

Summary of the

# **CIGFARO**

## **88<sup>th</sup> Annual Conference**

**9 to 11 October 2017**

**Sustaining service delivery amidst the  
challenging economic climate**



Compiled by:

**pwc**



# Table of contents

1	INTRODUCTION AND CONFERENCE HIGHLIGHTS	4
2	SUMMARIES OF THE CONFERENCE PRESENTATIONS	12
DAY 1	S1. WELCOMING ADDRESS	14
	S2. OPENING OF THE CONFERENCE	16
	S3. KEYNOTE ADDRESS	19
	S4. PANEL DISCUSSION: FINANCIAL SUSTAINABILITY IN A FLAILING ECONOMY THROUGH MAXIMISING THE REVENUE-GENERATION POTENTIAL OF THE REVENUE BASE	22
	S5. GOOD FISCAL GOVERNANCE AS AN ENABLER OF SERVICE DELIVERY EXCELLENCE	26
	S6. PANEL DISCUSSION: SPATIAL PLANNING FOR EFFECTIVE INTEGRATION AND LAND USE MANAGEMENT	29
	S7. MSCOA CURRENT STATUS UPDATE	32
	S8. SUSTAINABILITY: INTEGRATION OF SYSTEMS	34
DAY 2	S9. INNOVATION IN FINANCING	36
	S10. THE FISCAL FRAMEWORK: REFORMS	38
	S11. ETHICS THAT CONTRIBUTE TO ACHIEVING AN EXEMPLARY ADMINISTRATION	41
	S12. PROCUREMENT PRACTICES	44
	S13. STRATEGIES FOR URBAN RENEWAL AND CITY CENTRES	47
	S14. AUDIT AND RISK MANAGEMENT	49
	S15. MSCOA AND EXPENDITURE MANAGEMENT	53

# Table of contents

DAY 2	S16. ASSET MANAGEMENT	56
	S17. IT MANAGEMENT AND GOVERNANCE	59
	S18. PUBLIC FINANCE MANAGEMENT	62
	S19. THE IMPACT OF LEGISLATION ON SERVICE DELIVERY	64
DAY 3	S20. NAVIGATING THE ETHICAL DILEMMAS AMIDST THE CHALLENGING CLIMATE	66
	S21. INTERDEPENDENCIES AND CLIMATE IMPACTS ON THE SUSTAINABILITY OF CITIES	68
	S22. THE CHALLENGE OF EFFECTIVE AND ETHICAL LEADERSHIP IN MUNICIPALITIES AMIDST THE CHALLENGING ECONOMIC CLIMATE	70
	S23. ACKNOWLEDGEMENT OF INTERNATIONAL DELEGATES AND EXHIBITOR AWARDS	72
	S24. BACK TO THE BASICS OF ORGANISING POWER TO SUSTAIN SERVICE DELIVERY	74
3	Summary of the Student Conference	78

# Introduction and conference highlights





# *Introduction and conference highlights*

The Chartered Institute of Government Finance, Audit and Risk Officers (CIGFARO) held its 88<sup>th</sup> annual conference from 9 to 11 October 2017 at the Cape Town International Convention Centre (CTICC).

The purpose of this document is to present a summarised view of the presentations and panel discussions held during the conference.

The comments and views expressed are purely those of the presenters and do not represent those of PwC or of CIGFARO.

The conference theme was ***“Sustaining service delivery amidst the challenging economic climate”*** and delegates were welcomed by the sounds of drumming and the chants of celebratory songs by the children from Mosheshe Primary School.

The three days flew by, with thought-provoking addresses by the keynote speakers, insightful presentations as well as a truly inspiring motivational talk from a South African legend.

A total of 24 sessions were held over the three days where elective sessions were held on Tuesday and the plenary sessions were held on Monday and Wednesday.

The conference was well attended, with approximately 1 700 delegates representing all three spheres of government.

The exhibition hall was filled with impressive stands by event sponsors and exhibitors.

We have prepared a synopsis of each of the presentations, below, and the summaries are included under section 2 of this report. We also encourage delegates to visit the CIGFARO website, where the full presentations have been uploaded and are available for your reference: [www.CIGFARO.co.za](http://www.CIGFARO.co.za)



# Introduction and conference highlights continued

Interesting statistics shared by the presenters:

*“48 out of 253 municipalities have received a clean audit. Nearly 80% of municipalities’ audit queries are related to compliance”.*

**Jobs lost in 2017**



**Unemployment rate**



**Unemployed youth**



Location dilemma = distance away from work

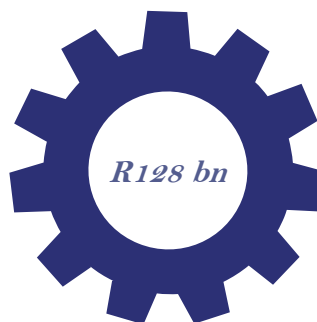
Families spend up to 43% of disposal income on transport

“Land use management is now seen as an institutional matter”

Cities are key – “Engines of Growth”  
No growth in cities = no growth in the economy

SARS grant recipients  
18 million

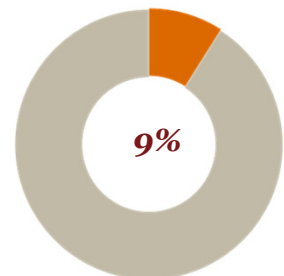
Registered indigent households  
3.1 million



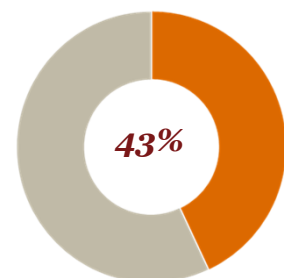
Debt owed to municipalities

*Vertical division of revenue by National Treasury for 2017/18 financial year (% of national budgeted revenue):*

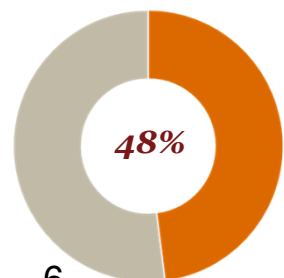
Local Government



Provincial Government

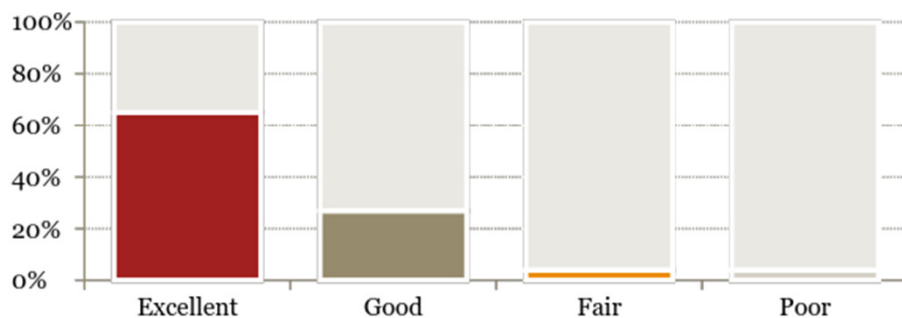


Government National



# Introduction and conference highlights continued

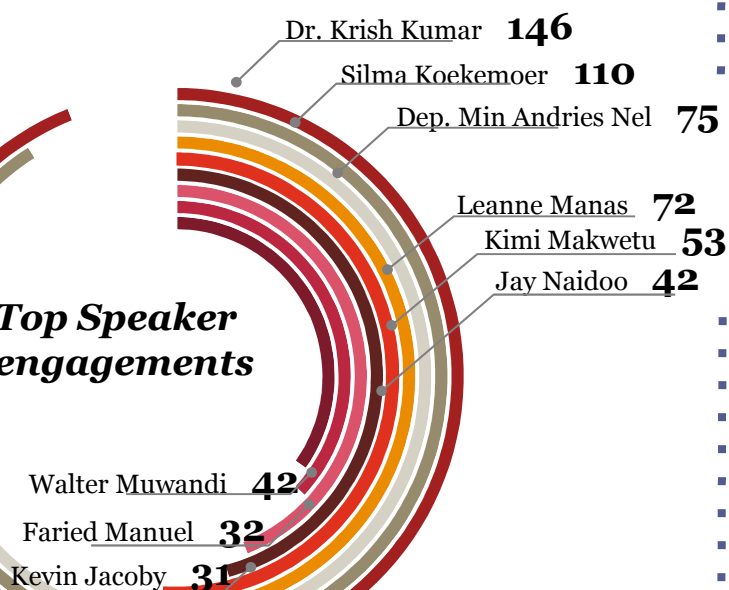
Interesting feedback from the delegates generated from the conference app:



Overall rating of the 88<sup>th</sup> CIGFARO conference



## Top Speaker engagements



# *Introduction and conference highlights continued*

A synopsis of each of the presentations and panel discussions is presented below. These are elaborated on in the summaries in section 2 of this document.

As indicated earlier in the document, please refer to the detailed presentations on the CIGFARO website for more information about the topics and presenters.

## **Day 1**

### **S1**

*The welcoming address was presented by Cllr Johannes van der Merwe from the City of Cape Town, who welcomed all delegates to Cape Town. He highlighted the importance of the conference to discussions in the context of the challenges facing municipalities and, particularly, the major cities around the country.*

### **S2**

*Dr Kumar, the president of CIGFARO, set the scene for the opening of the conference by providing the audience with important statistics on the current state of local government and the public sector. He also provided practical suggestions for what needs to be done to improve the image for government in South Africa.*

### **S3**

*Deputy Minister Andries Nel of CoGTA presented on the progress made by South Africa over the 23 years of our democracy. He unpacked the Back to Basics concept and highlighted the importance of the Integrated Urban Development Framework (IUDF).*

### **S4**

*A vibrant debate about the financial sustainability of municipalities amidst the current economic conditions, facilitated by Leanne Manas. The discussion explored the correct state of the economy, which options are available to municipal leadership to ensure sustainability, as well as the importance of effective leadership.*

### **S5**

*Auditor-General, Mr Kimi Makwetu presented on the key role that risk management officials play to support municipalities to achieve their mandate. He emphasized the trust that stakeholders place on the opinion of audit professionals and the importance of objective opinions. He also took questions about the future of the audit profession.*

# *Introduction and conference highlights continued*

## **S6**

*The last panel discussion focused on spatial planning and the impact this has on the lives of citizens. The panel, which included Kevin Jacoby, Geoffrey Bickford and Malijeng Ngqaleni, gave their insights into current developments and answered audience questions. They talked mainly about transport infrastructure and the Spatial Planning and Land Use Management Act (SPLUMA).*

## **S7**

*Ms Silma Koekemoer provided her insight into the Municipal Regulations on a Standard Chart of Accounts (mSCOA) updates. The regulation required all municipal entities to go live on the mSCOA chart from 1 July 2017 and mSCOA version 6.2 is due for release with the budget circular in the first week of December 2017.*

## **S8**

*Mr Walter Murwandi presented on the integration of systems, the internet of things, big data and artificial intelligence, and their application in local government. He also performed an artificial intelligence demonstration which was considered to be very impressive by all.*

## **Day 2**

## **S9**

*Innovation in financing was presented by Mr Faried Manuel of the DBSA. The focus of his presentation was to explain what DBSA is and what services it provides. He mentioned that DBSA is a financial institution that was set up by government as part of a family of financers, to finance different parts of the economy.*

## **S10**

*Ms Wendy Fanoë's presentation focused on the Local Government Fiscal Framework and the current reforms underway on the Local Government infrastructure conditional grant system.*

## **S11**

*The session on ethics was presented as a panel discussion, hosted by Sandile Mnguni and Fatima Khan from eThekweni Municipality and Louise Muller from the City of Cape Town. The discussion dealt with the definition and importance of ethics in an environment where people are the custodians of the public purse.*



# *Introduction and conference highlights continued*

## **S12**

*Ms Linda Le Roux from the Auditor-General presented on AGSA's findings from its audit of the supply chain processes and transactions at municipalities. She emphasised the fact that the losses identified are significant, in excess of R27 billion, and the concern is that municipalities are not taking appropriate actions to address the issues.*

## **S13**

*The discussion on strategies for urban renewal provided both a private and a public sector perspective on the levers available to drive urban rejuvenation.*

## **S14**

*The audit and risk management session looked at corporate governance in municipalities and the concept of combined assurance as a means to improve the resilience of municipalities to financial loss.*

## **S15**

*The mSCOA and expenditure management session looked at the progress made by municipalities since the mSCOA go-live date of 1 July 2017. It also explored the importance of and focus areas for expenditure management to ensure financial viability in municipalities.*

## **S16**

*The asset management session highlighted the importance of active, timely and effective asset management, as municipal performance is ultimately influenced by the asset capacity it holds.*

## **S17**

*The IT management and governance session explored the ICT journey that government has been on since the Presidential Review Commission report of 1998.*

## **S18**

*The session on public finance management focused mainly on the professionalisation of public finance practitioners in an effort to improve the overall competence of and pride associated with public officials who perform financial duties.*

## **S19**

*The session on the impact of legislation on service delivery explored the dynamics around where municipal resources are currently being spent versus where they should be spent. There is currently a significant focus on compliance and this has contributed to the poor service delivery experienced by communities.*

# *Introduction and conference highlights continued*

## **Day 3**

### **S20**

*The navigating ethical dilemmas session was presented by Mr Themba Godi, who highlighted the importance of a risk-based approach to management and objectivity in decision-making.*

### **S21**

*Mr Hastings Chikoko presented on the interdependencies and climate impacts of cities. He covered the C40 Cities Climate Leadership Group and its role in addressing climate change.*

### **S22**

*Mr Parks Tau presented on the current state of the economy, the challenges faced by local government and the support available to municipal executives from SALGA.*

### **S23**

*An awards presentation was held for the exhibitors with the following categories being acknowledged:  
The best stand award: Phoenix ERP Solutions  
The most original design award: CRF Consolidated Retirement Fund; and  
The best shell scheme stand award: M One Power*

### **S24**

*The conference concluded with a motivational speech given by Mr Jay Naidoo.*

## **Student conference**

*The first ever special conference for students was launched which was aimed at preparing students for the working world*

## Summaries of conference presentations



# *Summaries of conference presentations*

On day two, sessions 11 to 19 were split across three venues at the CTICC and delegates were required to choose their preferred topics over the three periods.

The sessions on day three were once again held consecutively in the main auditorium. Representatives from PwC were in attendance at each of the sessions and the summaries over the following pages are of these sessions.

Note that the detailed presentations are available on the CIGFARO website. Please visit [www.CIGFARO.co.za](http://www.CIGFARO.co.za) to view and download the presentations.





# S1

## Welcoming address

### **Program directors:**

M Memani

PN Marota

### **Presenter:**

Cllr Johannes van der Merwe, *MAYCO*  
*member for Finance (CoCT)*





# Welcoming Address

The welcoming address was presented by Cllr Johannes van der Merwe from the City of Cape Town who welcomed all delegates to Cape Town and highlighted the importance of the conference to discussions in the context of the challenges facing municipalities and, particularly, major cities around the country. Cllr van der Merwe highlighted the following key statistics:



## *Urbanisation*

It is predicted that by **2050, 64%** of the developing world and **86%** of the developed world will be urbanised.



## *Climate change*

Cities and local authorities are the major contributors to climate change. The World Bank forecasts that water availability in cities will **decline** by as much as **two - thirds by 2050** as a result of climate change and competition from energy generation and agriculture - Cape Town is an example of this.



## *Access to electricity*

Across the developing world, about **150 million people** in cities continue to lack access to electricity. This problem has existed for decades and was usually considered the responsibility of national government, as it is typically the party with capital and authority to build electricity generation and transmission capacity. However, there is growing recognition that local government holds important tools with which to address this issue.



## *Transport*



## *Economic climate and job creation*

Sustainable transport systems make a positive contribution to the environmental, social and economic sustainability of the communities they serve, but the real purpose of transport is **access**. Access to work, education, goods and services, as well as friends and family. Taxis transport approximately **15 million** commuters daily.

Local government can play a key part in creating jobs for millions of youth that enter the workforce every year. However, mayors and city leaders cannot do this alone - only close partnerships with private sector firms and industries will generate more jobs.

An example of this is the City of Cape Town. The city has an **unemployment rate of 25.3%** and a labour absorption rate of **52.7%**. This equates to roughly **500 000 unemployed residents** living in the city and a **labour force of 1.9 million people**. Cape Town's economy is a service-driven economy - **67% of economic output** in 2014 was through services, mainly finance and business services, which contributed **32.6%** to the local economy's gross value added.

# S2

## Opening of the conference

**Program directors:**

M Memani  
PN Marota

**Speaker:**

Dr Krish Kumar, *CIGFARO President*



# Opening of the conference

Dr Kumar, the president of CIGFARO, set the scene for the opening of the conference by providing the audience with important statistics on the current state of local government and the public sector. He mentioned that there needs to be an alignment of the three spheres of government with the National Development Plan, Integrated Development Plans (IDP's), etc. to ensure compact cities and sustainable development. This alignment will also help address the issues of unemployment, poverty and inequality in South Africa. He then gave an indication of joblessness in the economy and the impact it is having on the public sector.

*Dr Kumar highlighted the following:*



*48 000 jobs* were lost in the first quarter of 2017 and another *34 000 jobs* in the second quarter. There is an unchanged unemployment rate of *27.7%* (*increased to 43% if considering the broader definition of unemployment*). There is an unemployment rate of *56%* among those aged between *15 and 24*.

*What can we do to turnaround these negative perspectives on what the public is saying?*

- ACT - Action Changes Things;
- Corporate Governance should be the hallmark of whatever we do
- It's about getting "Back-To-Basics"
- Dealing with one problem at a time
- Lets not be **RE**active but **PRO**active
- Build trust through transparency
- Economic growth
- Sustainable procurement
- Improve service delivery
- Stand up and speak out
- Address unemployment

*What is the public saying?*

*"Corruption."*



*"End poverty."*

*"No confidence."*

*"Education is not a privilege."*



*"Fees must fall."*



*"Land reform."*

*"If you are not service-orientated, move to another job. Treat government as your business and you will take a whole new perspective to the meaning of what you do."*

## Opening of the conference continued

After outlining these challenges, Dr Kumar stated that government has to provide more. He added that our country is in a recession, and we need to find ways to address these challenges. Improvements are required in the areas of revenue collections and operational efficiencies. He also mentioned the need for strong leadership and zero tolerance to any political interferences and addressing the culture on non-payment.

### Vertical division of revenue for 2017/18 financial year:

- Local government - **9%** of national fiscal;
- Provincial government - **43%** of national fiscal;
- National government - **48%** of national fiscal.

*Is this fair on local government?*

*Do we have the capacity to spend more?*

### Some of the key challenges facing government:

#### Local government

- **Sustainability** – local government is not spending enough on repairs and maintenance.
- **Job creation** – should be the number- one priority for government and be conducted in an inclusive manner for all.
- **Cost containment** – regulations should be put in place by National Treasury to manage the way money is collected.

- Provinces are **projected to overspend** by **R8.96 billion**.
- **Education** makes up **41%** of the 2017/18 budget for provinces – Fees Must Fall campaign has been one of the key challenges facing education.
- **Health** makes up **34.3%** of the budget for provinces – National Health Insurance (NHI) is the key challenge facing provinces moving forward.

#### Provincial government

Dr Kumar summed up the session by reiterating the relevance of the conference theme, ‘*Sustaining service delivery amidst the challenging economic climate*’ and ended with a quote from Ban Ki-Moon: **“We are the first generation to be able to end poverty, and the last generation that can take steps to avoid the worst impacts of climate change. Future generations will judge us harshly if we fail to uphold our moral and historical responsibilities”.**

The conference was officially opened.

# S3

## Keynote address: Back to Basics (B2B) and the integrated Urban Development Framework (IUDF) Plan

### **Program directors:**

M Memani

PN Marota

### ***Speaker:***

Deputy Minister Andries Nel, *Ministry of CoGTA*





## *Back To Basics (B2B and the Integrated Urban Development Framework (IUDF) Plan*

Deputy Minister Andries Nel of CoGTA, presented on the progress made by South Africa over the 23 years of our democracy. He unpacked the Back to Basics concept and highlighted the importance of the Integrated Urban Development Framework (IUDF) Plan. He started by saying it was an honor to be granted the keynote address at the 88<sup>th</sup> Annual Conference of CIGFARO. He humorously clarified that CIGFARO is not a cigar brand, nor is it a lobby group for the tobacco industry. It is the very important Chartered Institute of Government Finance, Audit and Risk Officers, chaired by Dr Krish Kumar”.

*“To eliminate poverty and reduce inequality, the economy must grow faster and in ways that benefit all South Africans.”*

*“Young people deserve better education and economic opportunities, and focused efforts should be implemented to eliminate gender inequality.”*

The Deputy Minister stated that South Africa has made remarkable progress in the transition from apartheid to a democracy, and the National Development Plan (NDP) seeks to both sustain and deepen this progress.

He also pointed out that 23 years into our democracy, South Africa remains a highly unequal society. The apartheid spatial divide continues to dominate the landscape in our cities and towns. The legacy of apartheid continues to determine life opportunities for the vast majority of South Africans.

The National Development Plan envisages a South Africa where everyone feels free, yet bounded to others, and everyone embraces their full potential in a country where opportunities are determined not by birth but by education and hard work. *Realising such an economy will require a transformation of the economy and focused efforts to build the country’s capabilities.* Progress over the next two decades means doing things very differently, he concluded.

### **The NDP sets six interlinked priorities**

Uniting program to achieve prosperity and equity	Promoting active citizenry to strengthen development, democracy and accountability	Bringing about faster economic growth, higher investment and greater labour absorption	Focusing on key capabilities in both citizens and the state	Building a capable and developmental state	Encouraging strong leadership throughout society to work together to solve problems better
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## *Back To Basics (B2B) and the IUDF Plan continued*

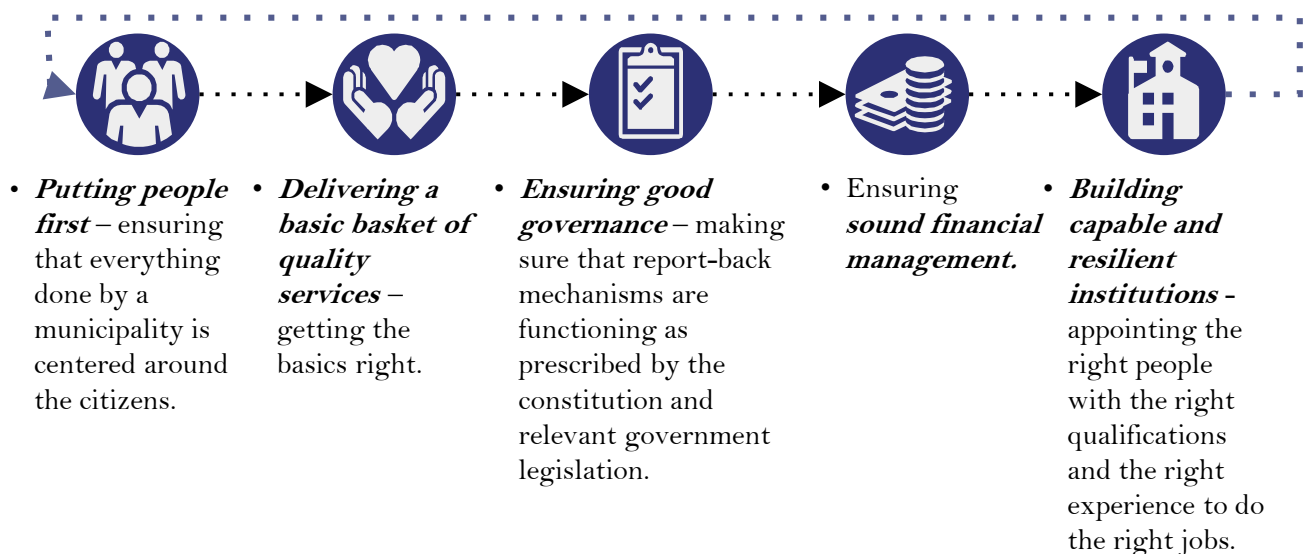
Essential to the successful implementation of the NDP is strong, well-functioning local government and financial sustainability, according to the Deputy Minister. He discussed the importance of the role of local government and the reason government adopted the Back to Basics approach at the Second Presidential Local Government Summit held in September 2014.

The Back to Basics (B2B) approach is based on a comprehensive assessment of South Africa's **257 municipalities**, which includes criteria such as political stability, governance and service delivery.

He added that the summit agreed with the assessment that *one-third of municipalities were **doing well**, one-third were **getting many things right but faced challenges** and one-third, quite frankly, **were dysfunctional**.*

He pointed out that the state of debt owed to municipalities as of June 2017, had grown to **R 128.4 billion**, which is not all necessarily collectable.

### The Back to Basics (B2B) approach is based on five pillars



In conclusion, Deputy Minister Andries Nel said the significant outstanding municipal debt balance poses a **serious threat to municipal financial stability and sustainability**, and that the successful implementation of the NDP requires **strong leadership** from government, business, labour and civil society.

# S4

**Panel discussion: Financial sustainability in a failing economy through maximising the revenue generation potential of the revenue base**

**Program director:**  
*Leanne Manas*



## *Financial sustainability in a flailing economy through maximising the revenue-generation potential of the revenue base*

A vibrant debate about the financial sustainability of the municipality amidst the current economic conditions, facilitated by Leanne Manas, explored the correct state of the economy, options available to municipal leadership to ensure sustainability, and the importance of effective leadership.

**“Are we in a slowdown or a crisis?”**

The NDP looks for an economic growth rate of **5.4% per annum** which should be accompanied by a **growth in employment of 3%**, said Dr Mabugu.

**Growth rates**, however, are **2% lower on average** compared to the recession of 2009 to 2016, and the period prior to that (1994–2008).

According to Dr Mabugu, this should have income, which have now been forgone by local government, that could have been used to fund important basic services. The loss of revenue due to the slowdown in economic growth is about **R3.4 billion per annum**.

**Slower growth** and new fiscal demands (e.g. health and education expenditure) means that **maximising revenue** and enhancing value for money become critical to fiscal sustainability.

Leanne Manas provided a background to the topic and introduced the panel and facilitated the questions and answers. Dr Ramos Mabugu started the discussion by explaining that South Africa is currently experiencing a recession, and as a result, there has been an increase in indigent consumers and the shutting down of local industries.

***Dr Mabugu emphasised the need to address government efficiencies by:***

### Improving procurement

Management of the public sector wage bill, supported by linking the wage bill to productivity; leveraging technology; and investing in monitoring and evaluation capabilities, which should be cascaded through to local government level

Improving municipal efficiencies by cutting costs through energy savings, reduction of water and electricity losses, maintenance of infrastructure and proper management of grants.

Further efficiencies are affected by resolving debt issues, clarity on how to accommodate internal migration and objectively deriving cost estimates.

***The options for maximising revenue generation are a combination of the below, says Dr Mabugu:***

- Reform existing tax instruments - examples include increases in carbon tax and proposed changes to VAT.
- Introduce new taxes - consider introducing local business tax and graduate tax.
- Enhance tax administration and close loopholes.
- Enhance value for money and efficiency.

**Panel:** Deputy Minister Andries Nel (Ministry of COGTA) Dr. Ramos Mabugu, FFC Dr. Krish Kumar (CIGFARO)  
Patrick Kgoale (Thaba Chweu Local Municipality) Sidwell Mofokeng (CIGFARO)

## *Financial sustainability in a flailing economy through maximising the revenue-generation potential of the revenue base continued*

In response to Dr Ramos Mabugu's address, Leanne Manas directed the discussion to the panel. Patrick Kgoale from Thaba Chweu Local Municipality responded by saying that it is critical to appoint appropriately qualified managers to support municipal managers. He said that courageous leaders are required, and leadership and political will are needed to get the basics right. He ended by saying, ***"We should stop spending what we do not have."***

Deputy Minister, Andries Nel responded by saying that municipalities can be turned around by the right people doing the right job in the right place. He said: ***"We should have a new outlook on the public sector. We have good people."*** He added that we should ***first do the basics right***, and that if ***we stand together***, pool our resources, and pool our will, we could get back to basics.





## *Financial sustainability in a flailing economy through maximising the revenue-generation potential of the revenue base continued*

### *Questions posed to the panel:*

*With regard to inefficiency and corruption in government, is it correct to conclude that this is caused, amongst other things, by a high rate of unqualified municipal managers and staff working there?*

*You keep changing interventions in CoGTA. Why is CoGTA unable to turn local government around and coordinate on a clean audit?*

*With regard to inefficiency and corruption in government, does this affect the quality and ethics of government personnel?*

### *Responses from the panel*

- The appointment of municipal managers is a process that is monitored very carefully. Regulations are being put in place to extend this beyond senior managers to cover all employees in local government.
- Dr Krish Kumar said that financial plans had to be reviewed due to the recession. CIGFARO will not support the implementation of any new taxes unless the current fiscal mechanisms (e.g., revenue collections) have been maximised.
- ***Retention of municipal managers is at about 60%.*** This should be addressed by concluding performance contracts which drive the employments of municipal managers, regardless of their term (shorter or longer than five years, but based on performance).
- SALGA is part of the dialogues and the discussions. When it comes to the Integrated Urban Development Framework, SALGA served on the technical committees that drafted the document. SALGA is represented by its president and CEO on the political oversight committee. SALGA also fully supports the IUDF.

# S5

## Good Fiscal governance as an enabler of service delivery excellence

**Program director:**  
Leanne Manas

***Presenter:*** Kimi Makwetu, *Auditor-General of South Africa*



## Good fiscal governance as an enabler of service delivery excellence

The Auditor-General, Mr Kimi Makwetu, presented on the key role that risk management officials play in supporting municipalities to achieve their mandate. He emphasised the trust that stakeholders place in the opinion of audit professionals and the importance of objective opinions. He also answered questions about the future of the audit professions.

In his opening statement, Mr Makwetu expressed his opinion of reasonable assurance on the keynote address.

He then continued by noting that if there was a grassroots problem with understanding the value of money, as alluded to in a previous session, municipalities would be hard-pressed to collect the R128 billion in debt owing to them.

### The issue at hand:



- **R128 billion in outstanding debt**– The services relating to these debts have already been consumed.



- **Hike in property rates** – This causes an unnecessary increase in rates in an attempt to make up for these missing revenues and fund the required levels of service delivery.

*“How do we position ourselves as risk officers in a way that ensures we are able to prevent things from happening, rather than crying “Fire!” in a crowded theatre?”*

*“How are we going to restore the integrity of our government institutions?”*

Mr Makwetu emphasised that municipalities are under increased pressure to **do more with less** and to find **innovative and sustainable methods** of delivering basic services.

In support of this statement, he highlighted the following economic challenges currently faced by Municipalities:

- 13-year-high levels of **unemployment at 27.7%**
- Increased **government debt**
- Sizable contingent liabilities created by **state-owned enterprises**
- Hampered consumer and **investor confidence**

*These issues are aggravated when professionalism is not adhered to.*

## *Good fiscal governance as an enabler of service delivery excellence continued*

The Auditor-General reminded delegates that the service people buy from auditors is predominantly intangible. It's a combination of your perception and reality of the person's independence, and their professional competence. Auditors are expected to express themselves independently, but they are also expected to dig deep below the surface when somebody is trying to make something look different from what it is. Hence, auditors are often called upon to draw on their professional competence, so that people who intend to paint a different picture find it difficult to do so and do not succeed. The questions posed to the Auditor-General and his responses are summarised below.

*Q: Please comment on the current state of the auditing profession in South Africa.*



If there is no action on a sustainable basis that has been taken on audit outcomes, or the issues that are at the root of their surfacing, you are likely in subsequent years to have almost the same picture. So, the reality is that much of these things that cause audit institutions to fail were also faced in the past. What is coming through now is a reappearance of those substantive conditions, among others. For example, issues of objectivity can easily get lost because a lot of these practices are not purely giving assurance but are also providing a service to management.

*Q: We've seen in the reports an increase of unauthorised, fruitless and wasteful expenditure in our state-owned entities. What is causing this? Are your recommendations as the Auditor-General not relevant in terms of addressing the root causes, or are there challenges with the implementation of those recommendations on the side of these entities?*



The area that is seldom looked at is the area that is exposed to potential abuse. Funds get appropriated in government by buying goods and services. In year one, people may not be sure about the consequences of departing from the prescribed rules, like going to find a supplier directly, or extending the terms of reference in the budget for a particular procurement. or they are not sure if these consequences will be serious. In year two the same deviation happens, monies are lost and no investigation is done on that irregular expenditure.

# S6

## Spatial planning for effective integration and land use management: Redesigning urban areas

**Program director:**  
Leanne Manas





## *Spatial planning for effective integration and land use management*

The last panel discussion on day 1, facilitated by Leanne Manas , focused on spatial planning and the impact this has on the lives of citizens. The panel, which included Kevin Jacoby, Geoffrey Bickford and Malijeng Ngqaleni, gave their insights into current developments and addressed the audience questions, talking mainly about transport infrastructure and the Spatial Planning and Land Use Management Act (SPLUMA).



The panelists were each given a few minutes to make key opening remarks and comments.

Kevin Jacoby focused on the dilemma faced by families in and around Cape Town when commuting to and from work. He said the location factor is the reason behind the huge spend on transportation, and that the right infrastructure, would lead to more capital in cities.

Malijeng Ngqaleni pointed out the need for radical transformation within the cities, to eradicate the challenges faced due to the effect of apartheid. He called for more inclusive and compact cities and for breaking down the racial and classification divides in our cities.

Geoffrey Bickford echoed the sentiments of Jacoby and Ngqaleni, adding that development in terms of freeways and roads, is up to global standards, but not in cities. He stressed that spatial planners and developmental practitioners in municipalities and municipal finance officers do not work closely enough together.

## *Spatial planning for effective integration and land use management continued*

During the Q&A the following questions were addressed to the panels

“How do we speed up land use integration?”

“Are municipalities able to integrate their plans to ensure alignment with the national outcome, provincial development plans, and regional and district plans?”

“Are the critical plans for spatial planning and the Land Use Management Act able to meet the main objectives of the integrating spatial planning and the issue of land use management.

*“How can government achieve spatial justice and equity?”*

### Panel responses:

*“The City of Cape Town focused on three integration zones...it is all about reengineering our economy and making the transport environment easier on the domestic household. As a city, we have identified five catalytic projects within the city. It will allow us to establish an economy of its own.” – Kevin Jacoby*

*“It is a possibility. The biggest problem that we have to overcome is the failure of intergovernmental coordination and alignment around the plans.”*

*“If we do not do that, then we are not able to direct private sector action.” – Malijeng Ngqaleni*

“Municipalities are able to seemingly coordinate their land use and infrastructure delivery. However, it just doesn’t occur in a policy-aligned manner.”

“I don’t believe SPLUMA is going to be the saviour of our cities.” – **Geoffrey Bickford**

“If you have an IDP that is responsive to a community promise, and if that IDP is sector-planned, and if the IDP is built into your performance plan and aligned with your whole spatial management plan, you will want to implement SPLUMA. SPLUMA is your mechanism that will help you achieve the desired result.” – **Kevin Jacoby**

# S7

## mSCOA current status update

**Program directors:**

S Mofokeng

C Reddy

***Presenter:***

Silma Koekemoer, *National Treasury*



## *mSCOA current status update*

Silma Koekemoer provided her insight into the Municipal Regulations on the Standard Chart of Accounts (mSCOA) updates. The regulation required all municipal entities to go live on the mSCOA chart from the 1 July 2017. She noted that mSCOA version 6.2 is due for release with the budget circular in the first week in December 2017 with the budget circular.

### *The changes included in version 6.2:*

- Certain opening and closing balances have been omitted. These will be added to items, which currently do not have an opening balance line.
- As the closing balance is the sum total of the movements, the line items that have a closing balance will be removed.
- Information submitted by municipalities will be added.
- Adds management structures.
- Adds Section 79 chairs under Expenditure: Remuneration of Councillors.
- Expands the explanations of core and non-core functions in the chart, as the current explanations are very brief and open to interpretation.
- Corrects the mismatch between the item segment gains and losses on disposal of current and noncurrent assets.

### *A project team was also appointed through the process of an open tender. The team has:*

Verified all 257 municipalities' abilities to transact across the nine functional areas - primarily financial areas - as required by the mSCOA regulation.

203 municipalities are partially transacting and reporting within the mSCOA framework.

There are 54 municipalities that are not using the mSCOA chart version 6.1 at all – the chart has not been loaded on the financial system yet and/or no transactions are taking place and no billing has been done since July 2017.

The arrangement with these 54 municipalities – is that they will be visited individually and, they will be evaluated to identify what their challenges are, why they are not getting out of the starting blocks and a support plan that will be developed for each of them to get them to compliance.



# S8

## Sustainability - Integration of systems

### **Program directors:**

S Mofokeng

C Reddy

### ***Presenter:***

Walter Muwandi (*CCG System Platinum Sponsor*)





## *Sustainability - integration of system (ICT the enable)*

Mr. Walter Muwandi presented on the integration of systems, the internet of things, big data and artificial intelligence, and their application in local government.

He also performed an artificial intelligence demonstration, which was considered to be very impressive by all.

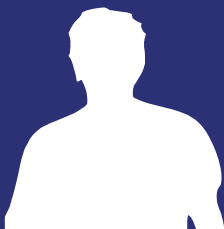
Sustainability can be seen as the ability to meet today's needs without compromising the needs or the requirements of future generations, says Mr Muwandi, founder of CCG Systems.

He said the United Nations has identified 17 Sustainable Development Goals that can be summarised into three groups, or pillars of sustainability:

- *Environmental*
- *Social*
- *Economic*

mSCOA has used ICT to collect data from various vendors, using integrated systems. Using the data collected, all the three pillars of sustainability can now be achieved since there is more than enough information to inform decisions that impact on the economy, the communities and the environment. This will now enable decisions to be made faster than ever before.

“The mSCOA database qualifies to be considered as **‘big data’** as it contains all the budgets, IDPs, transactions, and project information from start to close. *Would National Treasury have achieved such a level of precision without the help of ICT?* With all this information at our disposal, there should be no reasons we cannot control the environment or succeed at service delivery”, said Mr Muwandi..



**ICT** is also used to ensure that we have high-quality water resources (rainwater harvesting, green water, etc.).

Operational costs are lower, as leaks can be detected by using ICT.

### *New and future energy saving initiatives*

**LiFi** is the merging of light and internet. The LiFi demonstration of **‘Alexa’** wowed the audience. The demonstration showed the *use of artificial intelligence* to remotely control lights. During this demonstration, Mr Muwandi gave a *direct instruction* to ‘Alexa’ to *turn lights on and off, and to dim or brighten them.*

**“LiFi is 100 times faster than WiFi”**

# S9

## Innovation in financing

### **Program directors:**

S Mofokeng

C Reddy

### ***Speaker:***

Faried Manuel, *DBSA Diamond Sponsor*



## *Innovation in financing*

Innovation in financing was presented by DBSA's Faried Manuel from the Development Bank of Southern Africa (DBSA). The focus of his presentation was to explain what DBSA is and what services they provide. He mentioned that DBSA is a financial institution that was set up by government, as part of a family of financiers, to finance different parts of the economy. Mr Manuel spoke about the challenges that DBSA may face and how it addressed these challenges. He encouraged delegates to visit the website for further information and to access materials available on the site.

*Our Focus*

*Who is DBSA?*



*"We will move forward and make a contribution." – Faried Manuel*

*"We fund and facilitate contracts and provide project management in various infrastructure projects."*

*How effective are we?*



Mr Manuel stressed that at DBSA, effectiveness is important and that the question of how effective "we" are is always on his lips. "[We] need to be relevant and not waste time and resources."

# S10

## The fiscal frame - Reforms

- Dora: making equitable share equitable
- Revenue - generation strategies
- Maximising conditional grants

### Program Directors:

S Mofokeng

C Reddy

### Speaker:

Wendy Fanoe, *National Treasury*



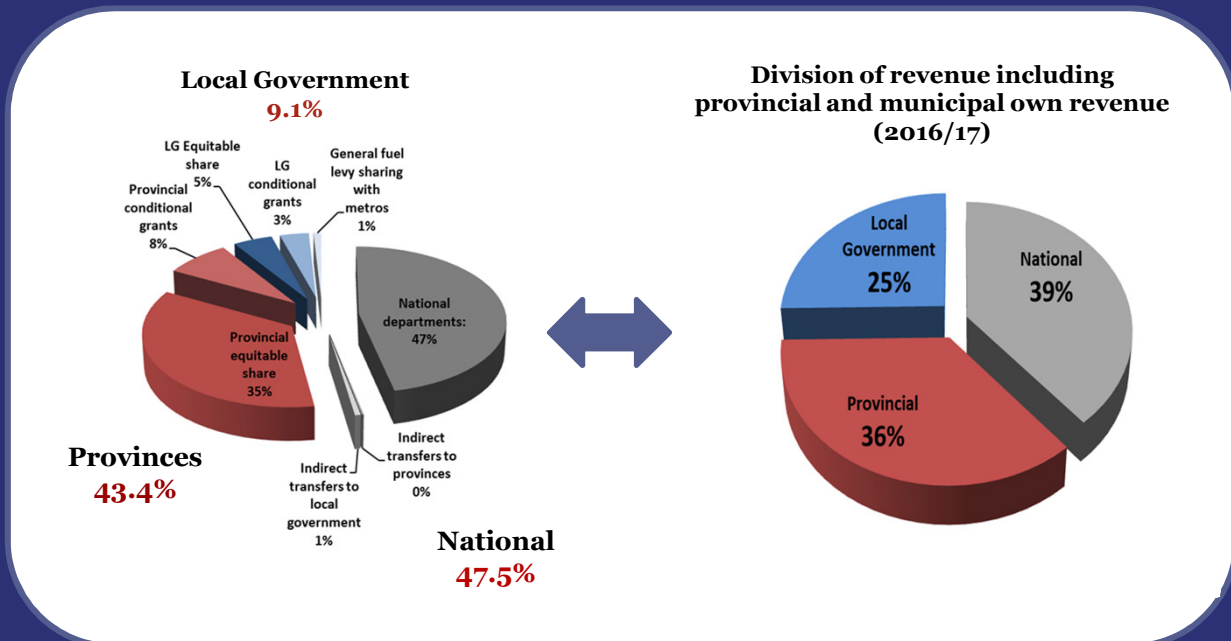
# Local Government Fiscal Framework

Wendy Fanoë's presentation focused on the Local Government Fiscal Framework and the current reforms underway on the Local Government infrastructure conditional grant system.

The **framework** was designed to recognise inequalities in revenue across municipalities. Driving this framework is the local government equitable share (LGES) formula, which acts as an **enabler to municipalities** for providing basic services and performing various functions. The LGES is designed to subsidise municipal services to poor households, not to act as the main form of addressing a lack of revenue in municipalities.

The **division of revenue** to local government is as follows:

## Local government's share 9.1% vs 25%





# *Local Government Fiscal Framework continued*

Although more work needs to be done to see the impact of LGES on service delivery, current analysis indicates that much of the increased transfers in revenue received were used to increase employee costs.



**Priorities** for local government infrastructure are as follow:

- Improve grant structure: No more one-size-fits-all
- Emphasis on asset management: Incentivise to improve asset management
- Management and efficiency of the grant system: Clearer roles and a centralised management system.

With **structural constraints and declining growth** in urban areas, driven by fragmented inefficient urban formation, a whole **new fiscal package** has been devised to transform cities. The transformation imposed will contain the urban sprawl for a more efficient use of land.

The thinking goes back to what defines a well-functioning municipality and, given that, what the root causes of municipal liquidity challenges are. There are various perceived factors pertaining to the root cause, but what is needed is actual empirical evidence.

# S11

## Ethics that contribute to achieving an exemplary administration

**Workshop facilitator:**  
David Garegae

**Presenter:**  
Adv. Boreka Motlanthe



## *Ethics that contribute to achieving an exemplary administration*

The session on ethics was presented as a panel discussion with Sandile Mnguni and Fatima Khan from eThekweni Municipality, and Louise Muller from the City of Cape Town. The discussion dealt with the definition and importance of ethics in an environment where people are the custodians of the public purse.

After introducing the panel members, Mr Garegae gave over to Adv. Boreka Motlanthe, the presenter on this topic. Adv. Motlanthe introduced the topic and mentioned that he didn't know if he volunteered, if he was asked or if he was dragged into discussing the way ethical conduct contributes to good administration within the context of compliance with the legal framework, and how replicating good practices can ensure effective service delivery.

He said he had to ask himself whether we understand what is meant by ethics and their relevance after he read a report filed by Andisiwe Makinana in the *City Press* on 10 September 2017 that was titled: "We don't want no 'ethics what-what'".

***"An ANC MP ...questioned why the committee was responding to the former public protector's recommendations regarding 'the executive ethics what-what'"***

He went on to say: "The truth is, unless one understands and internalises ethics, they can be reduced to ethics 'what-what'."

He then discussed the distinction between good conduct as prescribed by the law (compliance), and ethical conduct, elaborating that compliance with a legal framework does not necessarily result in ethical conduct by officials.

Ethics can be seen as the *principle values* that guide behaviour in respect of *what is right, good and proper*.

Ethics are also the *standards* which help to guide us in achieving that *which is right, good and proper*.

"Why, then, should we concern ourselves with what is right, good and proper, when all is set out by the law?" he asked.

It is because all those policies and procedures, backed up by laws and regulations, cannot deal with what is humanly possible, *It is left up to the individual who implements those policies to make ethical judgements with regard to the implementation of laws and policies.*

## *Ethics that contribute to achieving an exemplary administration continued*

In addition to the objectives below, Adv. Motlanthe reminded all to keep the principles that underlined ethical decisions in mind.

They are:

- Accountability
- Serving the needs of the community
- Credibility and integrity
- Transparency
- Honesty, i.e., eradication of corruption
- Fairness to all
- Elimination of personal gain and self-interest
- Performance of functions and duties in an acceptable manner
- Prevention of misuse of organisational property.

Adv. Motlanthe stressed that achieving ***service delivery goals*** is more important than being concerned with ***clean audit goals***. “I consider that to be part of the malicious compliance that we have perfected it in our organisations” he added.

### *How, then, does one make those decisions that are ethical?*

With regard to municipalities, *S195 (1) of the Constitution*, provides that “Public administration must be governed by the democratic values and principles enshrined in the Constitution, including a high standard of **professional ethics**”.

The guiding principle is that such decisions must be made in the interest of achieving the goal of the organisation. c

“Ethics start when you are young.”

### *Common understanding of ethical practices*

Two values to strengthen ethical values:

1. Accountability to citizens
2. Transparency.

“Good ethics is not what you are trained in, it’s what you grow up with.”

*“Policies and regulations are in place, and what we need to do is promote ethics – whatever we do, we need to do the right thing.”*

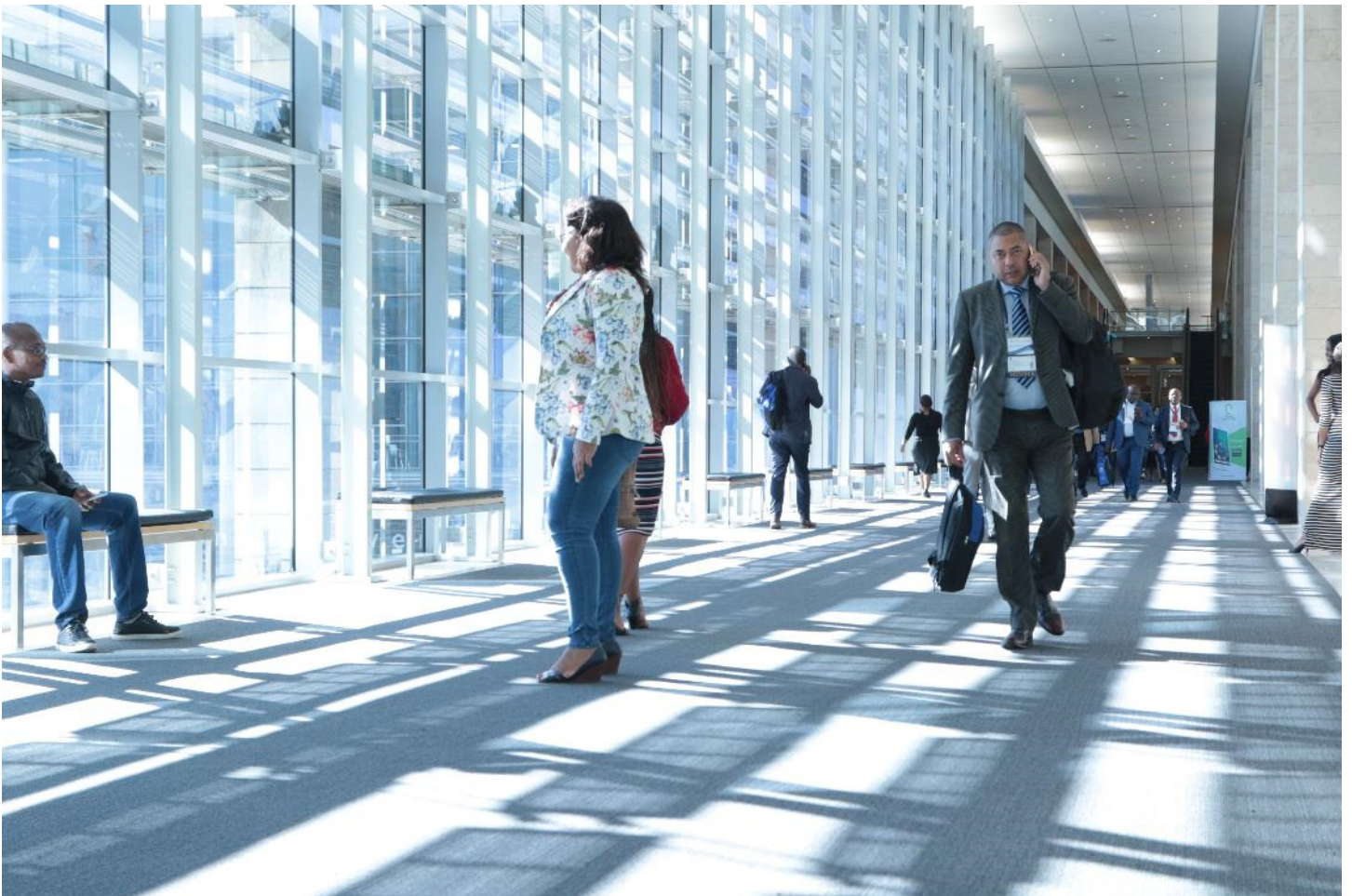


# S12

## Procurement practices

**Workshop facilitator:**  
Cheryl Reddy

**Presenter:**  
Linda Le Roux, AGSA





## *Procurement practices*

Linda Le Roux from the Auditor-General of South Africa (AGSA) presented on the findings of the Auditor-General from their audit of the supply chain processes and transactions at municipalities. She emphasized the fact that the losses identified are significant, in excess of R27 billion, and the concern is that municipalities are not taking appropriate actions to address the issues.

“In local government, for the 2015/16 report, it was found that **64% of municipalities** had actual material findings for procurement.”

The main areas the auditor looks at are the procurement process, suppliers that are awarded tenders unfairly, inadequate contract management and false declaration of information.

Lately, it has been found that the municipalities are not necessarily applying what they should in terms of local procurement, probably due to municipal officials not being aware of the legislative requirements, she said.

“**30% of municipalities** conducted a further investigation into the reported audit findings.”

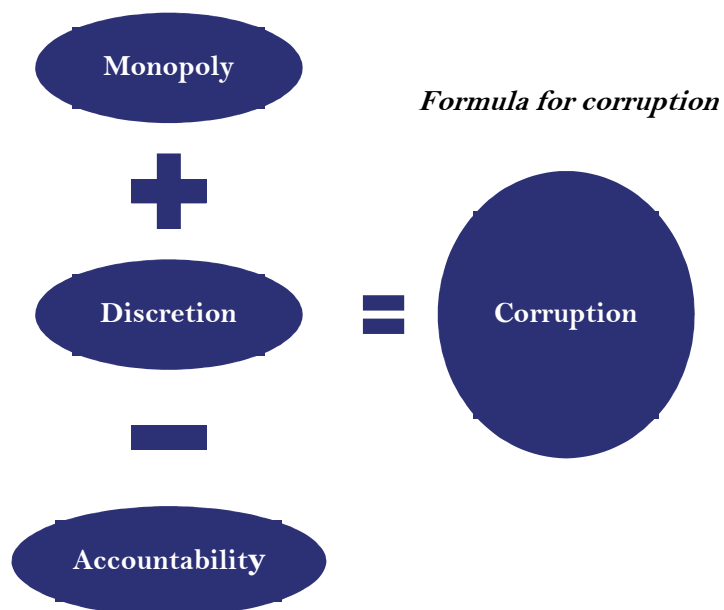
There is a trend within municipalities, to not take action when audit findings are reported. This tends to become a repeated occurrence, she said.

In the 2014/15 financial year there was R27.9 billion in irregular expenditure, of which less than R1 million was recovered. The main reasons for this were that there were no follow-up actions and no consequences for identified officials.

**82% of the expenditure was *not dealt with*.**

**14% of the expenditure was *written-off*.**

**4% of the expenditure was *condoned*.**



## *Procurement practices continued*

Kirsch Bezuidenhout from KZN Treasury, one of the representatives on the panel, defined contract management as a holistic approach to the administration of contracts, from inception right through to the review and close out of a contract.

Public servants are controlling the public purse; therefore, a great responsibility is placed on them to deal with this within the legal framework set out. Fundamentally, irregular expenditure affects the services that should rightfully go to communities.

Mr Bezuidenhout stated that it is important that, when identifying risks, strategies should be put in place to prevent similar events from occurring.



**64%** of irregular expenses were identified and disclosed by municipalities.

**36%** were identified by the Auditor-General.



“The fundamentals of contract management goes beyond the simple monitoring of contracts documentation and requires proactive action consistently taken. A risk register should be maintained; risk should be identified and mitigating strategies should be put in place to deal with this.”

### Main suspects of irregular expenditure

Document management - having all the necessary documentation available for the auditor has proven to be a challenge

Lack of compliance with section 33 of the MFMA

Lack of understanding of Regulation 32 - only applicable in certain instances, where contracts are transversal in nature

Non-compliance with National Treasurer Circular 62 - where procurement is for goods, it cannot exceed 15% of the value if there is deviation or variation (20% in terms of construction contracts)

Non-compliance with section 116 (3) of the MFMA - contracts need to be advertised and approved through a resolution by council

# S13

## Strategies for urban renewal in city centres

Sponsored by Nedbank

**Workshop facilitator:**

George Van Schalkwyk

**Presenter:**

Eddie Scott, *City of Cape Town*





## Strategies for urban renewal in city centres

The discussion on strategies for urban renewal provided both a private and a public sector perspective on the levers available to drive urban rejuvenation.

Remo Moyo explained that the fundamentals around economic growth for any city are the following:

- **Urban renewal** - restoration of unused buildings, new housing, more equitable land usage, urban greening, better transport – all cost money.
- The **role of PPPs** in driving urban renewal is under-appreciated.
- **Unlock finance** for large - scale projects, which cities often cannot afford, even if they provide net positive returns.
- **Aid co-ordination** between public and private firms, and encourage partnerships.
- For the private sector it's not just about making money – **renewed urban environments** will encourage more productive economies and improve business.
- Nedbank has pledged to use its money and expertise to do good in communities, and can help cities to **access innovative funding streams**.

Eddie Scott from the City of Cape Town's **City Improvement Districts (CIDs)** explained the background to and advantages of CIDs.

Twenty years ago, Cape Town was not a safe or pleasant place to live due to crime, grime, pollution, HIV, prostitution, homelessness and dilapidated buildings. Investment and people were leaving the City. CIDs are one part of why this is no longer the case.

CIDs (which started with the Cape Town Partnership in 1999) are the result of an agreement between the City and property owners to contribute a little more to an area in order to help kick-start regeneration in a given area.

It involves investment in security, cleanliness, urban formation and any other factor that makes a place desirable to live in.

This, in turn, attracts people and businesses back to the area and improves the economy and property values – a win-win situation.

### CoCT CID statistics



39 existing CIDs,  
four newly  
established 1 July

CID's cumulative  
spend since inception  
– R1.5Bn



CID's cumulative arrears  
since inception: >30 days  
R15.9m; >60 days  
R12,1m

CID's cumulative  
retention balance  
since inception: R40m



CID's budgets  
2017/18: R199m

12 month's moving  
average payment ratio:  
100.3% as at 30 June  
2017



Communities  
pursuing  
establishment: 16

# S14

## Audit and Risk Management

**Workshop facilitator:**  
Maria Makhongela

**Presenter:**  
Harry Petrie, *Provincial  
Treasury*





## *Audit and risk management*

The audit and risk management session looked at corporate governance in municipalities and the concept of combined assurance as a means to improve the resilience of municipalities to financial loss.

Mr Harry Petrie discussed the system for sound risk governance and made reference to the King III Report on Corporate Governance, which requires that the audit committee ensure that a Combined Assurance model is applied to ensure a system of sound risk governance over key organisational risks. A combined assurance model in terms of Principle 15 of the King IV report is a model that incorporates and optimises all assurance services and functions so that, *“taken as a whole, these should enable an effective control environment and support the integrity of information used for internal decision-making by management, the governing body and its committees and support the integrity of the organisation’s external reports.”*

**Q:** Of key importance are risks identified in an institution. Is it fair to say this is the starting point of combined assurance?

Mohammed Lorgat from SALGA answered by saying: “I think the fundamental starting point for any well functioning combined assurance model is to achieve a common held understanding in the organisation of all the risks facing that organisation. Risk management is vitally important, and everyone in that organisation, in this case the municipal environment, must have a good understanding and a good grasp of the risks facing the organisation. The next point is, “How do you manage those risks?” And in terms of managing the risks, the three lines (of defence), that were mentioned in the combined assurance model are what you look at in terms of trying to reduce those risks. Now, in the normal municipal environment, the management level will still be there as the first line of defence. The second line of defence, basically, will be your other service providers, so your oversight mechanisms (internal audit and oversight bodies). And then the AG also sort of looks at the third level, which is mostly external environment issues (National Treasury, CoGTA).  
CIGFARO

The key points to look at from a financial risk perspective, according to Mr. Lorgat from SALGA:



Assets & liabilities



Losses



Supply chain



Contract  
management



Compliance risk

## *Audit and risk management continued*

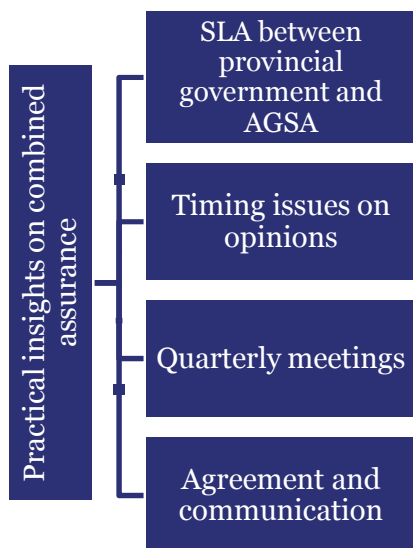
*Q: We've heard a lot about combined assurance, but the real question is, are we really implementing it? And how do we start implementation?*

Ntheng Marobane from Sekhukhune Municipality responded by saying: “I think in terms of the combined assurance model we got the information from SALGA in terms of what should happen, and we've agreed at internal auditing that where we need to start is that we need to get the report from Risk Management, that will be the risk register, for us to develop a three-year rolling plan. And then obviously, in doing that we take the risk management to the audit committee for approval. But this is very important and critical. We need them to ensure that the plan is discussed with the AG, as the third line of defence. They said that the third line would be the internal audit and the external audit that provide assurance. So, it is therefore important that we engage with the AG, mainly to ensure that we don't duplicate the effort.”

Lindiwe Ndaba from the City of Cape Town expressed her point of view on the question by explaining that combined assurance has been implemented for some time in the City. At first it was coordinated by the internal audit function and it evolved from there. When internal audit started to coordinate it, that's when the framework was actually drafted, and then the key assurance providers.

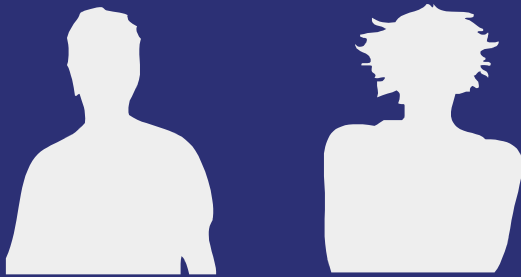
The key benefits of the implementation of combined assurance is that it allows the organisation to make informed decisions. The integration of the information of combined assurance providers, makes it possible to see what trends are coming through when it comes to the products of either audits or investigations. Other benefits include identifying or highlighting risks and issues, which allows for a quick response.

Sharonne Adams from (AGSA) stated that: AGSA have their own combined assurance model. The first level consists of senior managers, while the second level of assurance consists of internal audit/audit committees. The third level is the executive council.



## *Audit and risk management*

***Q: Most municipalities that get clean audits, do not deliver services to communities. Hence we get service delivery protests. How do we get the balance?***



Ntheng Marobane from the Sekhukhune Municipality discussed the challenges experienced by the municipality with regards to the implementation of combined assurance. He said that one of the crucial issues was the positioning of the combined assurance providers, in particular the Internal Audit and Risk Management. Another problem highlighted by Ntheng is the appointment of unqualified candidates to head the units. He makes a recommendation to diversify the audit committee members.

Ntheng Marobane (Sekhukhune Municipality) said: *“I think we must first understand what a clean audit is. A clean audit is when you have accounted properly for what (funding) you have been given.”*

Lindiwe Ndaba (City of Cape Town) said: *“Is what you have spent relevant to your mandate? Performance audits are used to address the inefficiencies of municipalities, which are linked to service delivery protests.”*

# S15

## mSCOA and expenditure management

**Workshop facilitator:**  
Bhartie Ranchoddas

**Presenter:**  
Sandile Mnguni, *eThekweni*  
*Municipality*



## *mSCOA & Expenditure Management*

The mSCOA and expenditure management session looked at the progress made by municipalities since the mSCOA go-live date of 1 July 2017. It also explored the importance and focus areas for expenditure management to ensure financial viability in municipalities.

Mr Sandile Mnguni spoke to the fundamentals of Expenditure Management. He began by defining expenditure management, detailing the impact mSCOA has on expenditure management and articulating the challenges and best practices of expenditure management.

**Expenditure management** is defined as the processes and procedures necessary to ensure that expenditures budgeted or incurred are carried out in an efficient and timely manner. A few points should be considered when expenditure is incurred:

- Has the expense been budgeted for?
- Does a contractual commitment exist or is it an unfunded mandate?
- Does it promote the strategic priorities of the IDP?

Given the above highlights, he went on to articulate the impact of mSCOA on expenditure management. mSCOA elicits transactional level budgeting, a linkage to the IDP, funding segmentation and facilitates better budgetary control over expenditure allocation.

Cost containment measures such as MFMA are in place to help contain cost. The circular contains some of the cost measures:

Curtailment of overseas trips

The submission of strong motivation to MM's, Mayors, and where necessary by those requesting permission to travel

The institutionalisation of further restriction on conferences catering, entertainment and social functions

**Effective cash management practices** require reporting and monitoring at various stages of use. It calls for policies and procedures to be in place and reviewed regularly, cash to be monitored on a daily basis with multi year cash forecasting and a Financial strategy that targets 90 days cash on hand

**Challenges** being faced in expenditure management include but not limited to:

- Irregular, unauthorized and fruitless expenditure still being incurred
- Unexpected expenditure not being budgeted for i.e. severe storm damage
- Unfunded mandates due to pressure from the public
- Changing priorities resulting in planning and processes being compromised

With these challenges, it is important to understand that the **best practices of expenditure management** involve:

- Efficient procurement processes
- Zero based budgeting and expenditure oversight
- Good internal controls and
- Automated production of financial and other expenditure reports



## *mSCOA & Expenditure Management*

Silma Koekemoer gave an overview of mSCOA, including mSCOA regulations, municipal transaction verification and proposed changes to the mSCOA Chart version 6.2.

With mSCOA transaction verification, it was found that all 257 municipalities are able to transact across nine functional areas as required by regulation.

It was also discovered *that no municipality is 100 % compliant*, with some only partially transacting and reporting on mSCOA.

With mSCOA, *70% of ICT implementations fail* due to budget and time overruns, with no clearly achieved benefits. Poor execution of mSCOA stems from slow decision-making, lack of change management and unclear business cases and go-live and partial go-live phase termination.

For municipalities noted as being vulnerable, the mSCOA team will be providing targeted support.

mSCOA was promulgated on **22 April 2014** and, deadline for implementation was **1 July 2017**

New mSCOA project team appointed for continued technical support

Duration of mSCOA implementation can be up to **two - three years for proper planning and knowledge** to execute policies and procedures

Further challenges arise from **unfunded mandates**:

- Core vs non-core functions
- Cost-reflective tariffs
- Reliable and comparative information
- Link to strategic and service delivery objectives.

These communicate the need for:

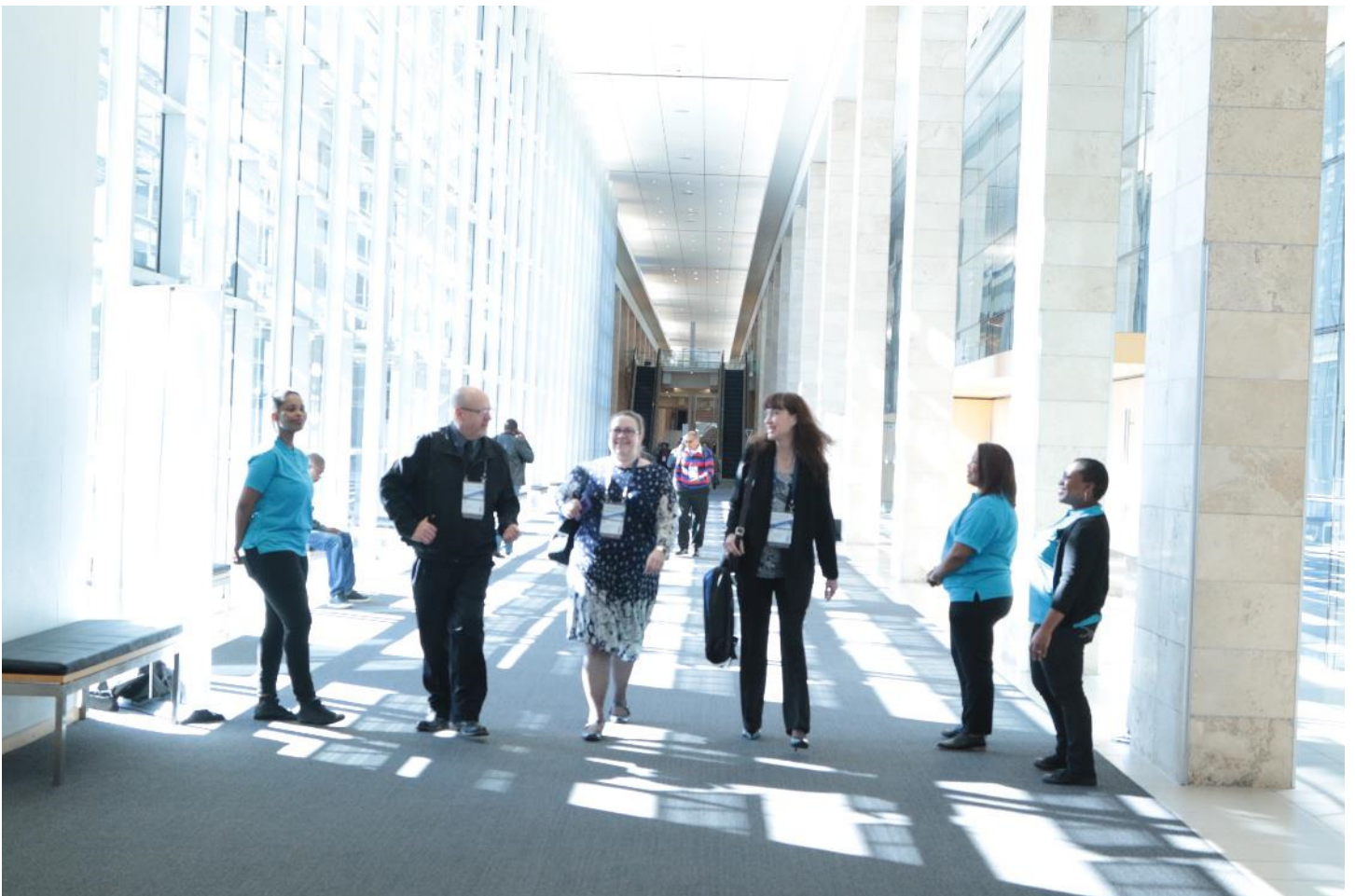
- Improved internal controls
- Clear audit trail for transactions
- Higher level of skills
- Reduced admin and reporting
- Reliable and comparable information and improved planning.

# S16

## Asset management Sponsored by i@Consulting

**Workshop facilitator:**  
Emmanuel Ngcobo

**Presenter:**  
Werner Welgemoed,  
*i@Consulting*



## Asset management

The asset management session highlighted the importance of active, timely and effective asset management as a municipality's performance is ultimately influenced by the asset capacity it holds.



Presenting the topic on asset management, Werner Welgemoed spoke about financial sustainability. He said, "It is the ability not to stop the provision of services or sacrifice their quality because we ran out of money." This is a problem in South Africa, particularly for local municipalities who also have the highest percentage of property plant and equipment on their balance sheets.

There is more focus on revenue management and much less on asset usage. MTREF takes priority over the long term.

Werner stated that the thinking around asset management should change, as currently the perception is that it is more of a compliance driven activity where in reality assets are the basis upon which municipalities are able to provide services.



To manage the assets better, there must be an alignment of strategic objectives and asset management objectives. Secondly, understand what our asset base actually looks like now and what it will look like in the future and understand the asset management value chain from end to end.

Shiva Makotoko from INCA explained that understanding your customers is paramount to understanding your current and future revenue streams and asset needs.

## *Asset management continued*

### **Long-term sustainability is built in the background.**

DBSA found that long-term plans often gather dust. Almost every local municipality has a water loss plan, but few have even started to implement it because it is costly and/or not a priority vis-à-vis securing short-term funding, explained Faried Manuel from DBSA.

DBSA started a fund along with foreign PFIs to fast-track water programs in local areas; they pay for full feasibility studies as well as infrastructure investment and metering.

“Money is not always the problem – it’s **commitment and willingness** from local municipalities”, said Faried Manuel – “often DBSA can’t find projects to invest in, despite the obvious need,” he said.

Dr Krish Kumar concluded the discussion by reminding us to invest at the right time. Investing late causes higher maintenance costs and further backlogs. It is always tempting to cut O&M when there are budget cuts.

Rehabilitation is side-lined for new “sexy” projects – but sometimes repairs are a more effective way of improving infrastructure.

Water losses are a serious infrastructure problem that need addressed in any way we can.

*“We need to have a **clear lifecycle costing** and a full plan for maintenance and renewal-at least for strategic assets.”*

*Dr Krish Kumar*

# S17

## IT Management and governance Sponsored by CCG

**Workshop facilitator:**  
Neliswa Ntlhola

**Presenter:**  
Castro Mosina, *Rand West  
City*





## *IT management and governance*

The IT management and governance session explored the ICT journey that government has been on since the Presidential Review Commission report of 1998.

ICT has created efficiencies and opportunities for local government to improve their effectiveness, although the AG highlighted some concerns.

Alufheli Swalivha from DPSA, provided an overview of the value of ICT. She discussed the various pillars of ICT value creation, including; Interoperability, security, digital inclusion, economies of scale and limiting duplication.

Broad reference was made to the IT challenges identified in the Presidential Review Commission Report, where after the focus was shifted towards governments response to address the challenges by means of legislation and institutional arrangements.

Auditor-General findings such as the lack of a government-wide IT governance framework, the fragmented approach to policies and the non-fulfillment of performance measures by IT officers made government realise the failure to unlock the value of ICT and its detrimental impact on service delivery.

To address these weaknesses, Cabinet adopted the Corporate Governance of Information and Communication Technology Policy Framework (CGICTPF) in November 2012.

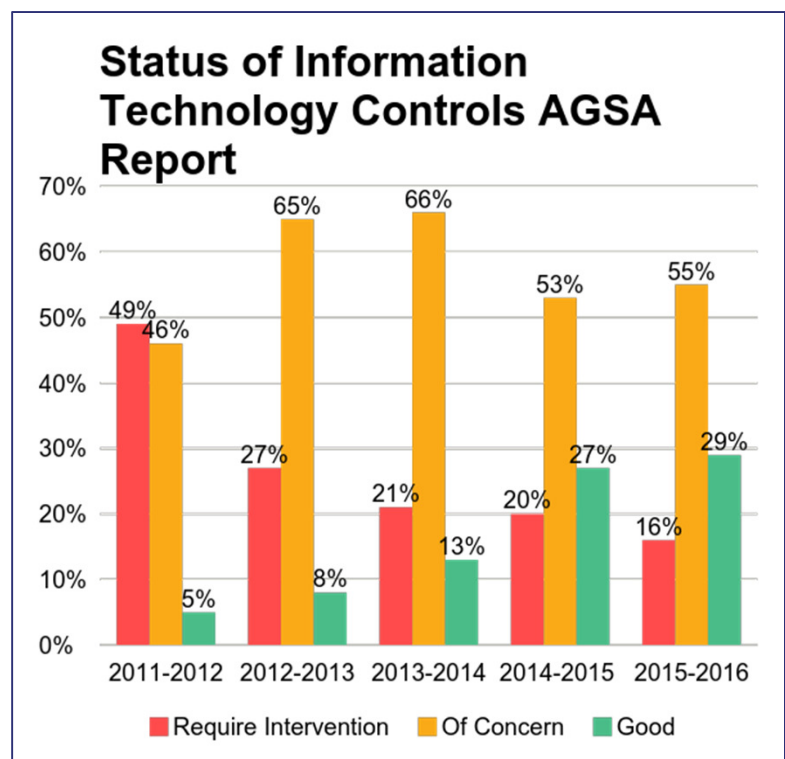
The framework was initially only for national and provincial government departments, but it has since been extended to include local government.

### *Why the need?*

Through practices, principles and implementation approach, the CGICT Policy Framework seeks to provide direction on the implementation of corporate governance ICT within the spheres of accountability and responsibility.

Castro Mosina stressed the importance of the involvement of senior political and managerial leadership.

Ms. Swalivha concluded her presentation with some statistics on improvements made by departments in terms of IT controls.



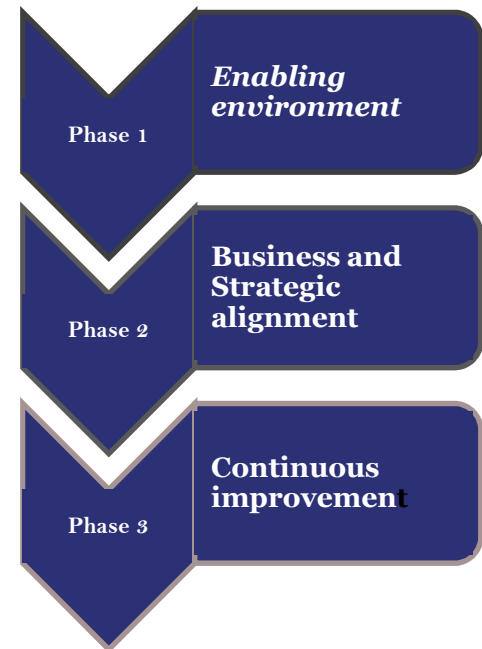
## *IT management and governance continued*

Lwazi Ndzena (SALGA) gave an overview of the municipal ICT governance value chain. Emphasis was placed on the three-phased approach in implementing the policy.

The envisaged benefits of good governance in ICT range from *improved effective service delivery through to improved return on ICT investments*.

The Municipal ICT Governance Policy was unpacked, noting the *three phases of delivery*. Although municipalities are currently only audited on the phase 1 deliverables, the plans (phase 2 deliverables) are just as important to reach continuous improvement (phase 3 deliverables).

He concluded with the criteria for performance and conformance measurement against the Municipal ICT Governance Policy.



### *Key IT management trends*



Compliance with business requirements.



End user experience helps businesses decide on how to better utilise IT to achieve their goals.



Shadow IT and IT as a Service - easy availability of cloud solutions; no need for high capital outlay for hardware.



Big data and analytics



Knowledge management

Mr Mosina focused his presentation on IT management, ICT governance and sustainable technology for service delivery. He spoke broadly around the DPSA framework.

*“The concept of IT governance as an umbrella framework encompassing a wide spectrum of arrangements, including the measurement of benefits, has yet to emerge.”*

# S18

## Public finance management (PFM)

**Workshop facilitator:**

Jane Masite

**Presenter:**

Danie de Lange, *EOH*



## *Public finance management*

The session on public finance management focused mainly on the professionalisation of public finance practitioners to improve the overall competence and pride associated with public officials who perform financial duties.

Danie De Lange expanded on the role of CIGFARO in the professionalisation of the public sector by making a distinction between a profession and professionalization. Mr De Lange continued by saying that professionalisation was previously regulated by the Municipal Accountants Act. The Act established a board for the registration of municipal accountants. According to Mr De Lange, CIGFARO is looking to re-establish a single regulatory body where the Minister of Finance determines the minimum competencies.

Mr Madzivhandila from National Treasury defines the PFM professionalisation model adding, “If this model is implemented, there will be service delivery.” The Professionalisation Framework describes:

- Influencing the design, content and supply of ETD solutions
- Ensuring that appropriate quality management mechanisms are in place
- Partnering with learning institutions and professional bodies.

***Public Finance Management (PFM)*** is defined as the system by which financial resources are planned, directed and controlled to enable and influence the efficient and effective delivery of public service goals. The PFM sector refers to the following 9 disciplines:

- Management accounting [MA]
- Financial accounting [FA]
- Supply chain management [SCM]
- Asset management [AM] & liability management [LM]
- Enterprise risk management [ERM]
- Internal audit [IA]
- Internal control [IC]
- Revenue management [RM]
- Expenditure management [EM]

### ***Benefits of professionalisation***

- Individuals will obtain skills
- Municipalities and communities will benefit from improved service delivery.
- Practitioners will have the opportunity to directly impact the standard of living of communities.
- Local government will become a desirable employer, able to attract the best graduates.
- Qualifications will be widely recognized.
- Standardized regulations.
- Continuity of service delivery ensured.
- Enforceable code of conduct, ethics and minimum requirements for application to positions.



# S19

## The impact of legislation on service delivery

**Workshop Facilitator:**

Peet du Plessis

**Presenter:**

Fatima Khan, *eThekweni  
Municipality*





## *The impact of legislation on service delivery*

The session on the impact of legislation on service delivery explored the dynamics around where municipal recourses are currently being spent versus where they should be spent. Currently, there is a big focus on compliance, and this has contributed to the poor service delivery experienced by communities.

Ms Khan's presentation focused on three critical areas:

- Compliance fatigue (MFMA, MSA, PFMA)
- IGR challenges, and
- The implementation of financial misconduct regulations

Ms Khan set the scene for the topic by discussing the 'rebellion of the poor'. Since 2004, there has been a steady increase in service delivery protests, she said. SALGA says that South Africa will only curb such protests when municipal officials face serious consequences for poor performance.

Ms Khan stated that the purpose of the MFMA is to establish appropriate controls over municipal bank accounts and cash management, compliance with provisions for tender committees, compliance with provisions for audit committees and compliance with budget provisions.

The main objective of internal audit is to review compliance with legislation and best practice in line with the regulations and the MFMA calendar.

Only upon analysing the MFMA, SCM regulations, internal audit requirements and MSCOA do we understand that all of these pieces of legislation are compliance oriented. None of the requirements slants towards service delivery. The audience was left with the following question: Are municipal officials placing all of their energy into compliance with the legislation rather than focusing that energy on service delivery?

Has the municipality adopted an SCM policy?

Have the SCM staff been adequately trained?

Are there procedure manuals?

Is there compliance with Regulation 41(1) risk management?

***“48 out of 253 municipalities have received a clean audit. Nearly 80% of municipalities audit queries are related to compliance.”***

# S20

## Navigating ethical dilemmas amidst the challenging climate

**Program director:**

Dr Krish Kumar

**Presenter:**

Themba Godi, *Standing  
Committee of Public  
Accounts*



## *Navigating ethical dilemmas amidst the challenging climate*

The session on navigating ethical dilemmas was presented by Mr Themba Godi. He highlighted the importance of a risk-based approach to management and objectivity in decision-making.

After the gifts were handed to the prize winners and exhibition stand winners, Dr. Kumar entertained the attendees with a humorous welcome and introduced the first speaker of the last day of the conference, Mr. Themba Godi from the Standing Committee of Public Accounts (SCOPA).

Mr. Godi started off by explaining why a risk-based approach to auditing is so important. He said that risk is not taken seriously and it is not fully integrated into everything that we do. He then added that we concentrate on compliance, rather than focusing on integrating a risk-based approach into everything that we do.

Themba Godi's perspective on ethics mixed with dilemmas, the challenges and the times is at the heart of our ability and capacity to do the right things.

The issue of ethics arises in the context of social relations of laws and policies because it talks to society's expectations of what is right or wrong. This is looked at in the context of morality and the way we codify it into laws.

Ethical conduct requires personal integrity as its foundation and not so much legislative requirements, doing the right things all the time, in line with legislative stipulations as well as through personal disposition, doing what is right even if there is load shedding, when it is dark and nobody sees you and you are alone. You will still do what is right.

Unethical conduct would relate to not following the Batho Pele principles. This policy encompasses all that is good and right in exercising public power.



*"At the heart of our problems is the absence of the ability to take action." - Steve Maraboli*

### *Q: How do we manage and administer public resources?*

- Government uses money to implement its policies. This is clearly articulated in the PFMA, MFMA, financial disclosures as well as National Treasury regulations. When we come across maladministration, corruption, theft, waste, etc., all of this reflects an attitude that harms the public good morality that cannot be justified and that can therefore not be deemed to be an ethical practice that is in the best interest of the people. We see, on an annual basis, the reports from the AG on irregular, fruitless, wasteful and unauthorised expenditure. This reflects the challenges at the level of leadership as a collective. Individuals take the decision what to do or what not to do. The inability to take action against financial misconduct is in itself unethical behaviour. At the heart of our problems is the absence of the ability to take action.

# S21

## Interdependencies and climate impacts on the sustainability of cities

**Program director:**  
Krish Kumar

**Presenter:**  
Hastings Chikoko, *C40  
Cities Climate Leadership  
Group*



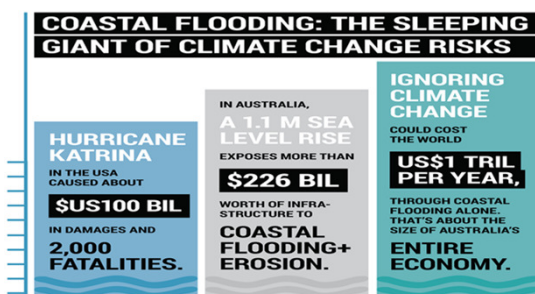


## Interdependencies and climate impacts on the sustainability of cities

Mr Hastings Chikoko presented on the interdependencies and climate impacts of cities. He covered the C40 Cities Climate Leadership Group and their role in addressing climate change.

Mr Chikoko began his presentation by introducing the C40 Cities Climate Leadership Group. He went on to say that the group consists of mayors from megacities across the world. The purpose of the board is to address climate change by reducing emissions as well as focusing on reducing the risks that have come about due to climate change. There are 91 C40 member cities globally and they represent 650 million people and 25% of the global GDP, under the leadership of Mayor Anne Hidalgo from Paris. Mr Hastings enlightened the audience with his statistics on climate risks, as seen in the illustration below. He said: "Climate hazards are here now. It is on our doorstep. The statistics shows that climate change will cost the global economy more than 2.5 trillion US dollars per year in lost productivity by 2030 due to occupation heat stress. He said that with the increasing percentage of people residing in cities and with the increased economic activities in cities, it is important that we understand the climate risks.

In his discussion, Mr Hastings explained the effects and risks of climate change, providing the delegates with three points to ponder. He said that modern infrastructure and services are interdependent and contains multiple connections. Climate change is projected to cause ripple effects in the systems due to an increase in extreme weather events, and dealing with it requires a collective effort. Mr Hastings concluded his presentation by reminding the finance, audit and risk professionals that they are equipped with tools and techniques to come up with viable solutions and that no IDP should be complete without making reference to climate change.



### Why understand climate risks?

"98% of C40 cities say the effects of climate change present significant risks for their city." *Climate Action in Megacities 3.0*

"70% of C40 cities are already experiencing the effects of climate change." *Climate Action in Megacities 3.0*

"64% of C40 cities are concerned or very concerned about the flooding effects of climate change." *Climate Action in Megacities 3.0*

"61% of our cities face the risk of heatwaves." *Climate Action in Megacities 3.0*

"47% of C40 cities have identified being at risk of droughts." *Climate Action in Megacities 3.0*



# S22

The challenge of effective and ethical leadership in municipalities amidst the challenging economic climate

**Presenter:**  
Parks Tau, *SALGA*  
*President*



## *The challenge of effective and ethical leadership in municipalities amidst the challenging economic climate*

Mr. Parks Tau presented on the current state of the economy, the challenges faced by local government and the support available to municipal executives from SALGA.

Mr Tau stated that the economy of South Africa is in need of improvement. He said that all sectors, not only local government, needs to improve so that the economy can move out of this recession and economic slump.

Mr. Tau explained that in order for us to deal with the challenges of poverty, unemployment and inequality the country will have to show signs of growth. Once significant growth occurs, it will provide an increase in tax revenue that will provide financing to national development plans, targets and other service delivery imperatives.

In 2000, the local government equitable share stood at 1%, whereas currently there has been an increase of 4% to 5%. With this slight increase over the last 17 years, and the current economic stagnation, it will be difficult to see significant growth in local government.

Mr. Tau pointed out that currently there are 3.1 million indigents, whereas SARS has 18 million grant recipients. This is concerning to local government, especially as there could be more indigent households than those registered with municipalities. Without a revision of the equitable share to local government, the current resources of municipalities will be drained. There will be an increase in community protests resulting in instability.

Currently, the municipal debtors balance stands at R128.4 billion and this amount is only increasing. Radical measures are needed to stop this snowball effect.

Mr. Tau stated that SALGA had a number of proposals available to help municipalities combat the effect of a withering economy and he urged municipalities to get in contact with SALGA for assistance to combat the challenges facing local government.



*“Ethical behaviour is doing the right thing when no-one else is watching, even when doing the wrong thing is legal.” – Park Tau*

Challenges facing local government

POVERTY

UNEMPLOYMENT

INEQUALITY

# S23

## Acknowledgement of international delegates & exhibitor award

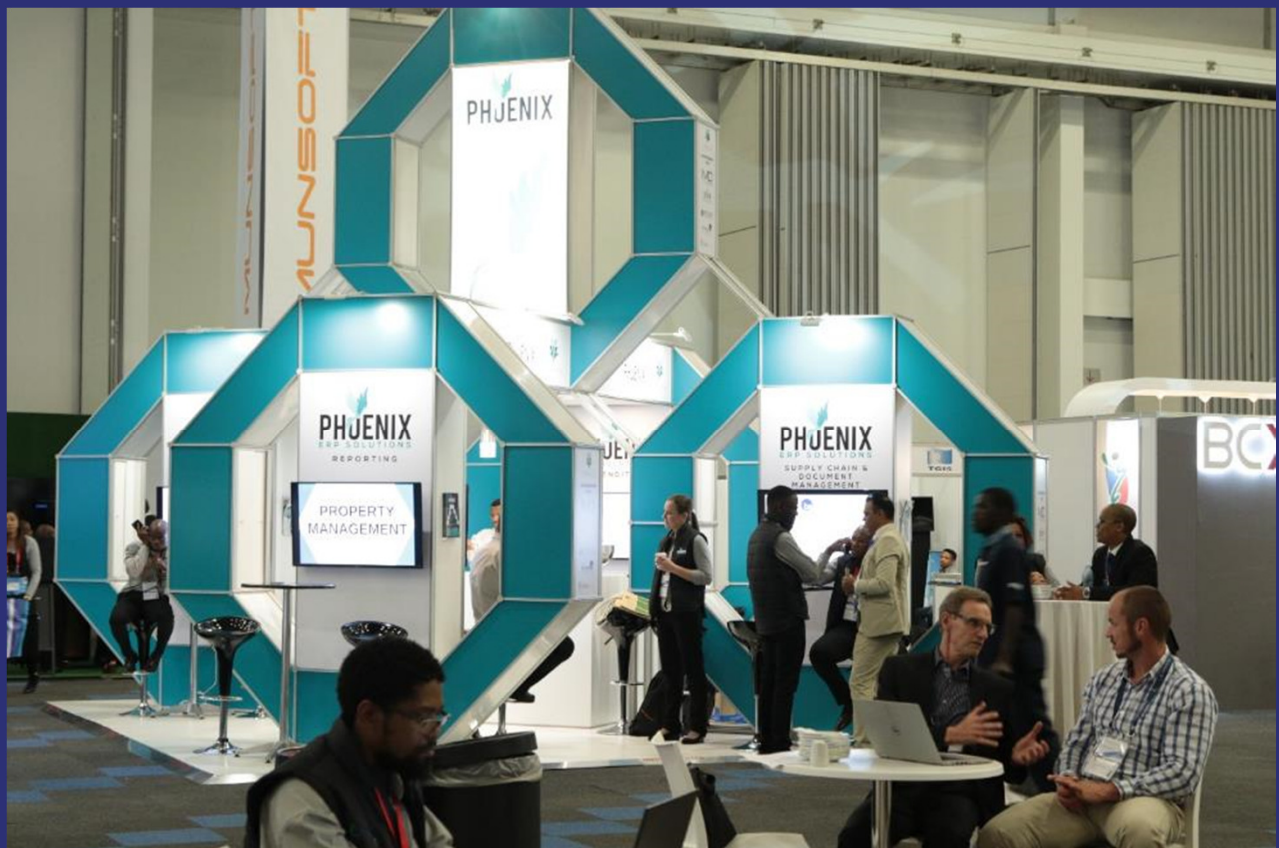
**Presenter:**  
Dr Krish Kumar,  
*CIGFARO President*



## *Acknowledgement of international delegates & exhibitor - awards*

International delegates were acknowledged and an awards presentation was held for the exhibitors and the following categories were acknowledged:

- The best stand award went to Phoenix ERP Solutions.
- The most original design award went to CRF Consolidated Retirement Fund.
- M One Power won the award for the best shell scheme stand.





# S24

Back to the basics of organising power to  
sustain service delivery

**Presenter:**

Jay Naidoo, *Motivational  
Speaker*





## *Back to the Basics of organising power to sustain service delivery*

The conference was concluded with a motivational talk given to the delegates by Mr. Jay Naidoo.

Mr Naidoo's motivational speech left the delegates in deep self-reflection. He gave the delegates a wake-up call on the current political challenges and economic crisis that they are faced with in this day and age. Below are snippets from his speech.

Mr Naidoo introduced himself as a human being, married to a beautiful and wonderful woman, Lucie Pagé, a writer and journalist. He has three children whom he regards as his greatest achievement. He started off by expressing his dislike for titles, the blue light brigade, bodyguards, etc. and stated that this is not leadership. Mr Naidoo emphasized that the meaning of leadership is, *"leadership that serves, not leadership that takes and plunders and steals from the mouths of hungry people"*.

He continued by making reference to the issue of climate change and his work over the past 20 years with other groups, on the issue and challenge of malnutrition that faces 2 billion people around the world.

"If we look at our own country where 14 million people will go to bed hungry today, how can we call ourselves a democracy?" ... "When 50% of young people, coming out of 12 years of education will never have a decent job, how can we claim to be a democracy?" ... "This cannot be the dream, the hope what we inspired...many thousands of people had given their lives to win this freedom. "This cannot be what we promised our people."

He directed his conversation to climate change by stating that it is a reality. He made reference to the water crisis in the City of Cape Town saying that it is not a city crisis or a provincial crisis. It is a crisis of our country and of the world. If the city runs out of water, this would be a first for a city to run out of water in the whole world.

Mr. Naidoo reckoned that the problem in South Africa and in the world is, that we are facing an ecological emergency. He pointed out that 80% of our forests have been destroyed, which equates to ripping out 80% of your lungs and expecting to live. 30% of our soil has been poisoned by chemicals and the food that we eat poisons us. All of this is happening but people are silent. According to Mr. Naidoo, the root cause of this is our **'HUMAN GREED'**! A system of economics that is driven by profit, driven by the human greed that continues to marginalise the majority of the people in the world. He said that more systems, more policemen in the street, etc. will not fix the problem. We have to ask ourselves one central question: **WHAT DOES IT MEAN TO BE HUMAN?!** We need a second liberation struggle across the world that talks about a different way of living on this planet, about a balance between ourselves as humanity and our mother earth, about treating our planet, not in the way that we seek dominium over it, because we can never dominate nature.

## *Back to the Basics of organising power to sustain service delivery continued*

Martin Luther King was a great leader, of our world, said Mr Naidoo quoting Mr King by saying that *“Our lives begin to end the day we become silent about things that matter.”*

Mr Naidoo reminisced about the conversations he had with Chris Hani saying that Hani has been a good comrade. One of Chris Hani’s greatest fears was that comrades who are liberators today, will become elitists driving around in Mercedes Benz’s, using the resources of our country to live in palaces and gather riches, and “eating the children of the revolution.” Mr Naidoo said that he never thought that Chris Hani would be so right, as it is happening in our country today.

Freedom was the heroic struggle of our people, it wasn’t the struggle of leaders...it wasn’t about finding out who is the cleverest in the room. It was a struggle of workers. It was a struggle of students, of women, of rural people. They gave birth to our freedom. Not organisations, not COSATU, not the ANC, not a party. It is the people who were the engine of our struggle to win our freedom.

“We the people decided to give a social license to the ANC to govern us...and if they fail to govern us, we have the right to withdraw that mandate.”

“Hector Petersen was the child that inspired us in 1976, he was the spark that caused a fire that led to a revolution.”

“That one incident, that one symbol sparked a revolution in South Africa that brought down the most brutal dictators.”

*“Our lives begin to end, the day we become silent about things that matter.”*

*“We have nothing to lose but our chains because the mind of the oppressed is the main weapon in the hands of the oppressor.”*

## *Back to the Basics of organising power to sustain service delivery continued*

Broad reference was made to the role of the private sector with regards to being silent about the GUPTA email evidence of wide-scale complacency by international organisations like KPMG and McKinsey while our country has been looted. He asked what the code of ethics is that governs the private sector. He mentioned the oath that was taken to uphold the code of ethics. He posed a question to CIGFARO, SAICA and the other professional bodies that are supposed to be monitoring auditors and chartered accountants. “Why have you been silent?”, “Why have you not alerted us, the public, the citizens...that there has been so much syphoning illegally of billions of rands out of our organisations?” He asked, “Where has been your moral background?”

*“Truth hurts, but silence kills.”*

Nelson Mandela always said... *“It always seems impossible until it’s done.”*

Mr Naidoo’s final remarks were: “How do we heal the country, how do we find out who we are as South Africans?” “What is our identity?” “How do you find in your heart where love and compassion and forgiveness and reconciliation sit?” “How do we descend from the arrogance of our head to our heart?” “How do we begin to talk about giving, about sharing?” “How do we build a South Africa of our dreams?” “Mandela once said, it sometimes falls on a generation to be great. Are you that generation?”

“Can you be that generation? All it needs is courage. Courage is free. Banish the fear in your hearts. Stand up for what is right. And do the right thing. That is my appeal to you all,”.

The CEO delivered a vote of thanks, communicated the 4 major events for the 2018 calendar year.

He announced the launch of the first ever Master Classes sessions to start after conference closure. This is an initiative which will roll over to all Provinces. It is a partnership of CIGFARO with the National Treasury. It was further explained that this initiative is neither a duplication nor a competitor to the on going Western Cape programme, but rather a complement.

He officially declared the 88th Conference officially closed

## Summary of the Student Conference



## *Summary of the Student Conference*

The first ever special conference for students was launched at the 88th CIGFARO Annual Conference in Cape Town on the 10th October 2017. The conference was aimed at presenting the practical aspects that students acquire from their institutions. This is an initiative of preparing students for the real work life through practical presentations from well skilled speakers.

The CIGFARO President, Dr Krish Kumar officially opened the conference through a Motivational Talk. He shared his work life experiences and encouraged students to persevere in life. The Chief Executive Officer of CIGFARO, Mr Abbey Tlaetsi outlined issues of the CIGFARO Memorandum of Incorporation (MOI) that relates to students matters. He summarily explained the envisaged plan for students programme covering the 2017/18 financial year.

The Vice President Technical, Ms Paledi Marota who is one of the Champions for the students conference took lead in subsequent presentations that covered the following topics, amongst others:

Workplace Integrated Learning

How to apply what we learn into the workplace

Ethics Standards

Developing Personal Development Plan (PDP)

Non- Technical /Financial Skills required to make it in Municipal Finance Field

The Tshwane University of Technology was commended for bringing 110 students to the conference and lecturers, under the leadership of Joey Geyer.

This one-day conference was concluded with positive feedback from students and CIGFARO commitment to host a much more improved conference during 2018. It was also agreed upon that other universities will be approached for full participation in the programme.





*PwC are providing no opinion, attestation, or other form of assurance with respect to this publication, and we did not verify or audit any information provided to us. Our work was limited to the preparation of this summary report based on attendance at the CIGFARO conference. This information has been prepared solely for the use and benefit of, and pursuant to a client relationship exclusively with CIGFARO. PwC disclaims any contractual or other responsibility to others based on its use and, accordingly, this information may not be relied upon by anyone other than CIGFARO*

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