

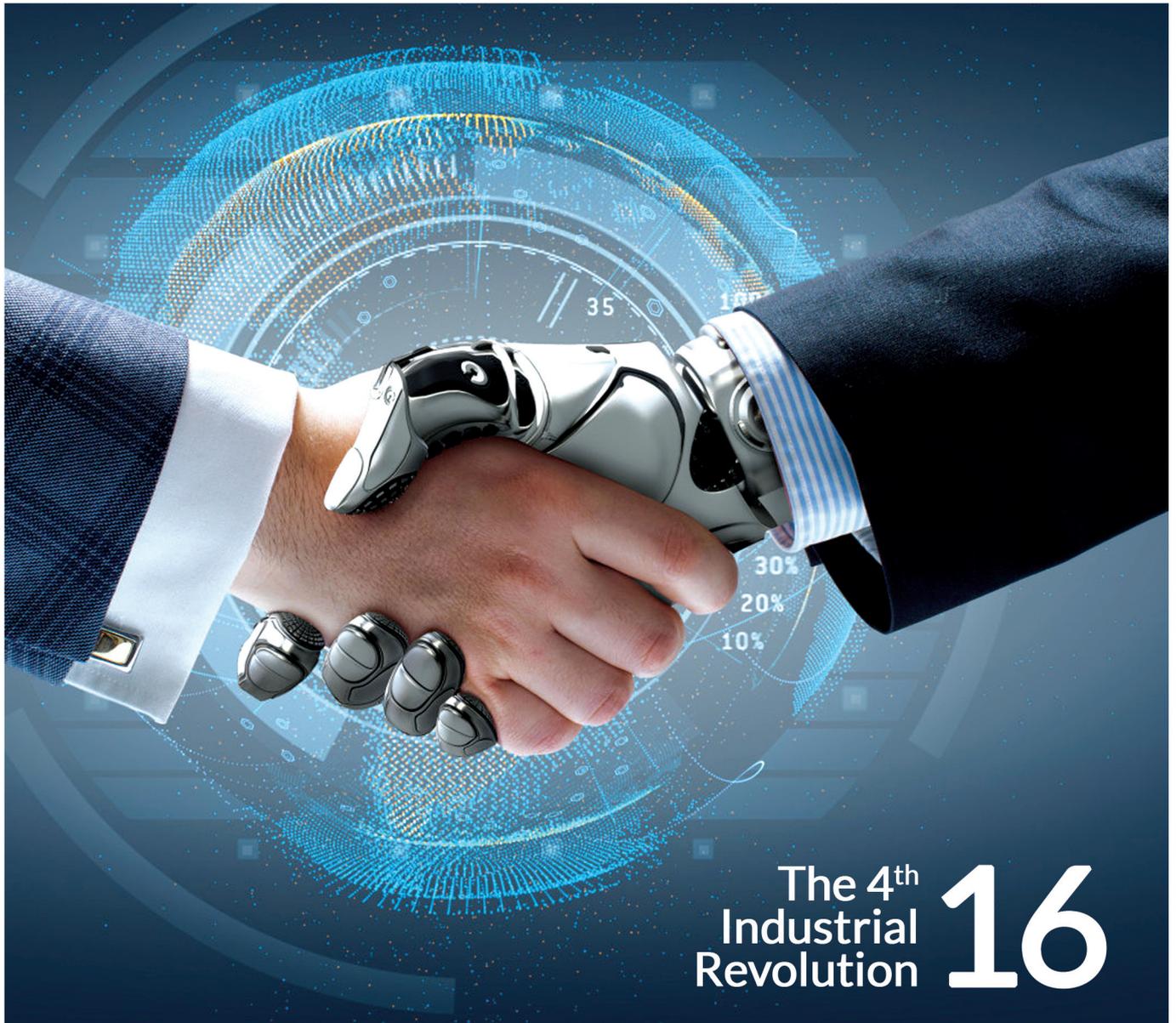


JOURNAL CIGFARO

Chartered Institute of Government Finance, Audit and Risk Officers

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MARCH 2018



The 4th
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Revolution **16**

14 INTERNATIONAL
WOMEN'S DAY 2018

22 VAT Rate Increase 2018



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GREETING COLLEAGUES

As we reflect on the first quarter of the year, it sure felt like a year to some of us. With the institute hosting two major events in one month, we wouldn't have achieved this without the help of our loyal sponsors, delegates, stakeholders and our associates.

We hosted the Women Seminar early in March in commemoration of International Women's Day that is celebrated on the 8th of March annually. This year we were hosted by the City of Polokwane under the theme #PressForChange - "Women in Public Sector Effectively utilising Governance process to ensure gender inclusiveness" that was aligned with the 2018 international theme being "Press for Progress". With our program loaded with powerful speakers from different departments, our keynote speaker stood out when she delivered paper on "Empowering women & improving representatives in Local, Provincial & National election". Special gratitude to all our speakers, sponsors - especially our Platinum Sponsor CCG Systems - our stakeholders and our delegates for the loyal support shown throughout the years. Presentations and pictures covering the event have been uploaded on our website, visit us on www.cigfaro.co.za.

Fast forward to late March, we hosted our 9th Public Sector Audit & Risk Indaba in Cape Town under the theme "Repositioning and Maximising assurance role" with the Auditor General of South Africa, Mr Kimi Makwetu addressing the delegates on "Key emerging trends from Audit reports" and SekelaXabiso being the main sponsor for our Master Classes which delegates earned extra points for attending. Special recognition goes to our Host Sponsor Audit & Risk Management Solutions (ARMS) for their continued support over the years and all our sponsors, stakeholders and speakers. All presentations and pictures can be accessed on our website and some pictures can also be found on our gallery page. We also congratulate all award recipients on their hard work and dedication in serving our public. As the MEC alluded during the Gala Dinner, "may we continue putting the interests of the public first".

There are also interesting reads in this issue that speak to our current state of the nation as we reflect and analyse the increase in VAT announced by the Former Minister of Finance during the 2018 Budget speech. Members are encouraged to send through articles for publications to our Communication Department communication@cigfaro.co.za. Neutral articles are published for free. Remember to stay in touch with us on our social media platforms for latest communication. 

Keep well and happy reading!
Esther G

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“ Working with Bonakude has been a wonderful experience in successfully addressing the long outstanding Audit qualification on assets in the Newcastle Municipality. They indeed added value in ensuring the attainment of an unqualified audit opinion in my municipality ”

Mr E Mswane, Municipal Manager

“ Uthukela District Municipality received over 200 audit issues on assets and within 2 years of appointing Bonakude Consulting, an unqualified audit with no issues on assets was received ”

Ms P Kubheka, Chief Finance Officer

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- ▶ More than 15 Municipalities/Municipal entities (including 2 high capacity municipalities supported for Internal Audit).
- ▶ More than 20 sets of GRAP Compliant Annual Financial Statements prepared or reviewed for Municipalities (including at least 3 big capacity municipalities).
- ▶ More than 25 sets of GRAP Compliant Fixed Assets Registers prepared for Municipalities/Municipal entities.

The successes are based on proven **Models** that focus on proper analysis of previous audit reports, management reports, assessment of the municipality's capacity, and assisting the municipality in developing a comprehensive plan with a monitoring mechanism that leads to a path of an improved audit opinion/clean audit.

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- ▶ Receive a qualified audit report for the first time.
- ▶ Receive qualified, adverse or disclaimed audit reports for the past few years.

Our **Clean Audit Planner** has been developed to assist municipalities in the following situations:

- ▶ Lost a clean audit opinion or received an unqualified audit report for the first time.
- ▶ Received unqualified audit reports for the past few years but never managed to receive a clean audit.

These tried and tested models have been used by Bonakude Consulting to turnaround numerous Municipalities on a path to improved audit reports.



REPUTATION

Welcome back from the holidays. I hope you had a good break and have a great 2018. CIGFARO looks forward to adding value to the finance, auditing and risk sectors in the public sector. We also look forward to your support and contribution. Working together, I have no doubt that we can help take the public sector forward.

Sadly, since the last edition of our magazine, our professions have suffered severe reputational damage. The unravelling of big global companies embroiled in South Africa's state capture scandal has been devastating. Firstly, software company SAP admitted paying R107 million in kickbacks to a Gupta-linked company and associates to secure contracts at Transnet and Eskom. This was followed by consultancy firm McKinsey conceding that it had subcontracted work to the Gupta-related company, Trillian, without following due administrative processes.

Auditing company KPMG initially refuted allegations that it was involved in any alleged money laundering activities amid claims of Gupta-linked corruption. After KPMG International conducted an investigation into its local branch, it found "work that fell considerably short of standards". Trevor Hoole, its CEO at the time, tendered his resignation and a number of leadership changes were made. An investigation by the South African Institute of Chartered Accountants (SAICA) into the matter is currently underway.

There is also an investigation into KPMG's audits of Gupta family-owned Linkway

Trading and a controversial report done for the South African Revenue Service. Linkway Trading was one of the companies that reportedly received R30-million that was used for a lavish wedding. KPMG was responsible for auditing Linkway but it allegedly turned a blind eye to the transaction because the wedding expenses were filed as a "business expense".

Then there was the collapse of Steinhoff. Its CEO, Markus Jooste resigned. It was announced that PriceWaterhouseCoopers (PwC) would undertake an investigation into the accounting irregularities at Steinhoff. This report is still awaited. However, Steinhoff allegedly committed fraud by hiding losses and inflating earnings. It was also announced that Deloitte's conduct during the audits of Steinhoff's 2014, 2015 and 2016 financial years will be investigated.

Deloitte is also facing a disciplinary hearing for its work on African Bank. Bernard Agulhas, CEO of the Independent Regulatory Board of Auditors (IRBA) announced that their disciplinary advisory committee has decided to refer the matter of Deloitte's involvement in African Bank's failure to a disciplinary hearing to be held in the first quarter of 2018.

The regulator fined PwC in October 2017 for overlooking procurement failures at South African Airways.

The Capitec case of alleged unethical lending practices is still being investigated. They are accused of similar practices as African Bank. In both Steinhoff and Capitec cases there have been allegations of insider trading.

If reputed companies and individuals like the above are embroiled in alleged unethical and illegal conduct, what does it say about our professions?

Clearly, all of us, as a profession, need to do more to restore our reputation and to restore the trust that society has in us. Rightly or wrongly, the public does not differentiate between the private and public sectors as the "Big Four" are seen as playing an integral role in public sector auditing, accounting, risk, forensic investigations, project management, and other consultations. The public perception is that there is a lot of lip-service presently

being paid to corporate integrity, ethics, and social responsibility, but that is all it is, lip-service. The public wants to know what were the accountants, auditors, and risk and compliance officers doing while all of this was going on? I fully appreciate that collusion is difficult to detect. However, investors and pension fund members are very disgruntled. They see our professions as the watchdogs. Accountants are reputed to act on the straight and narrow – no creative accounting. Is this still true today?

People are also questioning whether financial statements and annual reports can be trusted. Experts believe that financial statements are not transparent enough and that there needs to be a fundamental change in how financial results and performance are reported. Financial statements need to become simpler, easier to read, and more transparent, especially from an investor perspective. The value attached to credit ratings and their reliability is also diminishing. As someone asked me, "Can you analyse an organisation's or company's annual report and with relative certainty decide whether to buy its shares or bonds?" What would your decision have been regarding Steinhoff shares before the debacle?

On the positive side, these scandals have further ignited calls for more focus and interrogation of corruption in the private sector, as well as the public sector. Personally, I welcome this. We need greater transparency. Let's take the lessons learnt from these debacles and turn them into positives and build an even better South Africa.

I also welcome the announcement by our country's new president, Cyril Ramaphosa, that annual lifestyle audits will be introduced for senior government officials and members of Parliament.

Collectively, we need to win back our reputation and pride in our professions and espouse the values and standards expected from us. As Warren Buffet says, "It takes 20 years to build a reputation and five minutes to ruin it. If you think about it, you will do things differently." 

KRISH KUMAR
CIGFARO PRESIDENT



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“Striving for healthy organisations”

The need to increase the pace of implementing the good corporate governance principles in an endeavour to elevate the transformation agenda with its most appropriate efforts to greater heights, cannot be over-emphasised.

We are in a dynamic era which calls for on-going innovation and creativity to sustain organisational growth and development. It was more than two decades ago when Harvey and Brown made a most profound statement which is still relevant in this current period. They said; **“Change is a way of life in today’s organisation...what makes on organisation a winner, while another fails to make use of the same opportunities?...The key to survival and success lies not in the rational, quantitative approaches, but rather in a commitment to irrational, difficult-to-measure things like people, quality, customer service, and most importantly, developing the flexibility to meet changing conditions...the truly effective organisation is one in which both organisation and the individual can grow and develop. Such an environment may be termed a “healthy organisation””.**

A significant number of organisations have reached this status of “healthy organisation” after undergoing a stressful re-engineering process. Harvey and Brown went further to motivate re-engineering as a solution by asserting that; **“Tomorrow’s organisation will be different from today’s. In a world of global competitiveness and technological innovation, organisations are re-engineering, restructuring and flattening the hierarchy to meet market pressures. Re-engineering as the name implies, focuses on the design of work activities or processes: how the task is accomplished. It is like designing a circuit, examining the flows or sequences of activities from input to output in an attempt to eliminate inefficiencies, and improve productivity. It seeks to make all processes more efficient by combining, eliminating or restructuring tasks without regard to traditional methods: the way things have always been done around here. The idea is to gain a large or quantum leap in performance, improvement of 100 percent or more”.**

We have made positive strides as CIGFARO to move in the same direction. We have not reached that destination as yet, but the focus and drive are encouraging. Our efforts of inculcating a culture of professionalism in the Public Finance Management (PFM) arena through conferences, seminars, training sessions and our informative publications, will continue to nurture our future PFM Practitioners in order to ensure that their organisations stay healthy. It is against this background that the Annual Women in Public Sector Seminar and the Audit & Risk Indaba were hosted during March in Polokwane and Cape Town respectively. We look forward, with full confidence, to successful sessions that will empower all attendants with knowledge which will enhance maintenance of their healthy organisational status. **C**

ABBIEY TLALETSI
CIGFARO CEO

INTRODUCTION

As early as 1996, government realised the necessity for management control and uniformity in presenting data on financial management, performance and service delivery, and therefore Section 216(1) of the Constitution (South Africa, 1996) states that national legislation must establish a national treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government. This led to the publication of the Municipal Regulation on a Standard Chart of Accounts (mSCOA), (South Africa, 2014), introducing a standard data structure, reporting formats and business processes across all municipalities in South Africa.

The intended organisation wide reform has been on the agenda of every municipality and treasury for some time now, and perhaps it is time to reflect how far we have come and where we are heading from here.

WHY mSCOA?

There is no common architecture for Information Technology (IT) in municipalities. IT does not support measurement and reporting, and shared outcomes are hard to recognise, so

that the most effective municipalities “may find it difficult to measure their bottom line contribution to public value”, (Cole & Parston, 2006). The authors continue that the problem in part, is that measurement focuses on the internal organisation and not on the value delivered to the community. Reliable and valid data, if available, is only of use if it relates to service delivery. Disparate systems, and the time it takes to collect and consolidate information, all deter from the usability thereof.

In municipalities, one finds stand-alone IT systems that at best superficially interface with other systems, resulting in cumbersome data collection and analysis, often of irrelevant and redundant metrics.

Pauw, et al. (2011) provide an overview and example architecture of municipal IT systems, with the core cited as finance. In the following illustration, blue indicates functionality which is generally included within the core financial systems of municipalities; green refers to external systems and sub-systems which are typically not integrated with the core financial systems; and pink refers to processes which are manually performed, outside of the IT systems.

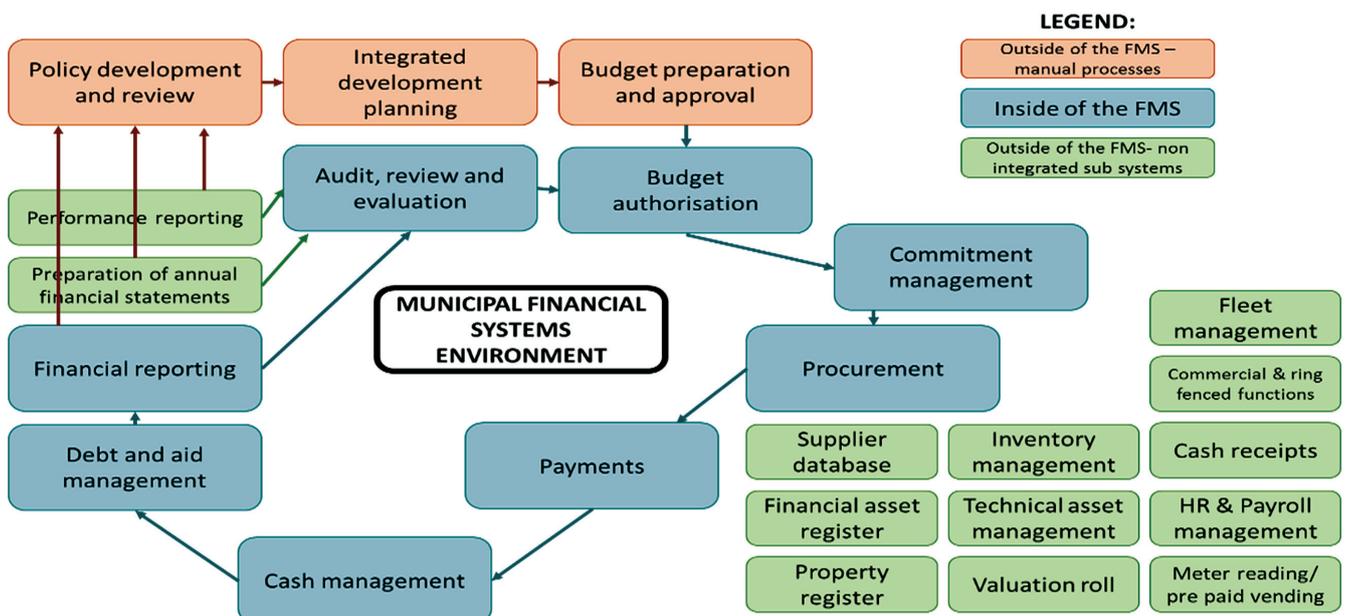


Figure 1: Municipal Financial Systems Environment (Researcher adapted from (Pauw, et al., 2011))

Therefore, it is clear with an architecture as illustrated, consisting of disparate and non-integrated IT systems and applications, that an external intervention was required to produce information which can support data extraction, reporting and improved service delivery.

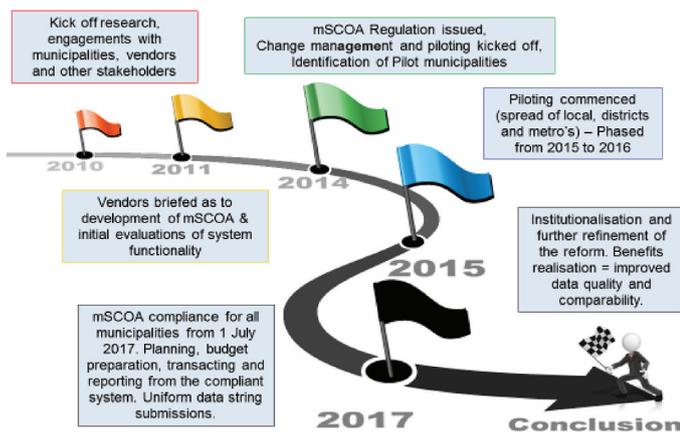
The objectives of the mSCOA Regulations are “to provide for a national standard for the uniform recording and classification of municipal budget and financial information at a transaction level by prescribing a standard chart of accounts for municipalities and municipal entities which -

- (a) are aligned to the budget formats and accounting standards prescribed for municipalities and municipal entities and with the standard charts of accounts for national and provincial government; and
- (b) enable uniform information sets recorded in terms of national norms and standards across the whole of government for the purposes of national policy coordination and reporting, benchmarking and performance measurement in the local government sphere.”

The regulation further states the intention to regulate minimum IT system requirements, defined in the regulation as “those specifications for an integrated software solution, incorporating an enterprise resource management system”, (South Africa, 2014).

mSCOA – THE JOURNEY

The mSCOA journey, which started in 2009, was implemented in five phases, and can be represented as follows:



**Figure 2: The mSCOA Journey
(Reproduced with permission from
National Treasury)**

Phase 1 to 3: Promulgation of mSCOA Regulation - 2009 to 22 April 2014

1. National Treasury conducted research into financial management system reforms in local government and started with the initial concept development;

2. On 20 October 2011, National Treasury published MFMA Circular No. 57 to provide high level guidance on the requirements of municipal financial systems and processes, and to prevent municipalities from purchasing systems that did not meet the minimum requirements of the imminent mSCOA Regulations; and
3. Extensive research and consultation with all relevant stakeholders resulted in the publication of the Municipal Regulation on a Standard Chart of Accounts (Notice No. 37577) on 22 April 2014.

Phase 4: Change Management and Piloting - 23 April 2014 to 31 March 2017

4. Development of the mSCOA data classification framework, to be tested and refined during piloting at 25 municipalities;
5. Twenty-five pilot municipalities across 10 IT systems piloted mSCOA, of which 20 were able to go live early, on 1 July 2015. During the piloting process, which officially concluded in December 2016, a total of 32 municipalities (including voluntary early adopters) received continued support from the project team, and this culminated in the release of mSCOA Version 6.1 on 7 December 2016;
6. The Local Government Database and Reporting System (LGDRS) at National Treasury was upgraded and tested to accommodate the mSCOA reporting requirements. This involved the design of an additional SQL database to accommodate the mSCOA classification framework as well as the collection mechanism to accept the datasets from municipalities. Monitoring and registration of these submissions together with the validation of the formats and content, was prioritised in preparation for municipal reporting;
7. National Treasury provided change management support, training and technical guidance to ensure that the municipalities can implement the reform, i.e. an IT system upgrade and re-implementation; and
8. A mSCOA Frequently Asked Questions Database was created to address queries, interact with municipalities and system vendors, and serve as a knowledge repository for the project.

Phase 5: Institutionalisation of mSCOA – June 2017 to March 2019

9. The final phase of the project includes, amongst other, on-going support to municipalities which have not been able to implement the mSCOA data classification framework by

the regulated compliance date, refining the classification framework and reporting processes, attending to integration of non-related and sub-systems, and defining use cases and applications for the “big municipal data” which has now become available.
10. The Technical Committee on Finance approved the high level deliverables of the final mSCOA project phase, as illustrated herewith:

mSCOA Project Phase V: Implementation and Institutionalisation

Year 1: April 2017 to March 2018	Year 2: April 2018 to March 2019	Year 3: April 2019 to March 2020
Project Management, Administration and Communication		
Budgeting in mSCOA	Transacting and Reporting	
Seamless Integration of all related sub-systems, full accountability cycle addressed		
Regulation of the minimum business processes		
Regulation of the minimum system specifications and system tender		
		Establish continuity and ongoing support of integrated systems
		Accredited training
		Project close out and hand over

Figure 3: mSCOA Project Phase V (Reproduced with permission from National Treasury)

It is clear from this, that the way forward includes the interrogation of seamless integration as it is anticipated and articulated in the mSCOA regulations and MFMA Circular 80, published by National Treasury on 8 March 2016.

During years 2 and 3 of the “Implementation and Institutionalisation” phase, regulation of the minimum business processes and system specifications will conclude the intent of the mSCOA regulations, and pave the way towards the follow-up panel tender and accreditation of the training material, before the project becomes “business as usual” and reverts back to the treasuries and municipalities to maintain.

CONCLUSION

National Treasury has provided a system specification document to guide municipalities when evaluating their own system software, and evaluated all the systems currently utilised by the municipalities in comparison to the system specification document. This is in addition to providing guidance in the form of mSCOA circulars, hosting workshops across

the country, and training municipal staff on mSCOA, project management and related topics.

Municipalities which require further guidance, support and assistance to fully comply with the regulation, or are battling to submit their monthly financial returns, “data string submissions”, are urged to contact their respective treasury representatives without delay, to ensure that all municipalities achieve full compliance and return to “business as usual” before the next national treasury driven municipal reforms kick off. **C**

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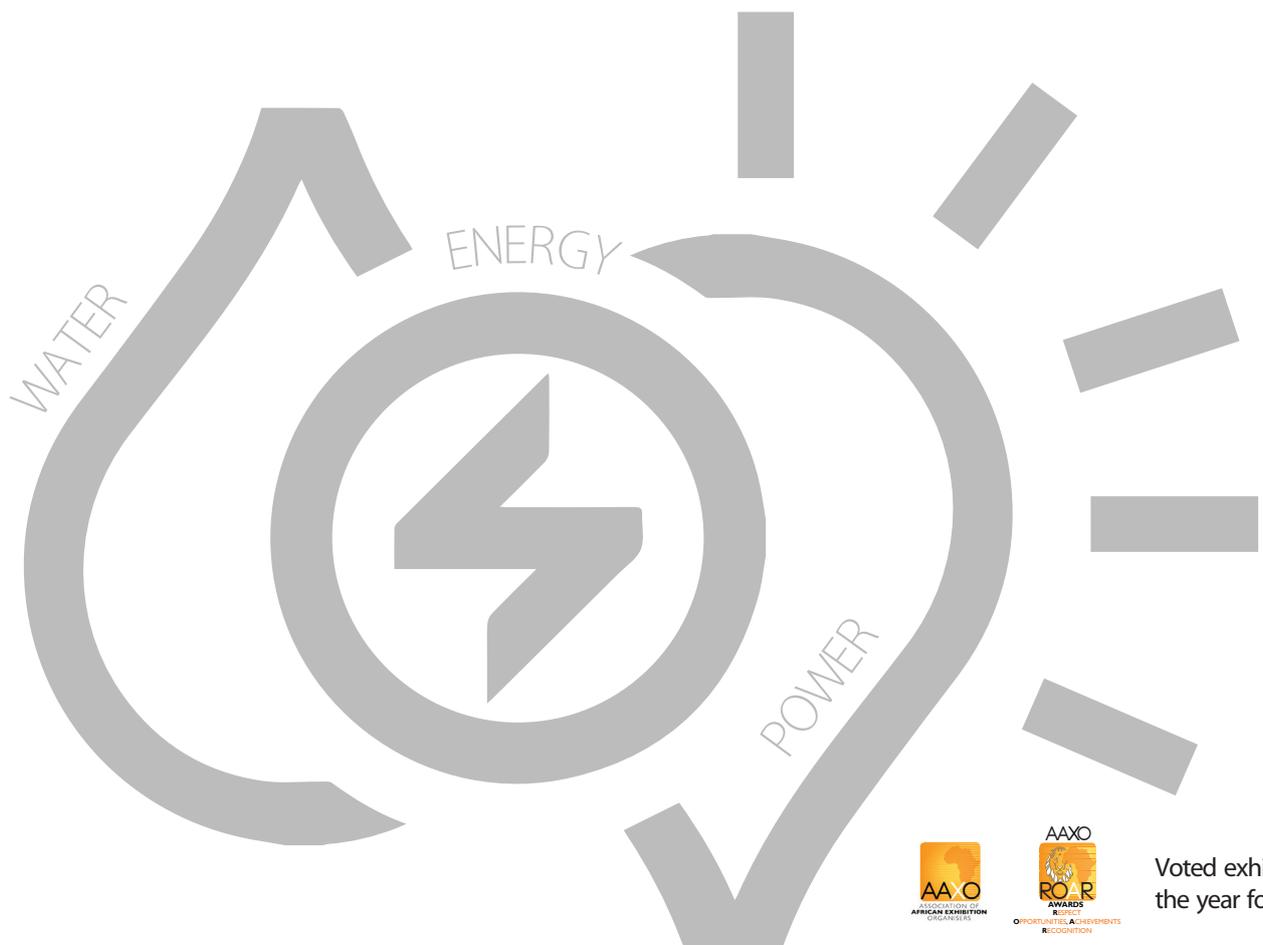
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City of Cape Town introduced level 6B water restrictions.

Source: <https://www.news.uct.ac.za/news/cape-town-water-crisis/-article/2018-03-06-uct-responds-to-citys-new-water-tariff>



On 1 February the City of Cape Town introduced Level 6B water restrictions, which were accompanied by a new water tariff structure designed to be a disincentive for heavy water users.

The rise in water cost will be felt when the City issues its February rates and services accounts later this month: shifting the conversation from water saving to cost cutting.

Punitive water tariffs have two intended effects. They are a mechanism to force high-volume water users to reduce demand and to bring the city's collective usage down to 450 million litres per day. They are also designed to cover the shortfall in the revenue received caused by a decrease in water and sanitation use of approximately R1.7 billion for the 2017/18 financial year.

The new tariff structure is an interim measure that will be in place until the City is able to present its 2018/19 water tariff later this year.

How the new tariff affects UCT

UCT campuses are categorised as educational institutions. Under the new tariff the cost of water will rise from R24.72 to R57 per kilolitre. Sewerage costs will increase from R21.50 to R44.18 per kilolitre. UCT can therefore expect its water bill to effectively double in cost in the absence of substantial water saving.

"WE HAVE A MUCH BETTER UNDERSTANDING OF UCT'S WATER SYSTEM, AND THE CAMPUS COMMUNITY ARE RESPONDING WELL TO WATER-SAVING MEASURES."

Residences could face an even higher cost with increases of 550% in Step 1, the lowest rung of the tariff scale, which applies to those using up to 6 000 litres of water. Step 4, which is between 20 000 and 35 000 litres, will increase by 680%.

The tariff will be applied according to the number of people living in the complex. The challenge is to ensure that UCT residences stay on Step 1. This will require students and staff living in these quarters to use less than 50 litres per person per day, in total.

The new tariff also demands that UCT reduce its water use by 45% with reference to 2015 levels when water restrictions were minimal. A failure to conform with this requirement will incur heavy fines.

Decreasing UCT's water use

UCT's average water use for 2017 was 300 kilolitres per month for all campuses. This included research and service activities. If we assume that 30 000 students and staff are accessing these resources daily, then the per capita daily use is approximately 18 litres.



We are beginning to value water more than ever before.

If the obligatory 45% reduction is required, the total per capita use needs to be reduced to less than 9.9 litres per person. This equates to one toilet flush (6 litres), hand washing (1.5 litres), drinking (1.5 litres), tea/coffee (0.4 litres) and cleaning (0.5 litres) per day.

It's a tough ask, but it is essential as a cost-saving measure and a means to prevent Day Zero from occurring.

The urgent and more difficult challenge is in driving down water demand in UCT residences. In 2017 residence water use ranged from 42 litres per person per day to a staggering 160 litres.

Reducing water demand

The UCT water campaign starts with changing behaviour and establishing a comfortable level of water use that avoids compromising basic services and health. Only then will we invest in new water sources and technologies.

“CAMPUSES ARE BECOMING CATCHMENTS WITHIN THEMSELVES: WHERE WATER IS REUSED AND TREATED FOR MANY PURPOSES, AND WHERE WASTE WATER IS MINIMISED.”

Most faculties, departments or buildings have volunteer representatives who are acting as water champions. They play an important role in creating awareness, and many have already held discussions with staff and students about acceptable and appropriate ways of managing water.

Properties and Services is rolling out digital water-metering systems across the campuses, with 13 meters already in place and being tested. Real-time data will improve water management by helping to detect leaks and to better understand behaviour change.

The Water Desk is helping to coordinate information, to collect stories and experiences, and to support the Communication and Marketing Department in the campaign to conserve water.

Becoming water sensitive

We are making progress. We have never talked so long and hard about water before. We have a much better understanding of UCT's water system and the campus community is responding well to water-saving measures.

The crisis presents an opportunity for UCT to consider how best to improve its water management and to find new ways of closing the loop in the campus water cycle.

A shift in thinking is taking place. Campuses are no longer places where clean municipal water flows into buildings and is discharged as contaminated water to sewer systems. Rather, campuses are becoming catchments within themselves: where water is reused and treated for many purposes, and where waste water is minimised. 



Thursday the 8th of March was celebrated by many across the world as International Women's Day. It is a day for remembering the role of women in creating a world that recognises both male and female as equal. In many countries the 2018 theme was **#PRESSFORPROGRESS**. The UN had the theme "Time is Now: Rural and urban activists transforming women's lives".

South Africa has committed to change. On 27 September 2015, a statement was issued that South Africa, as one of the member states of UN Women, commits to equity in the workplace by 2030, reduce HIV and AIDS and end violence against women".

The full statement can be read on the UN website (www.unwomen.org). The summary is recorded as follows: For the next five years, South Africa commits to focus on: equal representation and women's empowerment, women's health and ending violence against women. Two of South Africa's legislative mechanisms for equity—the Promotion of Equality and Prevention of Unfair Discrimination Act and the Employment Equity Act—will be fully implemented to reach gender parity by 2030 in accordance with the African Union's Agenda 2063. This will include mandatory affirmative action, as well as the enforcement of a Code of Good Practice to ensure equal pay for work of equal value within the next five years. Further measures to put women at the forefront include procurement changes, inclusion for women to reach universal financial access by 2020 and making budgets more gender-responsive at all levels. South Africa sets a five-year goal to concentrate efforts on achieving an HIV-free generation, with particular reference to girls and young women. The country will also prioritize the elimination of violence against women, including through national dialogues and a public awareness campaign aligned with UN Women's HeForShe initiative.

So how are we doing? We can insist that change is very slow, and "they" are not doing enough. However, change starts with you and with me. No matter our bias, we can start questioning ourselves and say:

I will **#PressforProgress** and:

Maintain a gender parity mindset

I will **#PressforProgress** and...

- question any lack of women's participation
- identify alternatives that are more inclusive
- nominate women for opportunities
- always include and support women
- think "50/50" as the goal.

Challenge stereotypes and bias

I will **#PressforProgress** and ...

- question assumptions about women
- challenge statements that limit women
- always use inclusive language work to remove barriers to women's progress
- buy from retailers who position women in positive ways.

Forge positive visibility of women

I will **#PressforProgress** and ...

- identify ways to make women more visible
- extend opportunities to women first
- assume women want opportunities until declined
- select women as spokespeople and leaders support visible women.

Influence others' beliefs / actions

I will **#PressforProgress** and ...

- supportively call-out inappropriate behaviour
- campaign for equality in meaningful ways
- lead by example via inclusive actions
- be a role model for equality
- actively contribute to changing the status quo.

Celebrate women's achievements

I will **#PressforProgress** and ...

- believe achievement comes in many forms
- value women's individual and collective success
- ensure credit is given for women's contributions
- celebrate women role models and their journeys
- support awards showcasing women's success.¹

In fact, no matter what our views, if we saw the world through this lens wherever we have some bias or discriminate in some way or the other, we would soon be the agents of change! Are you going to be an agent of change? 

¹ Found on the CCT website – no source acknowledged and blog submission is anonymous

The 4th Industrial Revolution

by Dr Krish Kumar, eThekweni Municipality

INTRODUCTION

In his State of the Nation (SONA) address President Cyril Ramaphosa stated that “Our prosperity as a nation depends on our ability to take full advantage of rapid technological change. This means that we urgently need to develop our capabilities in the areas of science, technology and innovation. The drive towards the digital industrial revolution will be underpinned by the availability of efficient networks.”

In contrast, Gauteng Premier, David Makhura in his State of the Province address stated that whilst the 4th Industrial Revolution offers enormous opportunities, it also poses some real challenges. He said, “It is estimated that over 35% of current jobs in South Africa... will change and others will disappear completely.”

This is the balancing act, increase in productivity and value-for-money versus potential job losses, especially in the current economic climate and rate of unemployment. To me, the key is that job creation must be accompanied with enhanced productivity.

SMART CITIES

Municipal IQ posed the question whether cities are in a position to develop into smart cities “that will usher in a new era of economic development.” They suggest that considering recent spending trends and delivery on infrastructure projects, cities are unlikely to be major players in the 4th Industrial Revolution in the short to medium term. In effect, cities have other priorities in terms of addressing their service delivery backlogs and the fact that they already have a funding shortfall.

On the other hand, cities are ideally placed to take the lead in the 4th Industrial Revolution, like with climate change. Urbanisation is one of the biggest challenges facing cities



globally. According to the World Economic Forum, more than 54% of world's population now live in cities. Accordingly, cities are the new power centre of the global economy. They are platforms for innovation, entrepreneurship and growth. For example, cities can provide access to communication systems (free WiFi), better transport systems (IRPTN/BRT), extended hours for services (such as libraries), mobile apps (like EtheKwini's Smart City app), and enhanced public participation (budget consultation, etc). These are great, but Municipal IQ pose the question whether this is sufficient? More importantly, can cities be expected to do more in light of the recent cuts in grant funding to cities? Can cities increase tariffs and property rates to cover the cost of such smart city initiatives with

consumers already battling to pay their municipal bills and the 1% increase in VAT? Can we introduce new sources of income, such as a new local business tax, in the current economic climate and our current levels of productivity and revenue collection effectiveness, to cover the costs?

THE POTENTIAL

The World Economic Forum (WEF) has identified the following potential benefits and opportunities:

Smart planning and construction

Based on a study of 50 global cities, inefficient urban sprawl is expected to directly contribute to almost 60% of the

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anticipated rise in energy use. The annual cost of sprawl in the USA is estimated at \$1 trillion annually. Densification and mixed use development can be game changers for growing cities.

Some 4th Industrial Revolution solutions to make more out of our urban spaces include:

- Integrated digital urban planning, transparent land use planning, monitoring and management, and clear property rights that allow for the development of shared spaces.
- Denser, integrated and mixed-use communities close to transport nodes, e.g. transit-oriented development.
- Multifunctional buildings optimizing floor space 24/7.
- Next generation building codes using digital design and nano-materials to drastically reduce carbon production.
- Just-in-time offsite delivery improving construction efficiency.
- Smart residential and commercial building management reducing costs of inefficient energy and water use, for example, remote sensing and satellite imagery may help locate a water leak, illegal water or electricity connections, or storm water blockages to avoid flooding.

Sustainable transport and logistics

According to the WEF, in Mexico City traffic jams are estimated to cost 33 billion pesos (\$1.8 billion) per year in lost time and productivity because 85% of road space is taken up by private cars, which only account for 30% of commuters. High connectivity and the smooth movement of people and goods define a well-functioning city. Some solutions include:

- Integrated urban transport and logistics systems, reducing the need for private vehicles.
- Real-time transport and traffic management and monitoring.
- Cleaner vehicles and low-carbon solutions that allow people to walk and bike more freely.
- Mixed-use neighbourhoods.

Clean energy and utilities

South Africa has already auctioned more than 5 gigawatts of renewable generating capacity to the private-sector, for nearly R200 billion (\$15 billion) in just four years. Some solutions include:

- Renewable energy generation such as rooftop solar, city heat

networks, hydropower, wind power and peer-to-peer energy systems.

- Virtual power plants that integrate various energy sources through cloud-based platforms for more reliable power supply.
- Temperature sensors, smart meters and occupant controls for efficiency and use control.
- Intelligent grid management helping utilities monitor assets, model use and ensure efficient and cost effective operations.
- Advanced batteries for energy storage and electric vehicles.
- Waste-to-energy plants including heat and cooling networks.

Urban health and resources

In South Africa, domestic and municipal sectors could reduce water use by up to 30% by addressing physical leaks and household water wastage. According to the WEF some solutions include:

- Sharing economy principles for developing smart solutions and efficient supply chains, which can help meet human needs within minimal footprints, improve the quality of life and reduce economic losses from waste.
- Circular economy design for remanufacturing, refurbishing and recycling to keep components and materials circulating, reduce damage and manage negative environmental effects.
- Integrated municipal and industrial waste management, for example, apps that can notify a city when a garbage bin is full so it can be emptied.
- Life-cycle assessments of water quality, management and re-use.
- Air pollution sequestration and purifiers, including biofilters.
- "Living" building façades, green spaces and urban agriculture
- Food security - vertical farms could solve food security challenges, especially in South Africa where we have limited arable land.
- Revenue management and financial sustainability - new ways that consumers can receive their accounts and make payments electronically.

Resilient urban systems

According to the WEF, more than 95% of registered deaths from storms and floods between 2000 and 2013 were recorded



in low and middle income countries. If action isn't taken, sea level rises and flooding could cost coastal cities \$1 trillion by 2050. Cyberattacks on urban infrastructure could cost insurers billions of dollars. Solutions include:

- Real-time, integrated and adaptive urban management systems and change management to address shocks.
- Integrated financial, procurement and governance systems.
- Enhanced risk monitoring and prediction, combined with cyber security measures.
- Disaster-ready urban infrastructure and buildings, and smart emergency response systems.

Job Creation

Whilst technologies replace some jobs, they are creating new work in industries that never existed before. One-third of new jobs created in the USA in the past 25 years were types that did not exist, or barely existed, in areas including IT development, hardware manufacturing, app creation, and IT systems management. A 2011 study by McKinsey's Paris office found that the Internet had destroyed 500 000 jobs in France in the previous 15 years, but at the same time had created 1.2 million other jobs.

Entrepreneurship

Digital technology can stimulate entrepreneurial activity. A new category of knowledge-enabled jobs will become possible as machines embed intelligence and knowledge that less-skilled workers can access with a little training. In India, for example, Google is rolling out the Internet Saathi (Friends of the Internet) programme in which rural women are trained to use the Internet, and then become local agents who provide services in their villages through Internet-enabled devices.

Economic Value

Rapid technology adoption can unlock huge economic value. In India, for example, digital technologies provide the foundation for many innovations that could contribute \$550 billion to \$1 trillion of economic impact per year in 2025. However, the value of digitization that is captured depends on how many people and businesses have access to it. More than four billion people, or over half of the world's population, is still offline. The value of connecting these people is significant, and as they enter the global digital economy, the world of work and business will transform at an astounding pace.

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THE RISKS

Every revolution comes with its own risks. According to the World Economic Forum, the following risks and challenges may arise from the 4th Industrial Revolution:

Climate and environment

Energy usage: Technologies can help to increase energy efficiency, but their use of energy is a cause for concern.

Government needs to limit and reduce energy consumption from devices, sensors and appliances, and promote renewable energy sources.

Increased rural-urban migration: Efficiency and competitiveness gains from new technologies may attract more people to cities for economic opportunities, placing the urban environment under greater pressure, and posing a risk to rural areas that are already behind in development. Measures to mitigate negative effects involve ensuring adequate urban and infrastructure plans. For example, central government support for smarter villages may help to ensure openings for business, and provide those living in villages and rural areas with fast digital access, in turn, lessening the need for people to travel or move to urban areas.

People and society

Jobs and inequality: The search for better livelihoods remains a driver of rapid urbanization, but the world of work is changing and increased automation is inevitable as technology use rises. Governments need to ensure that the opportunities and benefits of the 4th Industrial Revolution are widely shared and that the vulnerable and marginalized are not left further behind. This is particularly true in low and middle income countries where unemployment is high, especially for the youth. Reforms should focus on restructuring economies for a new, sustainable Fourth Industrial Revolution age, and retraining those whose jobs become automated.

Change in the Nature of Work: It is an inescapable fact that technology is going to change certain professions and make some obsolete. As Jon Williams, a partner from PwC said, “We

plan cities on a long timeframe. And that used to be okay. But the next five to ten years, you are going to see great upheaval on the nature of work in cities. No-one knows what the result will be. Historians will say we have seen it all before. It’s happened before and it will happen again and the world will need to hit the reset button.” It is suggested that the way cities react to this “reset” will impact on how successfully cities will transition through the 4th Industrial Revolution. Many activities that workers carry out today have the potential to be automated. MGI research on the automation potential of the global economy, focusing on 46 countries representing about 80% of the global workforce, has examined more than 2 000 work activities and quantified the technical feasibility of automating each of them. The proportion of occupations that can be fully automated using currently demonstrated technology is actually small—less than 5%.

An additional important finding is that even if whole occupations are not automated, partial automation will affect almost all occupations to a greater or lesser degree. Moreover, McKinsey & Company found that about 60% of all occupations have at least 30% of activities that are technically automatable, based on currently demonstrated technologies. This means that most occupations will change, and more people will have to work with technology.

Economy and governance

Public-private partnerships: Greater data sharing and collaborative solutions will be required between the private-sector and governments to ensure new technologies relating to waste, water and transport, are piloted and adopted. The terms of PPP engagements need to be aligned with the new wave of technologies, ensuring that there are incentives related to transparency and revenue

Shape of urban governance: As 4th Industrial Revolution technologies enable more decentralized and automatically allocated and distributed services, the way urban governments govern and manage city systems will change. Are we ready? Having a coherent and coordinated urban 4th Industrial



Revolution Strategy is necessary to manage this change and ensure its sustainability. Also required is collaboration on the creation of new service delivery solutions between city officials and the private sector.

Cyber security and privacy: As more data on city operations, service providers, businesses and citizens are generated and shared digitally, balancing security and privacy concerns is already a key risk. Shared economy models function only if there is trust and transparency among parties concerned. Assessing vulnerabilities and rapidly countering threats is crucial. Ensuring continuity and response planning is important to avoid funds and focus being diverted.

CONCLUSION

From the foregoing, it is clear that one of the most important challenges facing cities is to understand and shape the new technology revolution. There are many benefits, however, the biggest challenge is the funding of these initiatives. The 4th Industrial Revolution is synonymous with uncharted growth in digitization and internet connectivity. It has the potential to drive Africa forward like never before, enabling innovation, spurring new business models and improving the delivery of public services. We just need to ensure that it is sustainable development. There are serious advantages to being a first mover in technology. Governments should be building clear strategies that entail all the benefits of a 4th Industrial Revolution. If not, they risk being left behind. It certainly helps to maintain our “Africa rising” narrative. **C**

2018 VAT Rate Increase

by Chaya Lakhani; Linda Nkonzombi, Wiseman Ntuli, eThekweni Municipality



AGENDA – Expenditure stream

- Background
- Testing scenarios
 - Tax fraction
 - Three way match – capital and operating
 - Two way match – capital and operating
 - Contracts
 - Retention
 - Stores
 - Reports at cut over date
 - Other scenarios from entities
 - Issues
- Way forward

AGENDA – Revenue stream – RMS / COINs

- What are the rules?
- What will the current system do?
- What are the challenges?
- What options to we have?
- Other issues – governance, etc.
- Way forward

AGENDA – Revenue stream – Entities

- Affected systems and sub - systems
- What are the rules?
- What will the current system do?
- What are the challenges
- What options to we have?
- Other issues – governance, etc.
- Way forward

AGENDA – Fixed property

- What do you want to know?
- What are the general rules regarding change in VAT rate for property transactions
- Types of transactions you have
- Other issues – governance, etc.
- Way forward

VAT Rate change: 14% to 15%



- Basis of law –
 - Section 7(4) of the VAT Act
 - Draft Rates and Monetary Amounts and Amendments of Revenue Laws Bill
 - MFMA Circular 91 - 2018 / 2019 MTREF
- Effective date : 1 April 2018 (Sunday – during Easter Weekend)
- 14% - > 15%
- Tax fraction :
 - * 15 / 115
- Impact on vendors :
 - Get charged 1% more
 - but neutral if fully taxable (except denied credits)
- Impact on non – vendors :
 - Get charged 1% more
 - Bear the cost (exception zero – rating)
- Basis of accounting
 - Invoice
 - Payments

Pricing and Vat return

Prices

Prices are deemed to include VAT – section 65

General rule: All prices quoted or advertising by vendors MUST include VAT at the standard rate (unless zero – rated or exempt) Vendor needs to specify that the price includes VAT at the standard rate of 15% or split the value + VAT + total in an advert or a quote

Action required: check all price tickets, labels, quotation, advertisement, etc. to reflect the new VAT rate

Special ruling

Permission from the Commissioner (Proviso (iii) section 65) to display a notice

- Price does not include the VAT at the new rate, and
- Price will be adjusted at the point of payment
- Be prominently displayed at ALL business entrances and all points where payments are effected
- Notice must be removed by no later than the end of May 2018

Price increase – the law

- Recover the increase from customers; or
- Do not increase the price, i.e. absorb the cost of 1 % increase
ALSO CHECK
- If there are any clauses in the written agreement that may prevent you from charging or be charged the rate increase

Price increase – the impact

- Need to review all agreements with customers and suppliers
- Customers and potential customers NEED to be informed of the increased price (despite the national announcement)
- New agreements after 1 April should reflect VAT at 15%
- Review and amend all preprinted stationery; price lists; adverts; etc.
- How do you handle quotes

VAT return

- Output tax / Revenue and related adjustments
- There are indications that we will be required to disclose both rates separately, i.e. not show only one VAT amount. We also required to show consideration which cannot simple be grossed up
- Payments basis – complicated as the 2 rates will stay with the Vendor for a long time
- Adjustments – It is likely that you will only have to show the amount
- Input tax / purchases and related adjustments
- will be claimed at actual value – no need for disclosure of both rates
- Any understatement / over claim of VAT will result in Understatement Penalty (USP), penalty and interest being raised by SARS
- But we are still awaiting further information from SARS in this regard

Sales and billing systems

What rate to use 14% or 15%

General principles

Goods

- Corporeal moveable things;
- Fixed property, any real right in such thing or fixed property
- Electricity
- But excluding money, mortgage bond and Stamp an invoice (i.e. written obligation to make payment) being issued; or

Services

- Anything done or to be done
- Including the granting, assignment, cession and surrender of any real rights;
- Making available a facility or advantage
- Excluding : Goods, stamp, money
- E.g. Water

General rule: Time of supply

General rule:

- Date the transaction is deemed to occur : is the earlier of
 - an invoice (i.e. written obligation to make payment) being issued; or
 - Receipt of any payment
- Example:*
- Day 1 - Issue an invoice
 - Day 2 - Deliver the goods
 - Day 3 - Payment is received
 - Time of supply is the date of invoice
 - New provision – takes the date of delivery into account,
 - Goods to be removed – the date of delivery
 - Goods not to be removed – the date they made available
 - Services rendered – the date the service was performed

Time Supply - Goods

1. a) Goods delivered before 1 April Exception : Residential property use 14%
b) Goods delivered before 1 April but invoiced after 1 April Use 14%
2. Goods delivered before but ending after 1 April

Apportion between the 14% and 15% rate on a fair and reasonable basis

Exclusion to the above rules:

- Connected persons
- Progressive / periodic / successive supplies
- Time of supply : Also, Payment is due or received
- Span – apportion, unless
- Typically invoiced in advance – 14%
- Typically invoiced on the day – 15% (irrespective of order date)
- E.g. Electricity

Issue: the basis can be challenged by SARS – should you get an approval of your basis?

3. Goods delivered after 1 April 2018

- Time of supply occurs between 21 February and 31 March (announcement date and effective date) BUT

2018 VAT Rate Increase

by Chaya Lakhani; Linda Nkonzombi, Wiseman Ntuli, eThekweni Municipality

- the goods are delivered on or after 23 April
 - Then 15% applies
- the goods are delivered before 23 April 2018
- Then 14% applies.
 - Time of supply Occurs after 1 April and the goods are delivered after the 1 April – 15 % applies

Exclusion:

Established business practice exists or tax invoices issued before the supplies are made.

4. Connected persons (entities)

- Goods that are to be removed – VAT rate on the day the goods are so removed;
- Goods that are not removed – VAT rate on the date the goods are made available
- There could be exceptions where the normal time of supply rules will apply

Time of supply – services

1. a) Services performed before 1 April and invoiced before 1 April 14%
b) Services performed before 1 April and invoiced after 1 April 14%
- 2) Services starting before but ending after 1 April

Apportionment between the 14% and 15% rate on a fair and reasonable basis

Exclusion to the above rules:

- Connected persons
- Services typically invoiced and received in advance OR
- Progressive / periodic / successive supplies (e.g. insurance, cleaning contracts, security, subscriptions) – payment is due or received
- Water services (Electricity follows goods)

Issue: the basis can be challenged by SARS – should you get an approval of your basis?

3. Services rendered after 1 April 2018

- Time of supply occurs between 21 February and 31 March (announcement date and effective date) BUT
 - Then 15% applies
 - No extension in time to render the service up to 22 April

Established business practice exists or tax invoices issued before the supplies are made

4) Connected persons (entities)

- Services – the prevailing rate of VAT on the day the services are performed
- There could be exceptions where the normal time of supply rules will apply

Property transactions

TIME OF SUPPLY

- General rule – earlier of
- Date of registration, or
- Payment date – bond or transferring attorney vs instalments

- Payment vs deposit
- Exceptions :
- Delivery occurs before 22 April

Property transactions

Fixed property other than residential, i.e. commercial

- Applicable rate is the rate that applies on the earlier of –
- Registration; or
- Receipt of any payment
- Payment vs deposit
- Payment terms – date as agreement reached
- E.g. invoice issued 1 January and payment and transfer after 1 April – VAT rate 15% (incorrect VAT rate needs to be amended)
- Payment in installments

Examples

- Agreement date : Pre – 10 January 2018
- Tax invoice – 10 January 2018
- Transfer – after 23 April
- payment made by the bank / transferring attorney on 23 April
 - = 15% + correct tax invoice
 - If transfer and payment before 23 April = 14%

Property transactions

Fixed property – residential property including dwelling by construction company

- Overrides the general rule
- 14% applies :
- Where the written agreement to buy the dwelling is before 1 April 2018
- Both the payment of the price and registration occurs after 1 April 2018; and
- The VAT inclusive price was determined and stated as such in the agreement
- If conditions are not met – 15%

Residential property

- Definition of residential property :
- Existing dwelling + land + real rights
- Plot – and – plan deals
- Construction of new dwelling – by vendor conducting a construction business
- Versus – New vs repairs / improvements

Property transactions

Second – hand goods

- Normal – has general time of supply
- Fixed property – special rule
- Time of supply = earlier of
- Registration or
- Day ANY purchase price is paid
- Invoice / tax invoice is irrelevant

Rules

If

- Part paid before 1 April and registration and balance payment after 1 April – 14/114

- If Registered before 1 April and paid after 1 April – 14/114
- If part paid after 1 April and Registered after 1 April – 15/115

Impact

Changes required to

- Systems
- Point of sale systems (Markets, entities)
- Documents – tax invoices, credit notes, preprinted documents, etc.

Irrecoverable debt write – offs

Purchases and receipts

- Change system so that it accepts 14 % or 15%
- Need to make sure people know the rate to claim and how to calculate the rate
- Credit notes should be effected at the original rate of tax

Building supplies

- Progress payment on construction contracts
- Work done pre 1 April 2018 – 14%
- Work done after 1 April 2018 – 15%
- Need all certification to be done by the end of March!!!
- Increase in rate can be recovered on our standard contracts as there is no clause preventing the application of section 67 of the VAT Act
- When making a subsequent adjustment to the previously agreed price for supplies made before 1 April – 14 % or 14/114
- But bear in mind if special time of supply rules applied to the original supply and the rate has not been changed to 15 % (in which case 15% or 15 / 115 will apply
- The original supply was charged at 15% - subsequent adjustment will be at 15%
- The goods returned cannot be identified? ?15%

Credit or debit notes

- Instalment sale agreements (ICAs)
- Lay – by agreements
- Vouchers
- Second – hand goods
- Tax periods spanning the VAT rate change
- Write – of irrecoverable debts

Business Issues

- Concessions Available to Suppliers (that may be relevant) refer to table on next page Checked
- Do you have someone with the responsibility to manage the VAT rate change?
- Have you considered how much, if any of the VAT rate increase will be passed on to customers?
- Have you considered the new prices which will be created by either changing the VAT rate or increasing/reducing individual pricing master records (e.g. where it is VAT inclusive)?
- How does this impact your budgeting which were done at 14% and now needs to change to 15%, where is the difference going to come from?
- Have you communicated the new pricing to your customers, suppliers, agents and staff?

- Do you have a plan for the updated of pricing documentation on your website, customer contracts, price labelling, advertising material and other communications?
- Have you trained your staff on how the changes will affect your business (e.g. exchanges and credits)?
- Will changes in your pricing comply with the contractual and regulatory requirements?
- How will the change affect cashflows and stock levels? An increase in demand of larger value customer goods and services prior to the change and decrease in demand post change is likely.
- Do you have a project plan in place to document the actions required in your business for the VAT increase?

Transitional issues

- VAT Transitional issues that may affect VAT vendors Checked
- Have you considered the impact if you account for VAT on the payment vs the invoice basis?
- Do you have a process for how to respond to invoices from suppliers at an incorrect rate?
- Do you know the correct point in time that sales and purchases will become subject to VAT at 15%?
- Are you aware of the VAT treatment, time of supply and transitional rules for the following types of transactions?
 - Bad debt write-offs and recoveries
 - Debt notes and/or credit notes
 - Returns and replacement of goods
 - Deposits received and prepayments
 - Taxable value of fringe benefits
 - Instalment type transactions – e.g. operating leases, finance leases, hire purchase, monthly insurance, lay-by transactions, progress payments
 - Insurance claim payments and insurance recoveries
- Have you considered the implications on VAT apportionment adjustments?
- Do you make change of use adjustments? When is the appropriate time to process such change in use of assets?
- Do you receive government grants? Entities receiving grants may be affected?

System issues

- System issues that may affect VAT vendors Checked
- Can you change your budget versus actual in your systems to account for this change?
- Have you considered how your system will deal with supplies that span 1 April 2018 (e.g. leases, insurance contracts)?
- Can your current accounting software account for both the current rate of 14% and a separate rate of 15%?
- Do you have a process for requesting corrections to supplier invoices received at the incorrect rate?
- Will your accounting software apply the correct rate to the transactions listed in the previous section?
- Have you completed a review to ensure your software will operate correctly during the transition period (e.g. POS systems, accounting software)?
- Have you educated your staff on how the changes will affect the capturing of data?



Introduction

The Constitution of South Africa (Constitution, 1996) assures everyone in the country of access to sufficient water and has made it a prerogative to the state at various spheres to take reasonable measures to ensure that the rights in questions are realised. It is then necessary that someone is assigned responsibility to watch and take necessary action to ensure that this right in the Bill of Rights becomes a reality.

Prior 1994 communities mostly in the rural areas had no one to hold responsible for their lack of access to piped and clean water which has been available for the privileged only. Water would be harvested from the rain, fetched from the streams and wells over long distances regardless of the quality of the water. It has been the practice of the underprivileged. Government today has control over water resources, responsible for the supply at all levels of the water value chain and does so at a price. State control over the water is a good option for equitable access and distribution of water both as a factor commodity and final commodity. Rural communities depended on water for domestic use and their subsistence uses which is hardly met with piped system of supply and cost thereof; for years millions of litres of water are lost through leaks in the systems of supply; huge capital investments that are made in the water infrastructure remain white elephants due to poor planning. Urban communities in metropolitan areas and small towns are

experiencing water shortages; water quality issues; flowing raw sewerage in the streets and heavily polluted rivers and streams; continuing dilapidation of infrastructure due to lack of maintenance threaten the sustainability of access of water. Most of all, there are major inefficiencies in the sector (resources under-utilised but costed for recovery, huge labour supplier exceeding demand, lagging technology). All the challenges are trade-offs for the effective realisation of the Constitutional rights. The authorities that have to ensure that everything is done properly are the same that are supposed to do things properly. The State supplies and delivers water while on the hand regulating the water sector on its own activities. Are there facts for maintaining the status quo in terms of the supply of water and the regulation of the water sector in the face of the challenges that the water sector is confronted with?

The South African water legislative framework

Section 27(2) of the Constitution has created monopoly system out of the State over water in the entire value chain for the better control of the scarce resource and strategic reasons. The Constitution and the Water Services Act (Act 108 of 1997) have both designated municipalities to perform functions over water services systems limited to potable water. As a sphere of government which has both executive and legislative authority over its functions, local government provides the services

and regulates the services at the same time. The national department responsible for water and sanitation develops water resources and provides raw water for various uses as per section 21 of the National Water Act and potable bulk water through its entities mainly water boards.

The department also wields regulatory authority over its functions and the local government function through section 155(7) of the Constitution leaving the water sector characterised by two factions which are monopoly and self-regulation. Has this phenomenon worked effectively elsewhere in the world before, is it able to properly address the challenges the local water sector is faced with?

The nature of monopoly

A monopoly is defined as an economic system wherein only one specific seller is the only supplier of a particular commodity to many buyers. The system lacks economic competition in the supply of the good or service due to barriers to market entry.

The commodity or service does not have a viable substitute and thus a likelihood of pricing well above the seller's marginal cost that leads to a high monopoly profit or below cost which compromising the fulfilment of the financial obligations of the entity. In the event that the monopoly is a private entity, government intervenes through regulation to ensure that the goods or services are safe and affordable to consumers. The regulator also regulates pricing of goods to ensure that prices are appropriate and able to address the market failure that is brought about by the absence of competition in the supply of the goods or services.

The South African water sector

The department responsible for water and sanitation finds itself with authority to play a role in the water resources space of the water value chain. It protects, conserves, allocates, plans and develops water resources in the country and the custody is with the Minister. Infrastructure for raw water is developed through government's funding mainly for social objectives and borrowed funding for other objectives including productive business. The largest portion of the investment is recovered through user charges which all users have to pay for their respective use of water. There is likely to be huge backlogs in the maintenance and refurbishment of the ageing infrastructure.

The water resources management charge is levied to the users as well but with many complaints over the quality of water that users are getting from the resources. Are the consumers getting any value for the money they are paying for the water they receive? The person who has to determine whether the price and charges are appropriate is the same person supplying the water and the same person who has to protect the water from pollution. Furthermore the custodian of the South African water is sole provider of raw water otherwise may authorize someone to supply, however the choices of consumers are completely disregarded.

The water and sanitation services are the functions of the municipalities according to schedule 4b and schedule 5b of the Constitution. These 145 municipalities have both legislative and executive authority over the functions to make laws that govern the functions inclusive of regulation of the function thereof. This is another area of the water value chain wherein self regulation is the order limited to organs of state only. Consumers are subjected to the same circumstances that happen with any monopolised industry since there is no substitute for water in a situation where water is life and sanitation being dignity.

Municipalities have authority to outsource the provision of water and sanitation services to external entities but with a limitation that public entities has to be prioritised at no competent bidding and the entities are still under the oversight of the same authorities of the State. In the entire value chain at its current state, the utilisation of revenue generated from water users cannot be directly accounted for in terms of reinvestment or any related benefits to the users.

The existence of the monopoly water industry may be justified as emerging from the following sources. Firstly, capital requirements for investment in the water infrastructure both raw and reticulation is so huge that the costs are unbearable without state intervention. Large research and development costs or substantial sunk costs to attain economies of scale go with the capital requirements to have the water sector running.

Secondly, the fact that there are no substitute goods makes the demand for water to be relatively inelastic which then enables monopolies to generate positive profits. Lastly, water is a scarce natural resource in the country with some areas relying

Independent economic regulation for water: Is it a solution to the water sector woes?

by Humbulani Nevondo, Department of Water and Sanitation

on ground water entirely. For the efficient utilisation of the scarce resource to satisfy all the social and economic needs in the country, the resource requires to be strategically managed in order to address the historical imbalances and equitable distribution. A monopoly is thus the best option for the proper control of the scarce resource for the interests of everyone.

Challenges in the water sector

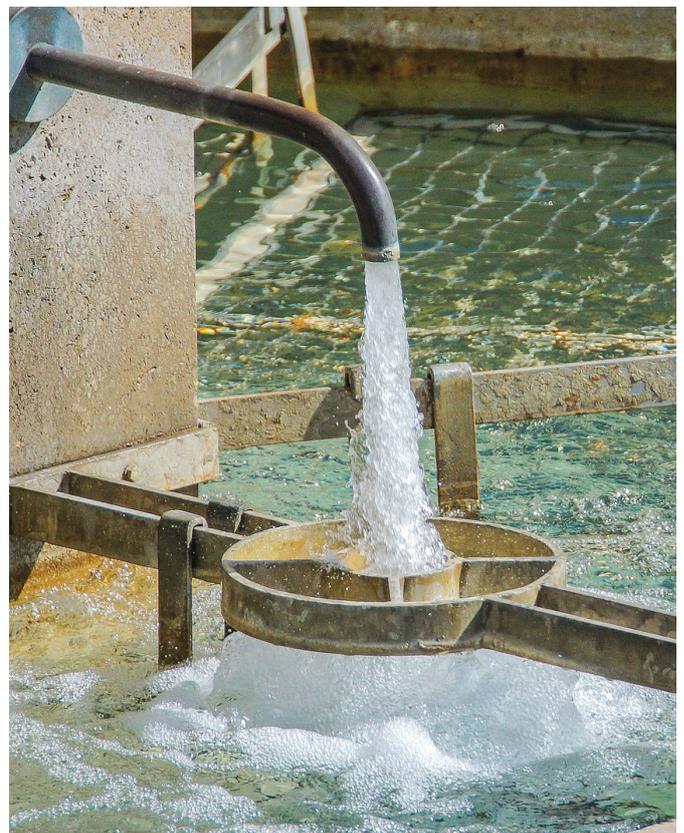
It is common knowledge that a situation of monopoly is remedied through state intervention which creates a pseudo competitive environment which can enable appropriate pricing that mutually benefits the seller and the buyers. Efficient allocation and application of resources in the production line will always incur the entities reasonable costs that are not a burden to consumers to pay to enable recovery.

Research and employment of technology can enhance efficiency and productivity which eventually gain economies of scale in the sector, however Ebenhard, (2003) has identified the following pertaining to water services regulation:- Firstly, the regulator which is a Water Services Authority is also a shareholder which may cause conflict of interests which may require national oversight. Secondly, self-regulation

which dominates the water sector where the Water Services Authority which is the regulator is also the Water Services Provider which is the operator may not make it possible for economic regulation to happen. Thirdly, the regulation of the water boards is not transparent, methods unclear and lack of adequate capacity to undertake effective economic regulation which, if properly done, could bring important economic benefits.

The full might of economic regulation may also not be significantly felt in the department wherein the same authority accounts for both economic regulation and responsibility over water resources - which becomes a source of another conflict of interests.

The Minister prescribes norms and standards in terms of the Water Services Act for technical, tariffs and contracting as provided for in sections 9, 10 and 19 respectively while the Pricing Strategy takes care of the raw water tariffs. The monitoring of compliance with the norms and standards and the pricing strategy is not at its best, mainly due to the self-regulation that overwhelms the sector. The combined impact of monopoly practices in the respective entities within the sector,



where there are player and referee roles, results in inefficient service provision, neglect in infrastructure maintenance, an alarming rate of water unaccounted for, continued lack of access and consequently service delivery protest out of dissatisfaction.

Conclusion

The socio-economic population mix in South Africa is such that the state is seen playing a major role in ensuring that water is indiscriminately accessible to all.

The position of the state in the provision of water in the entire value chain is critical in the efficient utilization of the scarce resources for the benefit of all people and economic sectors. The monopoly market structure of the water sector enables the state to protect, develop and equitably allocate the water resources over all the user categories.

The state is also better positioned to provide funding for the huge capital investment requirement at all levels of the water value chain which would be difficult for users to recover the

investment through user charges and tariffs. Regardless of whether water is over or under priced, the fact is the supplier has its own interests to meet with a price or charge imposed for any water use. This leaves water being inappropriately priced with less fairness in the pricing regime.

Sectors such as this require a nonpartisan regulator who amongst other things, will ensure that pricing and investments in the sector are appropriate and meet the macroeconomic and socioeconomic objectives of the country. Self-regulation is never neutral except to focus only on the interests of the providing institution and less of the consumers in their categories.

The National Development Plan of government has identified the establishment of independent regulators as a one of the strategic tools to fast track true needs satisfaction which is sustainable and developmental economic growth that can be maintained. With one identified for the water sector, the cooperation amongst all stakeholders to ensure that an independent water economic regulator is established will be a major achievement for the sector, since the dawn of the new order will bring in mutual benefits for all involved. **C**



Redefining 21st Century Asset Management – A Municipal Perspective

by Emmanuel Ngcobo, iLembe District Municipality

INTRODUCTION

Asset Management in Local Government has over the years, been a focal point driven by the need to adequately manage existing assets, necessary to ensure efficient delivery of services to respective communities. Whilst there has been a focus directed on this area, the angle and approach has not only proven costly, but has also yielded minimal results. Drawing from section 96 of the Municipal Finance Management Act, which makes mention of the safeguarding of assets and the establishment of systems to manage said assets, a number of compliance standards and guidelines have been made available to municipalities for ensuring adherence to the Act. As much as municipalities are mandated to ensure that their assets are accounted for and disclosed accordingly in the municipal financial statements, this cannot be the 'end-all' of asset management. Theoretically, asset management is broadly defined as a system that monitors and maintains items of value to an entity or group. This may apply to both tangible assets such as buildings and to intangible assets such as computer systems and software; through a systematic process of operating, maintaining, upgrading, and disposing of assets cost-effectively.

Applying the stated definition in a local government context; proper management of assets allows municipalities to provide an agreed and expected level of service in the most cost effective manner for present and future generations. Looking at what entails the management of assets, a number of crucial aspects need to be considered as activities to be performed by municipalities, in order to ensure sound asset management practice.

Traditional Asset Management Techniques vs. Modern Approaches

Though traditional is normally associated with an old method or 'same as last time' approach, in this context we are looking at traditional from the current methods being applied when it comes to the management of assets.

The local government environment is perceived to be over-regulated with various legislated requirements & circulars frequently issued by National & Provincial Government spheres. With regards to assets this is no different. Apart from the legislative requirements, there are National Treasury guidelines and accounting standards which drive the functioning of asset management practices.

Currently, in a number of municipalities across the country, asset management units report to the Chief Financial Officer. This, in most cases automatically takes the focus of compliance i.e. ensuring the Asset Register properly accounts for all assets, reconciliation of Trial Balance and Asset Register to have no variances, and where all values according to the different class of assets are disclosed according to the applicable Generally

Accepted Accounting Standards. Due to the number of different asset classes and values being dealt with, the value of which in most cases amounts to billions of rands, this practise can prove to be highly complex.

However this practice only forms a fraction of what municipalities should truly be doing with respect to the sound management of assets.

Moveable assets such as vehicles, office furniture and computer equipment, normally accounts for 20 to 30% of Asset Registers with the majority of municipalities assets (infrastructure) being utilised for the delivery of services to communities. This majority of assets are operated and maintained by technical or engineering departments. While these departments may adequately perform the duties of operating and maintaining these assets, there are still a number of limitations which require strategies and innovative planning by a competent Asset Management Practitioner.

Limitations on Infrastructure Assets

Inadequate budget remains a serious issue concerning adequate operations & maintenance of assets. The financial challenges faced by municipalities due to various socio-economic issues; the impact of which is not only from local, but also the inter-connected international economies. In most cases, asset maintenance budgets are first to be reduced as it is deemed the assets are still functioning and therefore maintenance can be deferred. It is mostly due to this mind-set, that many municipalities are custodians of highly deteriorated infrastructure and consequently, now require much higher budgets to replace or upgrade their assets. In the current economic position, such required inflated budgets are not feasible.

Furthermore, non-cash items in the form of depreciation were included in past budgets for municipalities aimed at setting aside depreciated values for future replacement, has not been set aside monetary for times when such is needed.

Thus, not only are infrastructure assets in a poorly maintained state, but they also need to be replaced timeously to ensure cost effectiveness.

Climate change effects that have previously been left to Meteorologists and Climatologists have now become known to all with its serious impact now being felt in all areas. When it comes to water provision, the adverse weather patterns have resulted in decreased revenues being realised from the provision of water services which required costly infrastructure to be laid out. In addition to this, higher costs have resulted from the fluctuations of the water pressures which causes regular incidents of burst pipes, more than was usual.

Concerning road infrastructure, the World Bank* recently stated that “Virtually all models show that weather extremes will indeed put considerable pressure on Africa’s road system. The damage and accelerated aging of roads caused by climate change will require increased maintenance and more frequent rehabilitation. Aside from higher maintenance and rehabilitation costs, climate-related damage to the road infrastructure will also cause more frequent disruptions to the movement of people and goods, with direct consequences on economic productivity”

Urbanisation has been commonly talked of in recent times, as South Africa is experiencing continued urban growth. The United Nations estimates that 71.3% of the South African population will live in urban areas by 2030, reaching nearly 80% by 2050. This requires proper long term planning to be in place for infrastructure assets, necessary to cater for the increased needs in these areas. If not done, current assets would be overstrained and the impact would be catastrophic to those communities.

Modern Approaches to Asset Management

The cited effects to infrastructure assets, necessitates approaches that would be relevant to the modern times and technologies.

A holistic approach must be incorporated for ensuring the provision of the agreed and expected level of service in the most cost effective manner for all citizens, of the present and future.

The below depicts a high-level overview of a holistic approach for sustainable delivery of services through improved management of assets.



High technological advances have taken centre stage in terms of performing certain duties, which previously would have been done manually. Data Management is one of the most crucial areas due to the high volumes and monetary figures associated with the management of assets. Past & current data or the history per asset ensures that a cost-benefit analysis can be better performed, and projections made with respect to future costs applicable. With modern technologies, data analytics are typically done by an appropriate software for the assets being managed.

Rising costs of infrastructure asset management caused by various factors previously mentioned requires a need to explore funding models that can better suit organisations. Public Private Partnerships is one such model which globally, is pursued in light of growing communities and limited government funds.

Drawing from the definition of asset management which looks at various aspects and required practises other than merely accounting for assets; it is imperative that municipalities re-configure the manner in which asset management is practised within their respective organizations.

This would require a re-structure and capacitation of human resources to better perform the required practises for sound asset management.

CONCLUSION

The above case in point indicates the need to re-assess the current practises of asset management within the local government sphere. Poor asset management practises will inevitably prove to result in high costs of maintenance and replacement, which will further impact negatively on the communities that are meant to be serviced.

It will take a number of years to address all existing service delivery backlogs whilst having to maintain the functional status quo where services are rendered. It is imperative that a national priority be placed to make the management of assets a strategic key issue for the betterment of lives for all citizens. Appropriate funding models must be explored in view of financial risks that now exist, also taking into consideration the socio-economic impacts, urbanisation, climate change effects, and technological advances of today. **C**

* A study developed with financial support from the UK Department for International Development (DfID), the Nordic Development Fund (NDF), the Kredit Anstalt für Entwicklung (KfW), the Agence française de développement (AFD); the Bank-Netherlands Partnership Program (BNPP); and the Trust Fund for Environmentally and Socially Sustainable Development (TFESSD).

GALLERY - GAUTENG BRANCH SEMINAR



Panel Discussion: Tshepo Ntsimane - DBSA, Moses Shivambu – COGTA, Simphiwe Dzengwa – SALGA and Shiva Makotoko – INCA



Isaac Matshego – Nedbank



DBSA Representative



Tshepo Ntsimane - DBSA



Lucky Leseane - SALGA



Thozama Busakwe - CIGFARO



Delegates



Delegates

GALLERY - WOMEN IN LEADERSHIP SEMINAR



Panel Members – Jane Masite – CIGFARO, Joel Makgata – Polokwane Municipality, Lufuno Davhana – CIGFARO and Vaola Sambo – UNISA



Sidwell Mofokeng – CIGFARO



Natalie Khambi – ARMS



Jane Masite – CIGFARO Past President



Maria Makhongela – CIGFARO



Shoki Tshabalala – Department of Women



Ramasele Ganda – Barloworld Equipment



Nozipho Nkomo – CCG Systems



Jane Masite – CIGFARO, Margeret Skosana – Nkangala District Municipality

GALLERY - WOMEN IN LEADERSHIP SEMINAR



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GALLERY - PUBLIC SECTOR AUDIT AND RISK INDABA 2018



Panel Discussion



Lindiwe Ndaba – City of Cape Town, Abbey Tlaletsi – CIGFARO



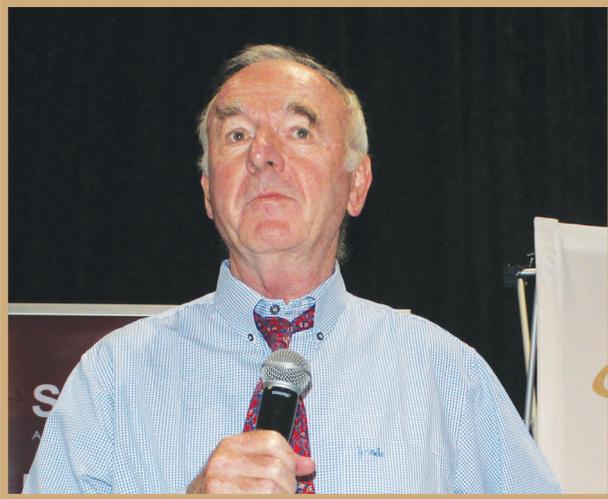
Kimi Makwetu - Auditor General



Louise Muller – CIGFARO



Isaac Tarume – SekelaXabiso



Clem Sunter – Motivational Speaker



Leigh-Anne Williams – Program Director



Liezl Groenewald – Ethics Institute



Maria Makhongela – CIGFARO



Adv. Boreka Motlanthe – ARMS



Noluthando Mandla – AGSA

PUBLIC SECTOR AUDIT AND RISK INDABA 2018 - AWARDS



PUBLIC SECTOR AUDIT AND RISK INDABA 2018 - EXHIBITION



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NEW MEMBERS

JUNIOR MEMBERS

Province	Initials	Surname	Employer	Join Date
Northern Cape	SL	Davids	Gamagara Municipality	2/5/2018
Kwa Zulu Natal	SM	Gambushe	Ray Nkonyeni Municipality	2/27/2018
Free State	NB	Kwalepe	Mangaung Metropolitan Municipality	2/5/2018
Gauteng	LL	Magagula	W&RSETA	2/21/2018
Kwa Zulu Natal	TM	Nguza	Msunduzi Municipality	1/29/2018

LICENTIATE MEMBERS

Province	Initials	Surname	Employer	Join Date
Western Cape	L	King	Matzikama Municipality	1/31/2018
Gauteng	NN	Machiane	Department of Defence	1/23/2018
Northern Cape	ZB	Mazibuko	Provincial Treasury - NC	2/20/2018
Northern Cape	DC	Mofokeng	Provincial Treasury - NC	2/20/2018
Kwa Zulu Natal	H	Osman	Richmond Municipality	2/5/2018
Northern Cape	EH	Salome	Provincial Treasury - NC	1/9/2018
Northern Cape	T	Snyders	Provincial Treasury - NC	2/27/2018

ASSOCIATE MEMBERS

Province	Initials	Surname	Employer	Join Date
Western Cape	CD	Cilliers	Matzikama Municipality	1/31/2018
Eastern Cape	GE	Diutlwileng	Private Sector	12/22/2017
Kwa Zulu Natal	LD	Mavundla	Ugu District Municipality	2/13/2018
Kwa Zulu Natal	SC	Mkhize	Umzinyathi District Municipality	2/21/2018
Western Cape	S	Naidoo	Mossel Bay Municipality	2/13/2018

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INDUSTRIALISATION & CATALYTIC PROJECTS PRACTICE

Ntiyiso Consulting's DNA is rooted in development of catalytic projects to boost economic development and industrialisation while creating jobs in the process. Over the years, Ntiyiso Consulting has conceptualised, researched, developed, fund-raised and implemented a number of farming, manufacturing and energy projects in Limpopo, Free State and North West provinces. It was from these projects that the necessary management knowledge was mastered to turn the firm into a Management Consulting outfit, which gave rise to the Governance and Strategy as well as the Revenue Management practices.

This (Catalytic Projects and Industrialisation) practice has also grown to include Business Process Outsourcing Advisory too, where we advise clients on key sourcing and outsourcing decisions, as well as investment attraction strategies.

THE CATALYTIC PROJECTS AND INDUSTRIALISATION PRACTICE OFFERS THE FOLLOWING:

ECONOMIC DEVELOPMENT ADVISORY

Ntiyiso Consulting offers Local, Provincial and National Government masterplans and studies to improve their location's ability to attract investment and promote economic development. From the studies we help clients develop and implement strategies to attract and grow investment at their locations.

PROJECT DEVELOPMENT LIFECYCLE

OPPORTUNITY DEFINITION

Ntiyiso Consulting's Innovation team identifies and defines opportunities for the development of catalytic projects such as Water, Electricity and Transport Master Plans for Local Government. We also define opportunities for industrial projects within Agriculture, Manufacturing and Energy for local economic development programmes.

FEASIBILITY STUDIES

We make detailed assessments to determine the key specific drivers of a project and to verify that the project has good prospects for success in delivering intended results.

FACILITY DEVELOPMENT/ BUSINESS PLAN DEVELOPMENT

Where specific solutions are needed following the gathering of relevant data, information is organised into a business design covering all the relevant aspects and systems in a bankable manner that our clients can rely on to commence implementation of the project.

FUNDRAISING

Ntiyiso Consulting has a team of specialists who, upon redelivering a compelling business case and business plan thereof, are able to package the projects for fundraising from various funding institutions, including DFIs.

PROJECT IMPLEMENTATION

We offer implementation services to build the facility or a system. The implementation process entails planning, execution and monitoring. The end result is an operational system.

MONITORING AND EVALUATION

As part of a change management process, it is necessary to monitor and evaluate the new systems during the formative stage. In order to help our clients bridge the gap between implementation and operations, we offer renewable monitoring contracts so as to ensure that the systems/operations implemented achieve intended results.

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In terms of the Municipal Finance Management Act, DRAFT Municipal Cost Containment Regulations have been published for comment. The MFMA is an important element in the roll out strategy to modernise and improve financial management in local government. Linked to this strategy are the fundamental principles of effective and efficient utilisation of public resources in a transparent and accountable manner.

Despite the provisions in the MFMA and the reforms developed over the last 13 years to support the implementation of the MFMA, municipalities and municipal entities continue to spend public funds and municipal resources on non-priority items. More often than not this results in a diversion of public funds from core service delivery to other expenditures resulting in dissatisfaction by communities and delays in service delivery.

Government has therefore committed in the Medium Term Strategic Framework for 2014 - 2019 to urgently implement cost saving measures across all three spheres of government to assist in reprioritizing expenditure and free up resources that can be targeted towards service delivery. These measures introduced are also intended to eliminate wastage of public resources on non-service delivery items. This will be undertaken through advocacy, strengthening the legal and policy prescripts and frameworks aimed at cost containment and ensuring the implementation thereof by municipalities and municipal entities.

The initial cost containment measures were introduced through MFMA Circular. Additional measures will also be taken to ensure a transparent tendering system by ensuring that value for money is attained through the revised procurement process. Similar measures have also been introduced in national and provincial government in terms of the Public Finance Management Act 1 of 1999.

Over the last 4 to 5 years, the Auditor-General's General Report on Local Government Audit Outcomes highlighted the extent of wastage of public resources. This was also observed through various publications in the print media and other government publications. Weak governance as well as the significant increase in the number of municipalities incurring unauthorised, irregular as well as fruitless and wasteful expenditure, were also

highlighted as areas of concern.

Building on the MFMA Circular the National Treasury, in association with other stakeholders, has drafted regulations that will promote the cost containment measures introduced in a number of spending areas.

Section 168(1)(b) and (p) of the MFMA provides that the Minister may regulate financial management and internal controls and generally, any other matter that may facilitate the enforcement and administration of the Act, respectively. The object of the draft Regulations is to ensure that the resources of municipalities and municipal entities are used effectively, efficiently and economically (regulation 2). The Regulations will apply to all municipalities and municipal entities (regulation 3).

DAILY AMOUNT IN RESPECT OF MEALS AND INCIDENTAL COSTS – SECTION 8 (1) OF THE INCOME TAX ACT, 1962 (ACT 58 OF 1962)

(No. 169 Government Gazette 41473 of 2 March 2018)

As from 1 March 2018, the following amounts will be deemed to have been actually expended by a recipient to whom an allowance or advance has been granted or paid-

- (a) where the accommodation, to which that allowance or advance relates, is in the Republic and that allowance or advance is paid or granted to defray-
 - (i) incidental costs only, an amount equal to R128.00 per day; or
 - (ii) the cost of meals and incidental costs, an amount equal to R416.00 per day; or
- (b) where the accommodation, to which that allowance or advance relates, is outside the Republic and that allowance or advance is paid or granted to defray the cost of meals and incidental costs, an amount per day determined in accordance with a published table for the country in which that accommodation is located is provided.

The following is an **extract** of the daily amount for travel outside the Republic; the full table must be accessed for other countries.

COUNTRY	CURRENCY	AMOUNT
Angola	US \$	303
Brazil	Reals	409
China (People's Republic)	US \$	127
Germany	Euro	125
Lesotho	RSA Rand	750
United Kingdom (UK)	British Pounds	102
USA	US \$	155
Zimbabwe	US \$	123

RATE PER KILOMETRE FIXED UNDER SECTION 8(1)(b)(ii) AND (iii) OF THE INCOME TAX ACT, 1962 (No. 170 Government Gazette 41473 of 2 March 2018)

The 'per kilometer' transport rates have been adjusted as from 1 March 2018. These new allowances should be taken into consideration in the finalisation of 2018/19 budgets. The new figures are as follows:

WHERE THE VALUE OF THE VEHICLE	FIXED COST R	FUEL COST c/km	MAINTENANCE COST c/km
Does not exceed R85 000	28 352	95.7	34.4
exceeds R85 000 but does not exceed R 1 70 000	50 631	106.8	43.1
exceeds R 170 000 but does not exceed R255 000	72 983	116.0	47.5
exceeds R255 000 but does not exceed R340 000	92 683	124.8	51.9
exceeds R340 000 but does not exceed R425 000	112 443	133.5	60.9
exceeds R425 000 but does not exceed R510 000	133 147	153.2	71.6
exceeds R510 000 but does not exceed R595 000	153 850	158.4	88.9
exceeds R595 000	153 850	158.4	88.9

COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES ACT, 1993 (ACT NO 130 OF 1993) REGULATIONS ON PAYMENT OF FUNERAL EXPENSES TO DEPENDANTS OF DECEASED EMPLOYEES MADE BY THE MINISTER UNDER COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES ACT, 1993 (No.82 Government Gazette 41427 of 6 February 2018)

The regulations are issued regarding payment of funeral expenses to dependants of the deceased employees. The

regulations came into effect on the date of publication (6 February 2018) and supersede all previous circular instructions or guidelines on payment of funeral expenses.

Notwithstanding any amount of funeral expenses claimed by a dependant or dependants of a deceased employee, a once -off lump sum of R18 251.00 shall be payable to such dependant or dependants.

THE ACCOUNTING STANDARDS BOARD (Board Notice 22 Government Gazette 41445 of 16 February 2018)

The following Exposure Drafts have been issued for comment:

- ED 161 – Proposed International Public Sector Accounting Standard on Leases.
- ED 162 – Proposed Strategy and Work Plan 2019-2023.

The Leases Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity for accountability and decision-making purposes.

Comment is due by 1 June 2018. The document is available electronically on the Board's website – <http://www.asb.co.za>. Comment can be emailed to info@asb.co.za

SOCIAL HOUSING ACT - THRESHOLD - PRIMARY AND SECONDARY MARKET'S HOUSEHOLD INCOME (No. 59 Government Gazette 41445 of 16 February 2018)

In terms of section 19 (1) (a) (i) of the Social Housing Act , Act No. 16 of 2008 the Minister of Human Settlements hereby publishes as public information the following information:

1. The threshold of the primary market's household income limit has been increased from R3500 to R5500 per month.
2. The threshold for the secondary market's household income limit has been increased from R7500 to R15000 per month.

The above has been amended and approved by the Minister after consultation with Members of the Executive Council responsible for human settlements and the Council of the Social Housing Regulatory Authority.

All social housing institutions and other delivery agents must ensure compliance hereof.

LEGAL CORNER - MFMA – Municipal Cost Containment Regulations

(No. 120 Government Gazette 41445 of 16 February 2018)

PUBLIC CONSULTATIONS ON THE REVISED WHITE PAPER ON NATIONAL TRANSPORT POLICY

(No. 151 Government Gazette 41469 of 28 February 2018)

The Revised White Paper on National Transport Policy (RWPNTP) has been approved by Cabinet for public comments.

The RWPNTP is an overarching policy document which informs the policy direction and objective of the Department with regards to the development of the transport sector in line with our National Development Frameworks, The New Growth Path and National Development Plan 2030. The policy further informs the intervention of government in providing safe, reliable, accessible, efficient and fully integrated transport operations and infrastructure to best meet the needs of freight and passenger customers.

Pursuant to the objectives of the of the 1996 White Paper which aimed largely to support the Reconstruction and Development Programme, the RWPNTP aims to position transport as a means of improving South Africa's competitiveness and that of its transport infrastructure and operations both locally and internationally. Copies of the RWPNTP document can be downloaded from the departmental website: www.transport.gov.za. The deadline for comments is 30 March 2018.

ECONOMIC REGULATION OF TRANSPORT BILL, 2018

(No. 106 Government Gazette 41437 of 12 February 2018)

The purposes of the proposed Act are to -

- a) promote the development of a competitive, efficient and viable South African transport industry contributing to economic growth and development;
- b) promote the development of an integrated system of economic regulation of transport of passengers and goods, through airports or ports, and by road or rail;
- c) promote efficiency, reliability, safety and performance in the management and operation of transport facilities and services, in accordance with recognised international standards and public demand;
- d) establish appropriate institutional arrangements and procedures to support the consistent economic regulation of transport facilities and services;
- e) enhance transparency in the management of transport facilities and services; and
- f) promote appropriate investment in transport facilities and services.

The Bill furthermore recognizes that transport regulation implicitly affects matters that fall under the functional area of concurrent jurisdiction between national, provincial

and municipal government in terms of Schedule 4 to the Constitution.

To this end, the Bill provides for the Minister to consult the relevant Members of the Provincial Executive Councils, and municipalities, with respect to the:

- a) co-ordination and harmonization of the functions of the Regulatory Authorities and the provincial and municipal authorities; and
- b) facilitation of settlement of any dispute between the Regulator and any provincial or municipal authority.

DEPARTMENT OF TRANSPORT: NOTIFICATION OF THE DEVELOPMENT OF A ROADS POLICY FOR SOUTH AFRICA

(No. 192 Government Gazette 41479 of 2 March 2018)

A national policy on roads is of particular importance to local government, given a municipality's constitutional competence regarding **Municipal roads**, and for that reason municipalities' voices should be heard. The consultation process makes it difficult for them to participate and is **unreasonable** -

1. The Gazette was published, and only became available late on Friday 2 March, whilst the first round of public consultation meetings is scheduled for Tuesday 6 March
2. The draft policy is not available on the advertised website

According to the executive summary of the draft roads policy, 'various challenges' inhibiting the sector's 'contribution to ... economic and social development objectives' include the roads maintenance 'backlog' and low levels of investment in improving national roads network infrastructure. To address this, an 'integrated funding model' is envisaged among other things drawing on 'government support' in applying the user pays principle by way of tolling, congestion charges, 'weight over distance charging' and cross border levies. 'Exceptional, consistent leadership over a long period' is apparently required to tackle SA's road safety problems, which are attributed to 'different levels of road user education', 'high levels of corruption' and an 'ageing vehicle fleet'. Among other things, it is mooted that 'technology' should be used to 'train and test drivers' given the 'corruption ... reported widely in the driver testing environment'.

The Department of Transport previously published the **TRANSPORT APPEAL TRIBUNAL AMENDMENT DRAFT BILL 2017** for comment.

The Bill seeks to amend the Transport Appeal Tribunal Act, 1998 so as to:

- bring the Act up to date with the developments since the implementation of the Act;
- provide for certain powers of the Transport Appeal Tribunal;

- allow the Minister to extend the term of the members of the Tribunal;
- clarify or simplify various provisions since the implementation of the Act.

On 1 August 2017 Cabinet approved the **DRAFT GREEN TRANSPORT STRATEGY** to be published for public comments. This strategy will form the cornerstone of policy development within the transport sector regarding the lowering of the GHG emissions. The aim of this strategy is to minimize the adverse impact of transport on the environment while addressing current and future transport demands based on sustainable development principles. Transport systems form the backbone of South Africa's socio-economic activities by enabling the movement of people and goods. However, emissions from the transport sector account for 10.8% of the country's total greenhouse gas (GHG) emissions, with road transport being responsible for 91.2% of these GHG emissions. South Africa has pledged a GHG emissions reduction target of 34% by 2020 and 42% by 2025.

WATER ACT OF 1998: IRRIGATION BOARDS AND WATER USERS ASSOCIATIONS INSTRUCTION TO INSTALL WATER MEASURING DEVICES FOR WATER TAKEN FOR IRRIGATION PURPOSES AND TO MONITOR COMPLIANCE TO REGULATIONS
(No. 151 Government Gazette 41469 of 28 February 2018)

Irrigation Boards and Water Users Associations that have water use authorizations to abstract are required to install water measuring devices one month from the date of publication of this notice. The measuring devices must be selected, installed, operated and maintained according to Government Notice 131 of 2017. This requirement supersedes any other requirement to measure that may have issued, including conditions attached to the water use authorization.

Irrigation Boards and Water Users Associations are to instruct their water user members to install water measuring devices in line with Government Notice 131 of 2017. Water users are required to submit water measuring records on a monthly basis directly or through the Water Users Association or Irrigations Board depending on their location.

Irrigation Boards and Water Users Associations are to monitor compliance of their water user members to the measuring requirements contained in Government Notice 131 of 2017. Irrigation Boards and Water Users Associations are to provide investigation or compliance reports to the Provincial Heads of the Department of Water and Sanitation in cases of noncompliance in order to initiate enforcement process in terms of Sections 53 and 54 of the National Water Act of 1998 (Act 36 of 1998).

DRAFT POWERS, PRIVILEGES AND IMMUNITIES OF PARLIAMENT AND PROVINCIAL LEGISLATURES AMENDMENT BILL, 2018

(No. 78, Government Gazette 41456 of 23 February 2018)

This is an important Bill for the particular interest of national and provincial government office bearers and officials. An invitation was put out to comment on the content of this draft Bill with a closing date of 26 March 2018.

The Powers, Privileges and Immunities of Parliament and Provincial Legislatures Act, 2003 (Act No. 4 of 2004), (hereinafter referred to as the "principal Act"), came into operation on 7 June 2004. The main purpose of the principal Act is to define and declare certain powers, privileges and immunities of Parliament, provincial legislatures, members of the National Assembly, delegates to the National Council of Provinces; and to provide for incidental matters thereto.

On 18 March 2016, the Constitutional Court, in the Democratic Alliance v Speaker of the National Assembly and others CCT 86/15 matter ("the judgment"), declared section 11 of the principal Act to be invalid in that it applied to members. The Constitutional Court ruled that the omission of the words "other than a member" after the word "person" at the beginning of section 11 of the principal Act is declared to be inconsistent with the Constitution. The Constitutional Court further stated that section 11 of the principal Act is to be read as though the words "other than a member" appear after the word "person" at the beginning of the section. The Constitutional Court also found that parliamentary free speech as contained in sections 58(1Xa) and 71(1Xa) of the Constitution is subject only to rules and orders and may not be regulated in an Act of Parliament.

The Powers, Privileges and Immunities of Parliament and Provincial Legislatures Amendment Bill, 2018 ("the Bill"), addresses the judgment by providing that a "disturbance" does not include an act committed by a member in the exercise of his or her freedom of speech as contemplated in sections 58(1) and 71(1) of the Constitution; and providing that the arrest and removal, on the order of a presiding officer, of a person who creates or takes part in any disturbance on the precincts is not applicable to a member. The Bill, inter a/ia, further provides that a provincial legislature may choose to either appoint a standing committee or establish an ad hoc committee to deal with disciplinary action against members of a provincial legislature for contempt of that provincial legislature; provides that the Speaker of a provincial legislature exercises control and authority over the precincts on behalf of that provincial legislature; clarifies vague sections in the Act; and effects technical and grammatical corrections. 

REPORTING REQUIREMENTS - LOCAL GOVERNMENT

MAY

NO	REPORTING REQUIREMENT	LEGISLATION	LEGISLATION DEADLINE	RESPONSIBLE PERSON	TO WHOM
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	Banking details of all mun bank accounts	MFMA 9(b)	Annually, May/June	Accounting Officer	Prov Treas, AG
4	Exceedance of the Capital Budget	MFMA 31	Promptly	Mun Manager	Prov Treas, AG
5	Unauthorised, irregular, wasteful or fruitless expenditure	MFMA 32(4)	Promptly	Accounting Officer	Mayor, MEC (Loc Govt), AG
6	Advertise/advise new long-term debt	MFMA 46(3) (a)(ii)	Promptly	Accounting Officer	Nat Treas, Prov Treas, Public
7	Serious financial problems	MFMA 54(2)	Promptly	Mayor	Mun Council, MEC (Loc Govt)
8	Impending shortfalls in budgeted revenue & over-spending & steps taken to prevent / rectify	MFMA 70(1)	Promptly	Accounting Officer	Municipal Council
9	Overdrawn bank accs, reasons, rectifying	MFMA 70(2)	Promptly	Accounting Officer	Nat Treas
10	Statement: Budget etc per requirements	MFMA 71(1)	1-10 Days after month-end	Accounting Officer	Mayor, Prov Treas
11	Failure to adopt / implement budget related policies	MFMA 73	Promptly	Accounting Officer	Prov Treas
12	Returns, documents, information, explanations & motivations as prescribed	MFMA 74(1)	As prescribed	Accounting Officer	Nat Treas, Prov Treas, AG, Lgovt
13	Entity - details of a new bank account	MFMA 86(1)(a)	90 Days after opening	Entity Acc Officer	Acc Officer of parent Mun
14	Entity - details of a all bank accounts	MFMA 86(1)(b)	Annually, May/June	Entity Acc Officer	Acc Officer of parent Mun
15	Submit info re entity banking details	MFMA 86(2)	Upon Receipt	Accounting Officer	Nat Treas, Prov Treas, AG
16	Entity - Stmt: budget etc per requirements	MFMA 87(11)	1-10 Days after month-end	Entity Acc Officer	Acc Officer of parent Mun
17	Entity - Impending shortfalls & steps	MFMA 101(1)	Next meeting	Entity Acc Officer	BOD of entity, Parent Mun & Council
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	All monthly returns (MFMA, DORA, etc)		10 Days after month-end	Acc Officer etc	Nat Treas
25	Non-Financial Census of Municipalities	Stats Act (1999/16)	End May	Acc Officer etc	Statistics SA

JUNE

(4TH QUARTER OF FINANCIAL YEAR)

NO	REPORTING REQUIREMENT	LEGISLATION	LEGISLATION DEADLINE	RESPONSIBLE PERSON	TO WHOM
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	Banking details of all mun bank accounts	MFMA 9(b)	Annually, May/June	Accounting Officer	Prov Treas, AG
4	Exceedance of the Capital Budget	MFMA 31	Promptly	Mun Manager	Prov Treas, AG
5	Unauthorised, irregular, wasteful or fruitless expenditure	MFMA 32(4)	Promptly	Accounting Officer	Mayor, MEC (Loc Govt), AG
6	Advertise/advise new long-term debt	MFMA 46(3) (a)(ii)	Promptly	Accounting Officer	Nat Treas, Prov Treas, Public
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	Failure to adopt / implement budget related policies	MFMA 73	Promptly	Accounting Officer	Prov Treas
12	Returns, documents, information, explanations & motivations as prescribed	MFMA 74(1)	As prescribed	Accounting Officer	Nat Treas, Prov Treas, AG, Lgovt
13	Entity - details of a new bank account	MFMA 86(1)(a)	90 Days after opening	Entity Acc Officer	Acc Officer of parent Mun
14	Entity - details of a all bank accounts	MFMA 86(1)(b)	Annually, May/June	Entity Acc Officer	Acc Officer of parent Mun
15	Submit info re entity banking details	MFMA 86(2)	Upon Receipt	Accounting Officer	Nat Treas, Prov Treas, AG
16	Entity - Stmt: budget etc per requirements	MFMA 87(11)	1-10 Days after month-end	Entity Acc Officer	Acc Officer of 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	All monthly returns (MFMA, DORA, etc)		10 Days after month-end	Acc Officer etc	Nat Treas

REPORTING REQUIREMENTS - LOCAL GOVERNMENT

JULY

NO	REPORTING REQUIREMENT	LEGISLATION	LEGISLATION DEADLINE	RESPONSIBLE PERSON	TO WHOM
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 Council, MEC (Loc Govt)
8	Annual Budget not approved yet	MFMA 55	Promptly	Mayor	MEC (Loc Govt)
9	Impending shortfalls in budgeted revenue & over-spending & steps taken to prevent / rectify	MFMA 70(1)	Promptly	Accounting Officer	Municipal Council
10	Overdrawn bank accs, reasons, rectifying	MFMA 70(2)	Promptly	Accounting Officer	Nat Treas
11	Statement: Budget etc per requirements	MFMA 71(1)	1-10 Days after month-end	Accounting Officer	Mayor, 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 - Impending shortfalls & steps	MFMA 101(1)	Next meeting	Entity Acc Officer	BOD of entity, Parent Mun & Council
17	Table report above	MFMA 101(2)	Next Council meeting	Accounting Officer	Municipal Council
18	Entity - Unauthorised, irregular, wasteful or fruitless expenditure	MFMA 102(1)	Promptly	BOD of entity	Mayor, Mun Mngr of parent mun
19	Entity - Returns, documents, information, explanations & motivations as prescribed	MFMA 101(1)(b)	As prescribed	Entity Acc Officer	Nat Treas, Prov Treas, AG, Lgovt
20	Entity - Improper interference by Cllrs	MFMA 103	Promptly	Entity Acc Officer	Speaker of parent mun Council
21	Deviations from a recommended tender	MFMA 114(1)	Promptly	Accounting Officer	Nat Treas, Prov Treas, AG
22	Entity - Deviations from a recom. tender	MFMA 114(1)	Promptly	Entity Acc Officer	Nat Treas, Prov Treas, AG
23	Prepare & submit Financial Statements	MFMA 126(1)(a)	1-2 months after Fin Y-end	Accounting Officer	AG
24	Entity - Prep & submit Fin Statements	MFMA 126(2)	1-2 months after Fin Y-end	Entity Acc Officer	Parent Municipality
25	Prep & submit Consolidated Fin Stmnts	MFMA 126(1)(b)	1-3 months after Fin Y-end	Accounting Officer	AG
26	Entity - Submit annual report	MFMA 127(1)	1-6 months after Fin Y-end	Entity Acc Officer	Municipal Manager
27	Table mun & entity annual report	MFMA 127(2)	1-7 months after Fin Y-end	Mayor	Municipal Council
28	Reasons for delay of tabling annual report	MFMA 127(3)(a)	Promptly	Mayor	Municipal Council
29	Submit Annual report	MFMA 127(5)	Immediately after report is tabled in Council	Accounting Officer	AG, Prov Treas, Prov Lgovt
30	Non-compliance & reasons of non-complia	MFMA 128©	Promptly	Accounting Officer	Mun Council, Prov Treas, AG
31	Submit copies of Council mtngs (annual report discussions)	MFMA 129(2)	Promptly	Accounting Officer	AG, Prov Treas, Prov Lgovt
32	All annual returns		Middle July	Acc Officer etc	Nat Treas
33	All monthly returns (MFMA, DORA, etc)		10 Days after month-end	Acc Officer etc	Nat Treas
34	All Quarterly returns (MFMA, DORA, etc)		20 Days after end of Qtrr	Acc Officer etc	Nat Treas
35	Quarterly statistics of Local Government	Stats Act (1999/16)	3 Weeks after qrtr end	Acc Officer etc	Statistics SA
36	Actual & expected Cap Exp	Stats Act (1999/16)	3 Weeks after qrtr end	Acc Officer etc	Statistics SA

SAVE THE DATE FUTURE EVENTS



2018

PUBLIC SECTOR FINANCE
GRAP SEMINAR

2 - 3 JULY - GAUTENG



2018

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