If a property valuation is undervalued in the valuation roll, it will be under-billed accordingly. If properties are omitted, then accounts subsequently won't be issued and revenue will be lost.

Capacity issues: We often hear of vacancies within municipalities, along with insufficient budget to fill these vacancies and issues of high staff turnover, which leads to the inevitable fact that no institutional memory may be formed. Physical capacity is a money issue. Yet, too often, monies that were allocated within a financial year remain unspent. Better financial management is crucial.

Time management: Deadlines crowd in, management calls for exhaustive reports, endless crises and ratepayer queries keep them hopping, leading to low morale and high turnover.

Poor systems integration: A valuation management system must be able to integrate seamlessly with billing, building planning management to the GIS layer, the municipal asset management system to the property management system, so that all systems reflect the same complete and accurate data set. If systems cannot integrate, they require manual input, which leaves too great a margin for human error.

Creating sustainable cities by protecting their wealth

For municipalities to thrive, and overcome the issues detailed above, a city's wealth has to be protected. The burden of overly complex and convoluted technical systems has to be replaced by a simplified, consolidated manner of operating that allows for greater clarity and transparency. The accurate collection and handling of data (specifically, the property register) will give municipalities the upper hand in terms of making strategic decisions that support sustainability and growth.

Finding solutions

Municipalities have the responsibility to deliver a mix of public infrastructure and user services. They also have the fiscal powers to levy or raise property rates and user charges. In this, it is significant that all user services are directed to a property rather than to a person or entity. The water and electricity meters stay with the property, irrespective of ownership changes. By using a spatial reference for these user services, municipalities are able to accurately and effectively map their service delivery reports. We refer to this as the Geographic Information Systems (GIS) advantage. Ultimately, if information is recorded accurately, and maintained over time, this has a positive impact that will reverberate throughout the municipality and will trickle down to the communities it serves.

To fully benefit from this advantage and knowledge, there are a few principles municipalities must adhere to:

Protecting and building an accurate property register

Municipalities must acknowledge that their data is a critical asset. They need to understand it, own it and maintain it. An accurate property database is an essential tool for sustainability and good governance. All land parcels fall into one or another municipality's jurisdiction, and while property may be immovable, it is not static. A property register is not a task to be completed every four years and filed away to be forgotten about.

Property is dynamic – it is bought and sold, it is subdivided and consolidated. Vacant land is developed, land is rezoned. All of these events trigger movement in the spatial register and must be documented accordingly, so that accurate revenues can be generated and applied as needed. The naming protocol for property in South Africa is the Surveyor General Unique Code. This is known in the industry as the "SG key". This is a property parcel's identity number, which ultimately differentiates one property from another and which enables property data to be mapped. For example, a subdivision means that the naming convention for the single piece of property is replaced by the different references for each of the new subdivisions.

All changes in property data must be captured for the data integrity and accuracy to be maintained. Messaging functionality between users keeps interdepartmental business units up to date about developments pertaining to specific properties, positively impacting valuation and billing and ultimately generating the revenue required for improved service delivery.

Accurately maintaining the property register

Without an accurate property register, billing and revenue collection from water, electricity, waste and other services are virtually impossible to manage. An accurate municipal register of properties is a consolidated, aligned property master file with no mismatches/discrepancies across any of the data sets. This cleansed property register is the property of and resides with the municipality, and not with an outside service provider.

Coupled with a revenue management diagnostic toolkit, this allows a city to successfully identify billing data discrepencies and concurrently, the sources of lost revenue. This insight allows a city to develop a service verification system – a programme of activity that verifies whether or not services are delivered to a given property, such as water, electricity and refuse, over and above rates.

Ease of access to records

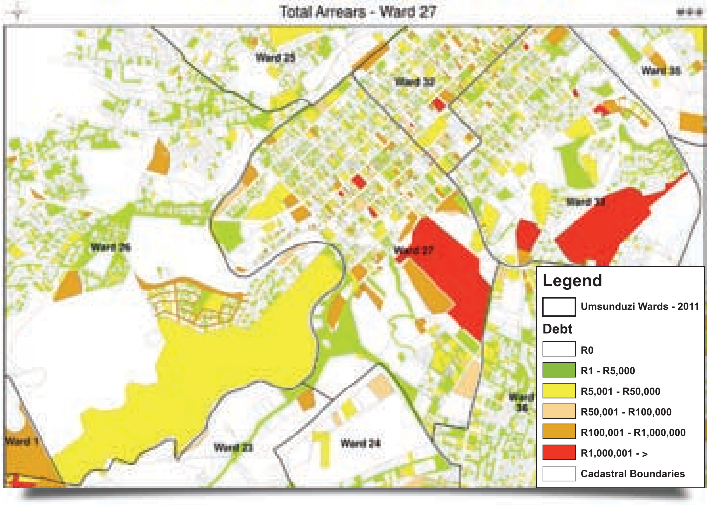
Hard copy records are high risk. Invariably these filing systems are bespoke to the few officials who have worked with these files over many years. Only these staff can navigate their way around the "Lever Arch logic". A clear and well-indexed electronic document management system assures all users that the documents related to a specific property are accessible. These include rates clearance certificates, objection forms, photographs of the property, building plans, data capture forms and other essentials. Technically, even a hand-written scribble should be saved against the relevant property record. Once again, the magic SG key is the link between the document and the property. Spatially referenced data is ideal for solving operational, management and planning problems.

Improved integration

Municipalities use a number of different financial systems. Valuers have developed their own tool kits for their processes and techniques required to prepare and maintain valuation rolls. It is not enough for data to be accurate but disparate across different channels, or that data should lie with a third party provider – not only due to reasons of confidentiality but also in order for a municipality to use data across various channels. The same data should be accessible by cashiers at a service desk that is used to compile high-level management reports. Where a municipality does not have an internal property management system, it is wholly dependent on its service provider for the roll – unable to manage its deliverables, report on variances or conduct any form of quality control. A technology platform that allows bespoke systems to communicate seamlessly with municipal systems is long overdue.

Revenue management

Revenue management is the enabler of fiscal sustainability. Establishing what the challenges are is the first step. There are consultancy services available to support the implementation of relevant and appropriate diagnostic tool kits. Clear spatial referenced reports provide municipal management with intelligent dashboards with which to make strategic decisions. Maps allow municipal management to quickly identify and see discrepancies through a visual picture, also known as the spatial layer. When a comprehensive picture is presented with multiple utility data, then decisions are informed and responsible. Strategic debt collection is about maximising resources and capacity to achieve "quick wins", collecting revenue that is due to a municipality.



A sample of outstanding revenue mapped onto the spatial layer.

Service verification

Part of the maintenance of an accurate property register is the process of field verification for identified discrepencies. Municipalities may allocate this task to their exisiting meter readers or deploy specifically recruited data collectors for this task – the latter is the most responsible approach. If an erf is excluded from billing but has a dwelling, then it is probable that services are being delivered. Field verification will confirm this. A municipality may then proceed to acquire the customer details and advise them that they will be receiving service accounts going forward. Where whole areas of a municipality have been excluded from billing, there is the opportunity to involve the relevant councillors to advise communities about these developments. The revenue management success may be measured against this baseline. More accounts that are sent out from billing equals more accurate and complete billing by a municipality. Graphical representation indicates the current performance status and provides a visual presentation, along with the ability to make more informed decisions.

Capacity building

The Institute of Municipal Finance Officers and the South African Institute of Valuers (SAIV) recently signed a Memorandum of Understanding. The initiative seeks to collaborate towards developing a real estate qualification for municipalities. This curriculum would embrace all the property-related processes within a municipality. These range from property data management and understanding how the Registrar of Deeds works, to being able to process a new subdivision or consolidation. The candidates would be exposed to contract management for general valuation projects, municipal asset management and land disposal. This qualification will be a welcome set of skills and competencies to support the operational requirements of all municipalities.

The SAIV has also initiated a working committee to develop a set of relevant and appropriate standards for valuation for the purposes of municipal rating. These locally developed professional standards seek to create a much needed benchmark for municipal valuers. It is anticipated that these standards will enable the statutory South African Council for the Property Valuers Profession (SACPVP) to evaluate and adjudicate the performance of municipal valuers in a meaningful and constructive manner.

Concluding remarks

The issues are complex, but the solutions are relatively simple. Success will be about consistency. There are few quick fixes for the problems municipalities are facing – they require a practical approach involving iteration, baseline analysis, incremental steps and regular performance evaluation. It is about lining up the data so that it is clean, accurate and complete. Lastly, it is about training people, both within the municipalities and the valuer profession, to have the required competencies and skills sets. These may then be benchmarked against relevant professional standards, not government standards.

It's about getting back to basics. In this, you have my vote, Mr Minister.

For more about revenue management please contact us on www.metgovis.co.za or (033) 343 2868.

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

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

Newsclips

IN & AROUND IMFO

SERVICE DELIVERY

eThekwini in the lead

The eThekwini Municipality has once again achieved the highest collection rate in the country for 2013/2014. However, more importantly, there was even more improvement in the collection rate.

In 2012/2013, the municipality achieved an excellent collection rate of 103% and this has improved to an outstanding 105% in 2013/2014. This has been due mainly to the strict adherence to the strong Credit Control and Debt Collection Policy of the Municipality.

Mayor James Nxumalo said, "I want to thank the executive in fully supporting our the development and implementation of the Rates Policy and the Debt Collection and Credit Control Policy and the city manager and his team for their innovativeness around revenue collection. They are truly leaders in the country in this regard and have been sharing their expertise internationally."
The chairperson of the finance and procurement committee, Fawzia Peer, thanked ratepayers for their commitment to pay their bills and their responsibilities towards the city.

Krish Kumar, the chief financial officer, stated that "This bodes well for the funding of service delivery in the city. This will reduce our reliance on borrowings to fund the city's capital programme. This also strengthens the city's credit rating which is already the highest in the municipal sector. This strong financial standing positions the city well for a bond issuance in the near future." .... read more on website: http://www.servicepublication.co.za

Tozi Mthethwa

Smart Cities

As a growing global player, South Africa needs Smart Cities. A sound asset management system such as described in ISO 55000 will be required to ensure that Smart Cities maintain reliable infrastructure to fulfil the needs of city dwellers.

Pragma's Nico Mabaso, Executive Director: Sales and Marketing, says the concept of Smart Cities is the modern approach to provide traders with a complete infrastructure base to stimulate and sustain competitive trade. "Urban performance depends on the city's endowment of hard infrastructure and on the availability and quality of knowledge communication and social infrastructure. The term infrastructure indicates business services, housing, leisure and lifestyle services, transport, and information technology with an emphasis on a wired city as the main development model and on connectivity as the source of growth."

This infrastructure is run on physical assets that require Whole of Life Asset Management (WOLAM) that will result in sustainable cities. WOLAM is an integrated asset management framework intended to manage physical assets from 'cradle to grave'.

THE SOUTH AFRICAN CHALLENGE

Mabaso comments that South African cities are currently characterised by substantial infrastructure aging and decay.

"Since 1994, the government focused on providing much-needed basic services such as healthcare, water and electricity in rural areas, neglecting general upgrades and maintenance on current infrastructure. This led to decay, which in turn resulted in increased CAPEX spent on new infrastructure developments."

To deal with this challenge, the government came up with regulations such as the Government Infrastructure Asset Management Act of No.19 of 2007, which has the following aims:

- To provide for a uniform framework for the management of an immovable asset that is held or used by a national or provincial department
- To ensure the coordination of the use of an immovable asset with the service delivery objectives of a national or provincial department
- To provide for issuing of guidelines and minimum standards in respect of immovable asset management by a national or provincial department
- To provide for matters incidental thereto.

This is also supported by pieces of legislation such as Guidelines for Asset Management of Local Government, Generally Recognised Accounting Practices 17, Municipal Finance Management Act and Public Management Finance Act.

THE ASSET MANAGEMENT CHALLENGE

Mabaso is of the opinion that these pieces of legislation are efficient for accountability purposes, but don't provide enough detail to show the asset owner and user what to do to comply with minimum standards.... read more on website: http://www.servicepublication.co.za

Gina Ganswyk

IN & AROUND IMFO

ERRATUM

IMFO apologizes for the incorrect captions in the last issue. Below please find the correct captions.

AUDIT & RISK INDABA, 21-23 MAY 2014, EAST LONDON ICC

IMFO EXECUTIVE WITH DOCTOR MOLAPO

IMFO AWARDS GAUTENG COGTA

SCAR COMMITTEE MEMBERS

EMFULENI MUNICIPAL MANAGER RECEIVING AWARD

IN & AROUND IMFO

Gallery of Past Events
IMFO Mpumalanga

IMFO MP Branch chairperson: Amos Twala, Executive Mayor of Steve Tshwete Municipality, Carl Stroud: National Treasury

Winnie Manyathela: Public Protector Mpumalanga Office

Phumudzo Mbulaheni: SALGA Mpumalanga Office

Phumla Maphisa: Cross Check

Tshepo: TUT Student Chairperson

Steve Tshwete Municipality Choir

Delegates

Cllr P L Mokwana MMC Finance: Emalahleni Local Municipality

IN & AROUND IMFO

Gallery of Past Events
SALGA Limpopo

SALGA Deputy Chairperson Cllr Makgabo Mapoulo, SALGA Chairperson Cllr Mogobo Magabe and Health MEC Mr Maaria Kgetjepe

SALGA PEC Member,
Cllr Sizwe Ramaremela

Delegate

SALGA NEC Member,
Cllr Flora Moboa-Boltmann

SALGA Deputy Chairperson,
Cllr Dikeledi Mmetle

MMC for Municipal Infrastrusture at Capricorn District Municipality Cllr Mokopane Matsaung, CoGHSTA MEC Makoma Makhurupetje, the Speaker of Capricorn District Municipality Cllr Nakedi Lekganyane, SALGA PEC Member Cllr Kgaretja Lekalakala, Delegate and MMC for Community Development at Capricorn District Municipality Cllr Betty Kgare

Corporate Executive: Projects & Outreach Programmes at Auditor General of South Africa,
Ms Thandeka Zondi

Political Analyst, Dr Chester Missing (in red overalls) and his associate Mr Conrad Koch.

SALGA PEC Member, Kgoši Malesela Dikgale, CoGHSTA MEC Ms Makoma Makhurupetje and Musina Mayor Cllr Mihloti Ramoyada

Legal Corner

MUNICIPAL REGULATIONS ON FINANCIAL MISCONDUCT PROCEDURES AND CRIMINAL PROCEEDINGS

(originally published in GN 425 in Government Gazette 37682 of 30 May 2014, withdrawn and replaced by GN R430 in Government Gazette 37699 of 30 May 2014)

Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings were published as regulations in terms of the Local Government: Municipal Finance Management Act 56 of 2003. These Regulations came into effect from 1 July 2014.

DIVISION OF REVENUE ACT 10 OF 2014

(GN 638 in Government Gazette 37927 of 20 August 2014)

Schedules for conversion and addition of allocations were published on 20 August 2014.

ACCOUNTING STANDARDS BOARD

(BN 73 in GG 37830 of 18 July 2014)

A notice was placed in the Government Gazette to ask for comment on the publication of Discussion Paper 9 *Materiality - Reducing Complexity and Improving Reporting.*

LABOUR RELATIONS AMENDMENT ACT 6 OF 2014

(GG 37921 of 18 August 2014)

The Labour Relations Amendment Act, 2014 has been signed into law by the President. The President assented to the Labour Relations Amendment (LRA) Act on 17 August 2014. The Department of Labour indicated that it is currently working on the regulations that will accompany the LRA, which should be completed and signed into law before the beginning of October 2014. The date on which the amendments will become effective is, however, yet to be announced, and will be fixed by proclamation in the Government Gazette. Some of the changes brought in by the Amendment Act relate to Organisational Rights, Strikes & Lock-outs, Dispute Resolution and Dismissals.

Importantly, the Amendment Act introduces significant changes to the regulation of a-typical forms of employment, namely temporary employment services, employees employed on fixed term employment contracts and part-time employees, with additional protection provided to employees in these categories who earn an amount equal to or less than the earnings threshold determined by the Minister of Labour from time to time (currently R205,433.30 per annum).

EMPLOYMENT EQUITY ACT 55 OF 1998

(GN R595 in Government Gazette 37873 of 1 August 2014)

The new Employment Equity Regulations, 2014 published on 1 August replace the regulations published in GN 736 in Government Gazette 32393 of 14 July 2009.

The Employment Equity Amendment Act 47 of 2013 came into force on 1 August 2014. This Act introduces certain amendments to the Employment Equity Act. These amendments include, among others:

- the amendment of section 6(1) to prohibit differentiation on “any other arbitrary ground” in addition to the grounds listed in that section (which include grounds such as race, gender, religion, language and the like);
- changes to section 11, which deals with the onus of proof;
- the express inclusion of a provision dealing with equal pay for work of equal value;
- changes to the manner in which progress towards employment equity is monitored and enforced;
- the introduction of a fine linked to the turnover of a designated employer in respect of certain violations of Chapter 3 of the Employment Equity Act.

BASIC CONDITIONS OF EMPLOYMENT AMENDMENT ACT, NO. 20 OF 2013 (AMENDMENT ACT)

(Published in Government Gazette of 9 December 2013)

The Basic Conditions of Employment Amendment Act, No. 20 of 2013, published on 9 December 2013, came into force on 1 September 2014.
Noteworthy amendments include:

- prohibiting conduct by employers relating to accepting payment from their employees;
- extending the scope of the protection both on the prohibition of work by children, and the regulation of work by children;
- extending the Minister of Labour’s powers regarding sectoral determinations;
- placing considerable limitations on employers’ rights in respect of compliance orders;
- extending the jurisdiction of the Labour Court; and
- increasing penalties for non-compliance with various provisions of the Act.

Some further information published on these matters states:

Prohibited conduct by employers

A new section, 33A, prohibits employers from requiring or accepting any payment in return for employing or allocating work to an employee or potential employee, or from requiring an employee or potential employee to purchase goods or services from the employer or a business or person nominated by the employer.

There is, however, an important exception. This exception permits employment or collective agreements to provide that employees are required to participate in a scheme involving the purchase of goods, products or services, provided that:

- the purchase is not prohibited by any other law, and
- the employee receives a financial benefit, or
- the price of the goods or services provided to the employees is fair and reasonable.

The exception would encompass, and therefore exempt, any compulsory employee benefit schemes (such as medical aid schemes and pension or provident fund membership) from the operation of the new section.

Protection of children

The protection of children contained within section 43 of the Act is extended beyond the employer of such children to incorporate anyone (which includes a parent) who requires or permits a child to work. All the sections in the Act dealing with the protection of children are extended to incorporate work by children, rather than mere employment of children.

Sectoral determinations

An amendment to section 55 of the Act now entitles the Minister of Labour to publish a sectoral determination that applies to employers and employees who are not covered by any other current sectoral determination.

It also provides for the Minister to establish the threshold of representativeness at which a trade union will automatically acquire the organisational rights contained in sections 12 and 13 of the Labour Relations Act, No. 66 of 1995 in respect of all workplaces covered by any sectoral determination made by the Minister.

Compliance orders

The rights of an employer to object to a compliance order, and appeal to the Labour Court against a finding of the Director-General of the Department of Labour, have been repealed. Instead, the compliance order itself shall set out a date by which the employer may make representations to the Department of Labour, or the Labour Court. If the compliance order is not complied with by the employer, it may be made an order of the Labour Court without further reference to the employer.

LOCAL GOVERNMENT: MUNICIPAL PROPERTY RATES AMENDMENT ACT 29 OF 2014

(Government Gazette 37922 of 18 August 2014)

This Act was passed to amend the Local Government: Municipal Property Rates Act, 2004, so as to provide:

- for the amendment and insertion of certain definitions;
- for the deletion of the provisions dealing with district management areas;
- that a rates policy must determine criteria for not only the increase but also for the decrease of rates;
- for the deletion of section 3(4) and to provide for a rates policy to give effect to the regulations promulgated in terms of section 19(1)(b);
- that by-laws giving effect to the rates policy must be adopted and published in terms of the Municipal Systems Act;
- for the determination of categories of property in respect of which rates may be levied and to provide for a municipality to apply to the Minister for authorisation to sub-categorise property categories where it can show good cause to do so;
- for the regulation of the timeframe of publication of the resolutions levying rates and what must be contained in the promulgated resolution;
- for the exclusion from rates of certain categories of public service infrastructure as well as mining rights or mining permits,
- that infrastructure above the surface in respect of mining property is rateable and the rates are payable by the holder of the mining right or mining permit;
- that the exclusion from rates in respect of land belonging to a land reform beneficiary is extended to the spouse and dependants;
- that an exclusion from rates in respect of the seashore lapses if any part thereof is alienated;
- that a municipality may levy different rates on vacant residential property;
- that a municipality may not recover rates in respect of a right of exclusive use registered against a sectional title unit from the body corporate;
- that a person liable for a rate must furnish the municipality with his or her postal address;
- that municipalities are not required to value properties fully excluded from rates;
- for the period of validity of a valuation roll to be four years in respect of a metropolitan municipality and five years in respect of local municipalities with a provision for the MEC for local government to extend the period of validity of valuation rolls by two additional years where the provincial executive has intervened in terms of section 139 of the Constitution and by one financial year and two financial years for metropolitan and local municipalities respectively on request by a municipality in any exceptional circumstances;
- that a body corporate, share block company or managing association is required to provide information to a valuer; to delete the requirement for the payment of interest in specific instances;
- for the deletion of the requirement for the establishment of a valuation appeal board in every district municipality;
- that a professional associated valuer may be appointed to the valuation appeal board if a professional valuer cannot be appointed and to amend the quorum of an appeal board to include the valuer member of the valuation appeal board;
- for the amendment of the dates on which a supplementary valuation takes effect;
- for the notification of owners of property affected by a supplementary valuation;
- to limit condonation by the MEC for local government through the framework to municipalities only;
- for more effective monitoring and reporting by municipalities and provinces on critical areas of the implementation of the Act;
- for the phasing in of the prohibition on the levying of rates on certain types of public service infrastructure;
- for transitional arrangements in respect of municipalities

that have been affected by a redetermination of municipal boundaries;
- for transitional arrangements for the implementation of section 8; and to provide for matters connected therewith.

TAX ADMINISTRATION ACT (28/2011): RULES FOR ELECTRONIC COMMUNICATION PRESCRIBED

(Notice 644, Government Gazette 37940 dated 25 August 2014)

These rules govern electronic communications with SARS where the electronic communicator must submit returns or generate and deliver notices, documents or other communications in electronic form. Whenever an electronic communicator uses the services of an intermediary in order to send, receive, store, log or process electronic communications with SARS, the communicator is liable for every act or omission by the intermediary as if the act or omission was the act or omission of the communicator. SARS may take whatever action necessary to preserve the security of its data, as well as the security and reliable operation of its information systems, a SARS web site and a SARS electronic filing service. An electronic communicator must keep records of all electronic Communications that must be retained under a tax Act.

NATIONAL CREDIT ACT 34 OF 2005

(GN R597 in Government Gazette 37882 of 1 August 2014)

It must be noted that draft amendments to the National Credit Regulations relating to the affordability assessment and to the Regulations for matters relating to the functions of the Tribunal and Rules for the conduct of matters before the National Consumer Tribunal were published for comment in August. It is highly likely that the affordability assessment criteria may change in the future.

PRESCRIBED RATE OF INTEREST

The Prescribed Rate of Interest Act 55 of 1975 (Act) prescribes the maximum rate of interest that may be claimed by a creditor, in respect of interest-bearing debts where the rate of interest is not governed by another law, an agreement or trade custom. Interest-bearing debts include debts which are expressly claimed by creditors, that is, putting a debtor in mora, as well as judgment debts.

The Act allows the Minister of Justice and Constitutional Development, following a consultation process, to prescribe the rate of interest from time to time. The prescribed rate itself should be market-related. Between 1976 (when the Act came into effect) and 1993, the prescribed rate was altered five times and varied between 11% and 20% per annum.

In 1993 the interest rate was set at 15.5%. This rate remained in place for more than 20 years until recently when it was replaced by a rate of 9% per annum. The new prescribed rate officially came into effect on 1 August 2014. This interest rate was calculated by using the current repo-rate of 5.5%, and by adding a margin of 350 basis points.

The Supreme Court of Appeal has confirmed that in the context of interest-bearing debts, the prescribed rate of interest is not a variable rate. This means that the prescribed rate of interest, which applied at the date when the debtor was placed in mora, will remain applicable to that debt.

As such, the previous rate of 15.5% per annum will apply to all debts for which interest began running between 1 October 1993 and 31 July 2014. For all debts where interest begins running after 1 August 2014, and until the prescribed rate changes again, the new prescribed rate of 9% will apply.

ENERGY EFFICIENCY TAX INCENTIVES NOW OPEN FOR BUSINESS

(Section 12L of the Income Tax Act, 1962 (Act No. 58 of 1962) published in Government Gazette 37019 of 8 November 2013)

National Treasury published section 12L on 8 November 2013 in Government Gazette No. 37019 which puts into operation deductions of energy efficiency savings in terms of the Income Tax Act of 1962.

Minister Pravin Gordhan, Minister of Finance, gave notice that that section 12L of the Income Tax Act, 1962 (Act No. 58 of 1962), (Deduction in respect of energy efficiency savings), as inserted by section 27 of the Taxation Laws Amendment Act, 2009 (Act No. 17 of 2009), amended by section 27 of the Taxation Laws Amendment Act, 2010 (Act No. 7 of 2010), and substituted by section 29 of the Taxation Laws Amendment Act, 2012 (Act No. 22 of 2012), comes into operation on 1 November 2013.

The 12L allows deductions calculated at 45 cents per kilowatt hour or kilowatt hour equivalent of energy efficiency savings. A person claiming the deduction must obtain a certificate issued by an institution, board or body prescribed by the regulations. Such bodies can be found on the South African National Accreditation System (SANAS) website www.sanas.co.za.

To claim for energy efficiency savings from National Treasury the Regulation requires that a baseline must be set at the beginning of an assessment year with a reporting period of the energy use at the end of the year of assessment and that such savings calculations meet the full criteria and methodology used to calculate energy efficiency savings. No double dipping is allowed, which means concurrent benefits in respect of the energy efficiency savings may not be received.

HOUSING:

HOUSING DEVELOPMENT AGENCY ACT, 2008: HOUSING DEVELOPMENT AGENCY REGULATIONS

(GN R. 610, regulations published in Government Gazette 37899 of 12 August 2014)

These Regulations cover municipalities in that “participants” is defined to mean collectively, national and provincial departments, municipal authorities, housing institutions, applicable organs of state and private partners.

SOCIAL HOUSING ACT 16 OF 2008

(BN 106 in Government Gazette 37941 of 29 August 2014)

The draft rules on the transfer or disposal of social housing stock funded with public funds were published for comment.

ADVANCE NOTICE OF AN ADDITIONAL CONSTRUCTION INDUSTRY CONTRACT CHARGE BEING INTRODUCED:

THE CONSTRUCTION INDUSTRY DEVELOPMENT BOARD (“CIDB”) - CIDB BEST PRACTICE FEE NOTICE - PUBLISHED FOR PUBLIC COMMENT

On 15 August 2014 the Construction Industry Development Board (“CIDB”) published a CIDB Best Practice Fee Notice for public comment.

This notice recommends that the Best Practice Fee of 0.2% of the contract sum, as determined at the time of award of the contract, be payable on projects that are graded by the CIDB between 7 and 9, i.e. projects valued at over R13 Million Rand.

The recommendations regarding the Fee will be implemented in phases from, national government and State Owned Companies in years 1 and 2, to provincial government in year 3, to metro’s and high-capacity municipalities in year 4 and to medium and low-capacity municipalities in year 5. The Notice states that although the Fee is currently only applicable to public sector projects, it will be rolled out to the private sector projects in future – and the roll out implementation of the fee is expected during the course of 2014. The CIDB will utilise the funds received from the fee for its operation and to fulfil its objectives.

As background to this recommendation, the discussion document outlines:

a) the benefits that will be derived through the cidb Best Practice Project Assessment Scheme; and
b) the cidb strategy for providing value-added services that will be derived through the cidb Best Practice Fee.

Section 23 within Chapter Four of the cidb Act states that:

1) The Board must establish a best practice project assessment scheme, based on the best practices identified by the Board .....
2) After a date determined by the Minister in the Gazette all construction contracts above a prescribed tender value are subject to an assessment, in the prescribed manner, of compliance with best practice standards and guidelines published by the Board in the Gazette, and different dates may be determined for different practices.
3) Every client who engages in the best practice project assessment scheme must pay to the Board a prescribed percentage of the contract sum as determined at the time of the awarding of the contract.

The Best Practice Fee will initially only apply to public sector projects, but will be broadened to include private sector projects. Payment of the Best Practice Fee by clients to the cidb is due within 30 days of registration of the award of the contract with the cidb. The cidb cannot accommodate any alternative income recovery models - such as direct transfers from National Treasury.

Failure by employers to comply with these cidb requirements for enterprise development may:

- in the case of a public sector client, result in referral to the Auditor-General; or
- when implemented in the case of a private sector client, result in fines or penalties being imposed as set out in the cidb Regulations.

This notice further states that when engaging sub-contractors, employers need to ensure that a written contract is concluded between the contractor and the subcontractor and that as a prerequisite to the conclusion of such contract, any requirements relating to the Unemployment Insurance Fund, the Compensation of Occupational Injuries and Diseases Act and Skills Development obligations are met.

The Notice also states that the CIDB/ Treasury may commence the implementation of an Infrastructure Development gateway system, which would be a procurement review process in terms of which a decision to proceed or not to proceed to the next ‘gate’ (or level of procurement) is based. An external peer review may be ordered for selected grades 7 to 9 public sector projects.

Comments were to be submitted to the CIDB before the 15 September 2014.

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
G	Mr	D	Appavoo	Chief Operating Officer	PABC
L	Ms	MS	Langa	Councillor	Mookgophong Municipality
EC	Ms	NG	Majolobe	Snr Manager: Planning, Monitoring & Evaluation	Amathole District Municipality
L	Ms	NS	Monyamane	Mayor	Mookgophong Municipality
L	Mr	PW	Masetlha	Strategic Manager	Mookgophong Municipality

JUNIOR MEMBERS					
PROVINCE	TITLE	INITIALS	SURNAME	DESIGNATION	EMPLOYER
KZN	Mr	LNL	Zondi	Principal Clerk	Ethekwini Municipality
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
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

JUNIOR MEMBERS					
PROVINCE	TITLE	INITIALS	SURNAME	DESIGNATION	EMPLOYER
LP	Mr	MS	Magaga	Supply Chain Management Practitioner	Elias Motsoaledi Local Municipality
KZN	Ms	NG	Hlongwane	Finance Intern	Ntambanana Municipality
KZN	Ms	NM	Dube	Assistant Revenue Manager	Jozini Local Municipality
KZN	Ms	NP	Zungu	Finance Intern	Ntambanana Municipality
EC	Mr	L	Mzandanda	Financial Management Intern	Nkonkobe Municipality
EC	Ms	L	Ntika	Finance Management Intern	Buffalo City Municipality
EC	Mr	V	Papu	Financial Management Intern	Nkonkobe Municipality
EC	Ms	VP	Wakeni	Accounting: Expenditure	Bitou Municipality
KZN	Mr	NG	Qwabe	Principal Clerk	Ethekwini Municipality
EC	Ms	BN	Mehlwane	Admin Assistant: Asset Management	Mnquma Local Municipality
KZN	Mr	LS	Sibiya	Budget Officer	Ntambanana Municipality
EC	Ms	SN	Budaza	Snr Clerk: Special Projects	Makana Municipality
NW	Mr	MV	Ramokanate	Risk Officer	City of Matlosana
EC	Mr	LR	Sizani	Manager Income	Makana Municipality
KZN	Mr	SS	Ngesi	SCM Practitioner	Umdoni Municipality
KZN	Ms	SP	Shezi	Procurement Clerk	Umdoni Municipality
KZN	Ms	SW	Ngcobo	Procurement Clerk	Umdoni Municipality
KZN	Ms	L	Maphumulo	Creditors Clerk	Umdoni Municipality
EC	Ms	ZU	Tshikila	Intern	Nkonkobe Municipality
KZN	Mr	T	Dumakude	Finance Intern	Ntambanana Municipality
EC	Mr	M	Crouse	Manager: Expenditure	Makana Municipality
FS	Ms	RR	Rampai	Secretary: Financial Services	Tswelopele Local Municipality
EC	Ms	V	Magwebu	Internal Auditor	Amathole District Municipacility
FS	MS	TA	Ngamlana	Internal Auditor	Tswelopele Local Municipality
WC	Mr	CN	Payle	Finance Intern	Bitou Municipality
WC	Ms	T	Xakekile	Financial Intern	Bitou Municipality

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
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
KZN	Ms	S	Makhathini	Accountant: Expenditure	Ezinqoleni Local Municipality
EC	Ms	CL	Mani	Snr Accountant	Makana Municipality
EC	Mr	AM	Ndabeni	Accountant	Makana Municipality
G	Mr	KS	Nyakusendwa	Snr Manager	TMDG Consulting (Pty) Ltd
EC	Mr	L	Tom	Assistant Manager	A2A Kopano Incorporated
EC	Ms	S	Bekwa	Internal Auditor	Amathole District Municipality
EC	Mr	S	Sani	Internal Auditor	Amathole District Municipality
EC	Ms	ST	Grobbelaar	Supply Chain: Manager	Makana Municipality
KZN	Ms	LK	Lukhozi	Snr Creditors Clerk	Umdoni Municipality

New Members

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
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
GP	Ms	TA	Khumalo	Manager	TMDG Consulting
KZN	Ms	GM	Zungu	Finance Controller	Ntambanana Municipality
EC	Mr	WR	Beauzick	Accountant: Assets & Liabilities	Bitou Municipality
EC	Ms	N	Gixane	Chief Accountant	Ntambanana Municipality
GP	Ms	RG	Faduco	Coordinator: MPAC	Madibeng Local Municipality
KZN	Ms	NZ	Guzana	Manager Budget & Reporting	Mandeni Local Municipality
NC	Mr	RF	Booysen	Manager Financial Statements & Reporting	Sol Plaatje Municipality
WC	Mr	N	Maredi	Manager: Expenditure	Bitou Municipality
GP	Mr	S	Chigunwe	Project Manager	TMDG Consulting
KZN	Ms	ZB	Dlamini	Manager Internal Audit	Ugu District Municipality
GP	Mr	R	Chibvon-godze	Project Manager	TMDG Consulting
GP	Mr	M	Mapulanka	Senior Manager	TMDG Consulting
Swaziland	Ms	FPM	Gama	City Treasurer	Municipality of Manzini
EC	Mr	ZZ	Madyibi	Manager: Supply Chain	Nyandeni Local Municipality
M	Mr	AB	Ngcobo	Chief Audit Executive	Mkhondo Local Municipality
NC	Ms	A	Kooverjee	Chief Finance Officer	Tsantsabane Local Municipality
EC	Ms	N	Tshefu	Manager: Development Planning	Amathole District Municipality
KZN	Ms	SQ	Mntambo	Chief Finance Officer	Edumbe Municipality
EC	Ms	TT	Mzolo	Accountant: Budget & Reporting	Chris Hani District Municipality
KZN	Ms	MN	Ngcobo	Chief Finance Officer	Msunduzi Municipality
EC	Ms	NF	Mayekiso	Dep Director: AFS & Audit	Chris Hani District Municipality
EC	Ms	BJ	Khumalo	Acting Chief Finance Officer	Makana Municipality
FS	Ms	C	Ndlovu	Manager: Supply Chain & Expenditure	Tswelopele Local Municipality

SENIOR ASSOCIATE MEMBERS					
PROVINCE	TITLE	INITIALS	SURNAME	DESIGNATION	EMPLOYER
G	Mr	JJ	Tharratt	Dep Director Finance Support Services	City of Tshwane

Membership Update

INFORMATION	
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)

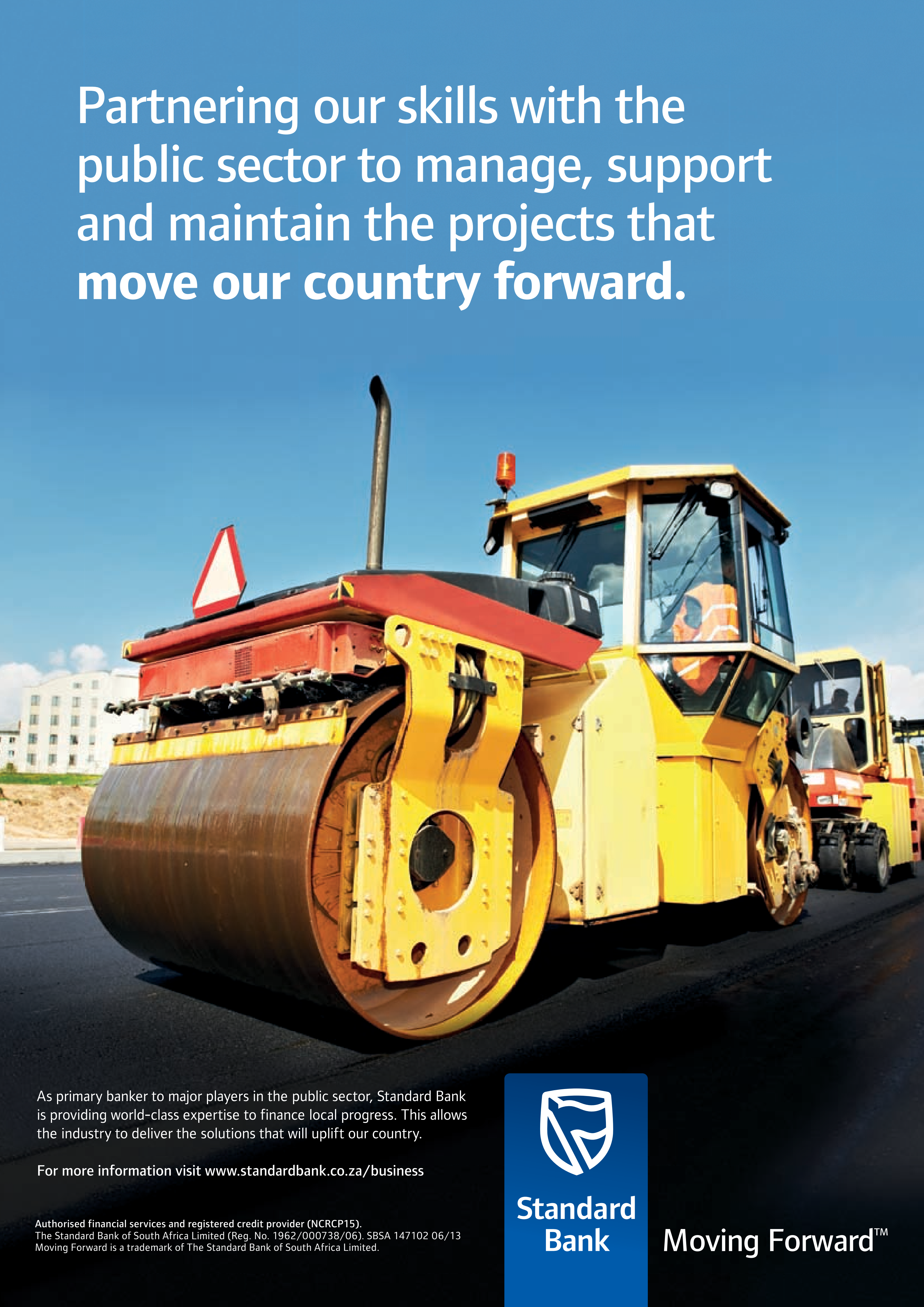
MONTH	NO	REPORTING REQUIREMENT	LEGISLATION	LEGISLATION DEADLINE	RESPONSIBLE PERSON	TO WHOM
NOVEMBER	1	Change of Primary Bank account details	MFMA 8(5)	30 Days before effecting	Accounting Officer	Nat Treas, Prov Treas, AG
	2	Details of a new bank accounts	MFMA 9(a)	90 Days after opening	Accounting Officer	Prov Treas, 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	Nat Treas, Prov Treas, Public
	5	Serious financial problems	MFMA 54(2)	Promptly	Mayor	Mun Counc, 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	Nat Treas
	8	Statement: Budget etc per requirements	MFMA 71(1)	1-10 Days after month-end	Accounting Officer	Mayor, Prov Treas
	9	Failure to adopt / implement budget related policies	MFMA 73	Promptly	Accounting Officer	Prov Treas
	10	Returns, documents, information, explanations & motivations as prescribed	MFMA 74(1)	As prescribed	Accounting Officer	Nat Treas, Prov Treas, AG, Lgovt
	11	Entity - details of a new bank account	MFMA 86(1)(a)	90 Days after opening	Entity Acc Officer	Acc Officer of parent Mun
	12	Entity - Stmnt: budget etc per requirements	MFMA 87(11)	1-10 Days after month-end	Entity Acc Officer	Acc Officer of parent Mun
	13	Entity - Impending shortfalls & steps	MFMA 101(1)	Next meeting	Entity Acc Officer	BOD of entity, Parent Mun & Counc
	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 Acc Officer	Nat Treas, Prov Treas, AG, Lgovt
	17	Entity - Improper interference by Cllrs	MFMA 103	Promptly	Entity Acc Officer	Speaker of parent mun Council
	18	Deviations from a recommended tender	MFMA 114(1)	Promptly	Accounting Officer	Nat Treas, Prov Treas, AG
	19	Entity - Deviations from a recom. tender	MFMA 114(1)	Promptly	Entity Acc Officer	Nat Treas, Prov Treas, AG
	20	Entity - Submit annual report	MFMA 127(1)	1-6 months after Fin Y-end	Entity Acc Officer	Municipal Manager
	21	Table mun & entity annual report	MFMA 127(2)	1-7 months after Fin Y-end	Mayor	Municipal Council
	22	Reasons for delay of tabling annual report	MFMA 127(3)(a)	Promptly	Mayor	Municipal Council
	23	Submit Annual report	MFMA 127(5)	Immediately after report is tabled in Council	Accounting Officer	AG, Prov Treas, Prov Lgovt
	24	Non-compliance & reasons of non-complia	MFMA 128©	Promptly	Accounting Officer	Mun Council, Prov Treas, AG
	25	Submit copies of Council mtngs (annual report discussions)	MFMA 129(2)	Promptly	Accounting Officer	AG, Prov Treas, Prov Lgovt
	26	All monthly returns (MFMA, DORA, etc)		10 Days after month-end	Acc Officer etc	Nat Treas

MONTH	NO	REPORTING REQUIREMENT	LEGISLATION	LEGISLATION DEADLINE	RESPONSIBLE PERSON	TO WHOM
DECEMBER	1	Change of Primary Bank account details	MFMA 8(5)	30 Days before effecting	Accounting Officer	Nat Treas, Prov Treas, AG
	2	Details of a new bank accounts	MFMA 9(a)	90 Days after opening	Accounting Officer	Prov Treas, 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	Nat Treas, Prov Treas, Public
	5	Serious financial problems	MFMA 54(2)	Promptly	Mayor	Mun Counc, 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	Nat Treas
	8	Statement: Budget etc per requirements	MFMA 71(1)	1-10 Days after month-end	Accounting Officer	Mayor, Prov Treas
	9	Failure to adopt / implement budget related policies	MFMA 73	Promptly	Accounting Officer	Prov Treas
	10	Returns, documents, information, explanations & motivations as prescribed	MFMA 74(1)	As prescribed	Accounting Officer	Nat Treas, Prov Treas, AG, Lgovt
	11	Entity - details of a new bank account	MFMA 86(1)(a)	90 Days after opening	Entity Acc Officer	Acc Officer of parent Mun
	12	Entity - Stmnt: budget etc per requirements	MFMA 87(11)	1-10 Days after month-end	Entity Acc Officer	Acc Officer of parent Mun
	13	Entity - Impending shortfalls & steps	MFMA 101(1)	Next meeting	Entity Acc Officer	BOD of entity, Parent Mun & Counc
	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 Acc Officer	Nat Treas, Prov Treas, AG, Lgovt
	17	Entity - Improper interference by Cllrs	MFMA 103	Promptly	Entity Acc Officer	Speaker of parent mun Council
	18	Deviations from a recommended tender	MFMA 114(1)	Promptly	Accounting Officer	Nat Treas, Prov Treas, AG
	19	Entity - Deviations from a recom. tender	MFMA 114(1)	Promptly	Entity Acc Officer	Nat Treas, Prov Treas, AG
	20	Entity - Submit annual report	MFMA 127(1)	1-6 months after Fin Y-end	Entity Acc Officer	Municipal Manager
	21	Table mun & entity annual report	MFMA 127(2)	1-7 months after Fin Y-end	Mayor	Municipal Council
	22	Reasons for delay of tabling annual report	MFMA 127(3)(a)	Promptly	Mayor	Municipal Council
	23	Submit Annual report	MFMA 127(5)	Immediately after report is tabled in Council	Accounting Officer	AG, Prov Treas, Prov Lgovt
	24	Non-compliance & reasons of non-complia	MFMA 128©	Promptly	Accounting Officer	Mun Council, Prov Treas, AG
	25	Submit copies of Council mtngs (annual report discussions)	MFMA 129(2)	Promptly	Accounting Officer	AG, Prov Treas, Prov Lgovt
	26	All monthly returns (MFMA, DORA, etc)		10 Days after month-end	Acc Officer etc	Nat Treas

Reporting Requirements

Reporting Requirements (Local Government Finance)

MONTH	NO	REPORTING REQUIREMENT	LEGISLATION	LEGISLATION DEADLINE	RESPONSIBLE PERSON	TO WHOM
JANUARY 2015	1	Change of Primary Bank account details	MFMA 8(5)	30 Days before effecting	Accounting Officer	Nat Treas, Prov Treas, AG
	2	Details of a new bank accounts	MFMA 9(a)	90 Days after opening	Accounting Officer	Prov Treas, AG
	3	Cons report - all withdrawels each quarter	MFMA (11(4)	Within 30 days	Accounting Officer	Prov Treas, 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	Nat Treas, Prov Treas, 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 Counc, 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	Nat Treas
	10	Statement: Budget etc per requirements	MFMA 71(1)	1-10 Days after month-end	Accounting Officer	Mayor, Prov Treas
	11	Mid-year budget & perform assessment	MFMA 72(1)(b)	25 January	Accounting Officer	Mayor, Nat Treas, Prov Treas
	12	Failure to adopt / implement budget related policies	MFMA 73	Promptly	Accounting Officer	Prov Treas
	13	Returns, documents, information, explanations & motivations as prescribed	MFMA 74(1)	As prescribed	Accounting Officer	Nat Treas, Prov Treas, AG, Lgovt
	14	Entity - details of a new bank account	MFMA 86(1)(a)	90 Days after opening	Entity Acc Officer	Acc Officer of parent Mun
	15	Entity - Stmnt: budget etc per requirements	MFMA 87(11)	1-10 Days after month-end	Entity Acc Officer	Acc Officer of parent Mun
	16	Entity - Mid-year budget & perform assessm	MFMA 88(1)	20 January	Entity Acc Officer	BOD of entity, Parent Mun
	17	Entity - Impending shortfalls & steps	MFMA 101(1)	Next meeting	Entity Acc Officer	BOD of entity, Parent Mun & Counc
	18	Table report above	MFMA 101(2)	Next Council meeting	Accounting Officer	Municipal Council
	19	Entity - Unauthorised, irregular, wasteful or fruitless expenditure	MFMA 102(1)	Promptly	BOD of entity	Mayor, Mun Mngr of parent mun
	20	Entity - Returns, documents, information, explanations & motivations as prescribed	MFMA 101(1)(b)	As prescribed	Entity Acc Officer	Nat Treas, Prov Treas, AG, Lgovt
	21	Entity - Improper interference by Cllrs	MFMA 103	Promptly	Entity Acc Officer	Speaker of parent mun Council
	22	Deviations from a recommended tender	MFMA 114(1)	Promptly	Accounting Officer	Nat Treas, Prov Treas, AG
	23	Entity - Deviations from a recom. tender	MFMA 114(1)	Promptly	Entity Acc Officer	Nat Treas, Prov Treas, AG
	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 Treas, Prov Lgovt
	27	Non-compliance & reasons of non-complia	MFMA 128(c)	Promptly	Accounting Officer	Mun Council, Prov Treas, AG
	28	Submit copies of Council mtngs (annual report discussions)	MFMA 129(2)	Promptly	Accounting Officer	AG, Prov Treas, Prov Lgovt
	29	All monthly returns (MFMA, DORA, etc)		10 Days after month-end	Acc Officer etc	Nat Treas
	30	All Quarterly returns (MFMA, DORA, etc)		20 Days after end of Qrtr	Acc Officer etc	Nat Treas
	31	Quarterly statistics of Local Government	Stats Act (1999/16)	3 Weeks after qrtr end	Acc Officer etc	Statistics SA
	32	Actual & expected Cap Exp	Stats Act (1999/16)	3 Weeks after qrtr end	Acc Officer etc	Statistics SA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