



87th National IMFO Conference Summary



October 2016

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Introduction

The Institute of Municipal Financial Officers (IMFO) conference was held from 2 to 5 October 2016 at the International Convention Centre (ICC) in Durban and the theme was "Sustaining Municipal Viability amidst Economic Distress".

The first day, Sunday 2 October 2016, started with registrations, viewing of exhibition stands and an invitation-only President's Function in the evening. The second day was set aside for the core addresses of the conference with additional presentations and breakaway sessions on the third day. There were a total of 15 breakaway sessions and some of them were conducted in parallel. Generally, the breakaway sessions were interactive and each presenter was supported by a panel of experts. There were three more addresses on the fourth day followed by the Presidential Handover and the address by the incoming President. A motivational address by Justice Malala was the closing item of the conference. The rest of this document summarises the conference addresses and breakaway sessions.

This was a very significant conference from IMFO's perspective in that its name was officially changed to the Chartered Institute of Government Finance, Audit and Risk Officers (CIGFARO). It was done with the aim to keep the Institute relevant and aligned to the new demands as elaborated by the IMFO President, Ms Jane Masite, during her address on day two. The changing of the Institute's name, which was the third time in the history of the Institute, marks a new era of growth.

The conference was well attended with over 11 00 delegates attending.



Day 1

Program Directors

- Sidwell Mofokeng
- Nelisiwe Ntlhola
- Peter Ndoro

1. Opening of the conference

Presenter

Jane Masite (IMFO President)

Ms Jane Masite (IMFO President) welcomed all attendees and dignitaries and congratulated the female leadership who have been elected. New members and sister institutions were also welcomed on board and apologies were acknowledged for those who were unable to attend. She mentioned that the aim of the conference was to tackle topics that will take the Institute to a higher level. In closing, she wished everyone well and expressed the hope that the attendees would find the conference valuable.

2. Welcoming address

Presenter

Deputy Mayor Councillor Fawzia Peer (eThekweni Metropolitan Municipality)

All protocols were observed by Councillor Peer during her welcome to the 87th National IMFO conference. Councillor Peer stated that the conference is a good platform to cultivate relationship in order to interact and share ideas. She also mentioned the fact that the country have just gone through local government elections which saw the amalgamation of smaller municipalities into the metros due to the challenges of financial viability and dysfunctional municipalities.

The Councillor followed on to say that the theme of this year's conference is, "Sustaining Municipal Viability amidst Economic Distress" which is an apt topic considering the current economic climate.

The Councillor then elaborated on the topic of viability by discussing relevant key issues that align to the overall theme. The first being the question of *"What does it mean to the municipalities to be financially viable?"*

She mentioned that the National Treasury definition of financial sustainability is seen as the ongoing ability of the municipal budget in meeting its expenditure commitment from its own revenue and transfers. From the local government fiscal framework, financial viability is defined as a state of balancing revenue sources and expenditure responsibilities. If these two aspects balance, then municipalities are considered to be financially viable.

The second topic that the Councillor expanded on was to mention that over the years, government has put in place various programmes and initiatives to support local government. The following programmes and initiatives was briefly discussed:

- Inter-governmental fiscal transfers reform program – focuses on simplifying and rationalising transfers to municipalities.
- Municipal support programme – technical assistance is provided on financial management, HR, organisational development, community and development planning.

- New and refined policies and legislation – aim to improve the flexibility of the legal framework within municipalities.
- Municipal revenue enhancement programme – aims to assist municipalities with revenue enhancement through a series of specialised innovations.

The next key point made by the Councillor was that by focusing on the current challenges one can reduce the financial burden on government. She mentioned that increasing unemployment, poverty and inequality are examples of such challenges.

She went on to say that while there are national/provincial strategies, municipalities also need their own economic development and job creation strategies. It should include how they build economic leadership, how they invest in infrastructure, how they facilitate private sector partnerships and investment, how they provide sector support, develop tourism as well as support social economic initiatives in rural areas.

Another key issue raised by the Councillor was the issue of productivity. She stated that decreasing productivity is a global trend and that the problem is compounded further by salary increases that are above inflation while productivity continues to decline which is not sustainable. Councillor Peer goes on to say that they should explore technologies and innovations to work around such challenges.

She also mentioned that costs are currently increasing at a rate above inflation and that we need to closely monitor our top items of expenditure. She said that we should also take cognisance of the increasing unaffordability of services in the current economic climate. If consumers cannot afford the rates/tariffs, they will not pay. All tariffs must be realistic in terms of providing a reasonable level of service to the community in order to recover the full cost of the service.

Councillor Peer continued by expressing her hope that CIGFARO can support the municipal sector with various initiatives. She mentioned the following as possible examples:

- Guidelines/strategies to ensure cost reduction through the use of smart contracting, digital technologies (e.g. Wi-Fi), strategic sourcing, etc.
- Cost/benefit analysis on the investment of new innovations being assessed.
- Determine how CIGFARO will drive changes to legislation to improve debt collection, and how it is going to lead the way in identifying new forms of income despite the current economic climate.
- Providing guidance on the prospects of smart meters.
- Developing a national strategy to reduce non-revenue water.

The Councillor also raised a key point in what the communities need from local government. She said there is a greater demand for more information and greater accessibility to government entities. Consumers want to see their bill and pay their accounts online, meaning that technology needs to play a key role in the way municipalities interact with the community.

Another key issue raised by Councillor Peer is the issue of value for money. Our biggest spend is on procurement. We need to improve our processes in order to ensure that we receive value for money and that we procure effectively. The Councillor was keen to see how CIGFARO and this conference can contribute towards addressing this challenge.

She mentioned that we need to do more with less and that it will require strategic sorting of priorities. She said that if everything is a priority it also means that nothing is a real priority. She said that it is evident that we need to prioritise, for example, to delivery of basic service to stimulate the economic growth. The masses should be aware of the fact that it is not easy

being in government with the current economic state. Whilst we do all for long term benefit, we need to remember our mandate and the need to provide services to our community.

To conclude, Councillor Peer indicated that there is a lot to discuss and there are some difficult challenges ahead. She quotes, Pravin Gordhan – Minister of Finance, “at the end of the day, we need to remember that we are public servants with a public administration. We are not here to serve ourselves but to serve South Africans. You are very important Guardians of the future and the wellbeing of SA. Each of us need to apply our minds to how we spend the money, how we make decisions and how we ensure the values in our constitution are promoted every single day.”

3. IMFO Presidential Address

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| Presenter | Jane Masite (IMFO President) |
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Jane Masite (IMFO President) reflected on the achievements of IMFO as well as the changes taking place and the road ahead. The aim is to elevate the profile of IMFO and make it more relevant to the members.

Her goals were as follows:

- Establish a new vision;
- Establish a new name and direction;
- Establish a new building;
- Ensure the retention of traditions and values;
- Fostering the relationship with government for recognition of IMFO; and
- Leveraging the 87 year of history.

The theme for the conference is fitting as agreed that the focus should be on achieving value for money, using less resources to achieve a larger output while keeping service delivery in mind to avoid protests like the ones we have seen recently. All stakeholders are expected to change the way they do things.

The ceremony was concluded by unveiling the new name for IMFO which is the third name change. The name change is based on the new trajectory of the Institute in supporting, promoting and developing the profession. The new name is the Chartered Institute of Government Finance, Audit and Risk Officers (CIGFARO).

4. Keynote Address: Integration of Traditional Leadership governance with local authorities

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| Presenter | Deputy Minister Obed Bapela (COGTA) |
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The Deputy Minister began his presentation by observing all protocols and stated that IMFO Conference is the premier gathering for finance officials in the local government sphere. To set the scene the Deputy Minister quoted the following quote made by Charles Dickenson:

“It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to heaven, we were all going direct the other way - in short, the period was so far like the present period, that some of its noisiest authorities insisted on its being received, for good or for evil, in the superlative degree of comparison only.”

He then continued by looking at the theme for this year's conference namely "Sustaining Municipal Viability amidst the Economic Distress".

The World Economic Forum's Global Competitiveness Report 2016-2017, released the previous week indicates that South Africa improved by two places to 47, out of 138 countries. However, South Africa still faces the prospect of almost minimal growth. It is under these circumstances that we must all function effectively, and it is under these conditions that the theme is most appropriate.

He further discussed that the institution of traditional leadership is centuries old and still very relevant in the modern era. Furthermore, the South African Local Government Association (SALGA) in collaboration with the Financial and Fiscal Commission (FFC) released the "Cost of Municipal Basic Services" report the previous week. This report found that annual administrative costs across local government stood at R42bn compared with overall operating expenditure to deliver services to the poor at R35bn. The results shows that policy shifts on the side of government are required and that the report included the following proposals:

- Investigate the development of norms and standards;
- Investigate spatial optimisation to address the high capital spending on roads;
- Prioritising the renewal of municipal infrastructure; and
- Emphasise the redistributive policy approach

The Deputy Minister further discussed how the proposals above are essential for municipalities to ensure that they are able to deliver services effectively to the citizens. With this, he pointed out that approximately a third of the population still lives in rural areas controlled by Traditional Leaders, illustrating the role that Traditional Leaders must play.

He spoke about the predictions that 80% of the rural communities will be urbanised by 2050 to look for better opportunities, unless we embark on a rural development programme. The Deputy Minister pointed out that China is growing its Rural Country side communities and that, in addition, they keep people to cultivate the land and supply food to the cities and exports to other countries. China is therefore growing Rural Country side communities as the resource of growth in the country.

The Deputy Minister highlighted the 5 point plan of his Department in strengthening the role of Traditional Leaders, saying that Traditional Leaders have a significant level of trust placed on them by their people. He further addressed the fact that they have the ability to direct behaviour and decisions, and exercise their influence by engaging in activities such as solving disputes and managing resources.

Further to his address, the Deputy Minister pointed out that although traditional leadership is enshrined and recognised in the Constitution and other legislation, one needs to note that they lack a clarified role in local governance. This has brought confusion to rural areas, which has weakened democracy, and in particular, caused deficiencies in governance in these areas.

He then touched on various initiatives embarked on by his Department and mentioned that whilst local government has made significant strides since 1994, there are still immense backlogs in delivering services to its people. He urged municipal councils to oblige to the law by developing a culture of local governance that shifts from strict representative government to participatory governance, and for this purpose, encourage, and create conditions for residents, communities and other stakeholders in the municipality to participate in local affairs as per the Back to Basic pillar one of putting people first.

He concluded by indicating that the *Back to Basics* programme has encouraged the participation of Traditional Leaders in the meetings of the municipal councils.

5. Towards the implementation of a local government integrity framework: Municipalities putting in place measures to fight fraud, theft and corruption

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| Presenter | Sonwabo Gqegqe (SALGA) |
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All protocols were observed. Mr Gqegqe stated that the last part of the Deputy Minister's speech sum up everything for him. He started his presentation by explaining that the mandate of SALGA is to assist in transforming local government to enable it to fulfil its development mandate. This includes the following:

- Lobby, advocate and represent;
- Employer body;
- Capacity building;
- Support and advice;
- Strategic profiling; and
- Knowledge and information sharing.

He went on to discuss the strategic mandate of a developmental municipality and pointed out that the developmental role for local government offers substantive benefits to local communities, the sectors of the economy and the other spheres of government. He further stated that Section 152 of the Constitution indicate the objectives of local government to be:

- To provide democratic and accountable government for local communities;
- To ensure the provision of services to communities in a sustainable manner;
- To promote social and economic development;
- To promote a safe and healthy environment; and
- To encourage the involvement of communities and community organisations in matters of local government.

At this point, Mr Gqegqe addressed the fact that all structures within the municipality are established by, and serve at the pleasure of the Council. It is therefore important to recognise that a Council decision, as long as it is within provisions of and consistent with principal legislations and the Constitution of the Republic enjoys almost the same status as any other legislation.

Mr Gqegqe then went on to discuss fraud and corruption. He referred to the maiden national survey on anti-corruption measures which indicated that most municipalities in South Africa have policies and programmes in place to fight fraud and corruption. The biggest challenge is the lack of implementation of those policies. He pointed out that the following are some of the reasons for this:

- In some instances, officials are advised by politicians not to implement those policies
- Lack of monitoring;
- Low levels of capacity; and
- Policies lack ownership within the municipality

He also indicated that there is still room for improvement in terms of awareness for fraud and corruption amongst communities with respect to their rights to transparent and accessible information as well as avenues to raise concerns and report corruption.

With regards to mechanisms to fight fraud and corruption, he said that the results of the survey conducted indicated that:

- Most municipalities have mechanisms in place to receive reports of fraud and corruption from both staff and communities.
- Where municipalities have created awareness around these mechanisms they have received reports.
- Many municipalities have opted for outsourced hotlines although these tend to prove costly for the municipalities.
- Those with hotlines received more reports than those without.

He further mentioned that a key imperative of the Draft Integrity Management Framework for municipalities is to promote an ethical culture in the municipalities.

He went on to indicate that the Draft Integrity Management Framework notes that municipalities must ensure that all legitimate corruption allegations are investigated. The framework requires the implementation of:

- Disciplinary actions;
- Recovery of losses;
- Individual accountability; and
- Consider cancellation of fraudulent contracts or obtained through corrupt activities.

Judging by his assessment Mr Gqegqe said that it is evident that where there are policies, capacity and proper systems of internal controls to combat fraud and corruption, there is also a high degree of accountability that improves ethical standards.

Gqegqe then talked about the public sector ethics survey which dictates that the top five ethics risks are:

- Incompetence;
- Victimisation of employees who differ with management;
- Inconsistency in the application of rules and discipline;
- Abuse of time; and
- Abuse of cadre deployment.

In contrast to that the bottom three low risks are:

- Sexual harassment;
- Inappropriate acceptance of gifts; and
- Disrespectful treatment of the public

He further mentioned the top five ethical culture concerns are that employees do not believe that:

- They are allowed to question the decisions of their superiors;
- Discipline is applied consistently across all levels;
- They can comfortably approach their managers with ethical matters or concerns;

- Employees are appreciated by the management; and
- They can report unethical practices without fear of retaliation.

With the above situation, he raised the question on what needs to be done: the call for the culture of change and mentioned that the leadership should do the following:

- Improve municipal governance structures, systems and processes;
- Establish an ethical culture throughout the public sector;
- Review HR policies, processes and systems to eliminate unethical aspects and promote an ethical culture;
- Work towards an organisational culture change;
- Address challenges in the political domain;
- A need for exemplary (ethical) leadership;
- Actively promote the public sector's reputation;
- Improve internal communication; and
- Encourage stakeholder participation and activism.

Lastly, he indicated the importance of oversight by having an effective Internal Audit Unit, Risk Management, Legal Services and effective Integrity Management function. This will ensure that the work of an Audit Committee, the Municipal Public Accounts Committee (MPAC) and ultimately the Council will hold Executive to account. This will demonstrate public value to the people and build the required confidence to the sector.

6. State of the economy

Presenter

Dr Ajiv Maharaj (eThekweni Metropolitan Municipality)

The economic growth has been slow in the past 10 years, particularly after 2009, with a minimum of 2, 2% growth on average. Significantly, the slowdown of the Chinese economy has affected many countries globally including South Africa which depends on commodity exports. China was the biggest export market and South Africa's (S.A.) biggest partner in 2015 mainly on raw materials and commodities, said Dr Maharaj.

He indicated that India is viewed as the expected new powerhouse with an expected growth that is higher than China's projections.

The United States of America (U.S.A.) remained stable and the interest rates have remained unchanged despite speculations. The U.S.A. has the largest trade deficit and many economies like Germany and Japan are dependent on U.S.A. demand for their economies to grow. Dr Maharaj said that this is good news as U.S.A. is a key and stable trading partner for South Africa.

He further indicated that economists predict that the European debt crisis will continue to grow and that Brexit signaled uncertainty. The imbalances that created the crisis still remain. The European Union is S.A's largest long haul trading region after Asia and its economic health of it is in S.A's best interest.

Regarding the South African economy, Dr Maharaj predicts that the growth for 2017 is expected to be between 3 and 5%. This will encourage investment and growth in commodity dependent countries like South Africa.

He indicated that the total growth rate in the second quarter is 2, 2%, which was better than the first quarter and we have avoided the recession. The financial sector has been growing

significantly over the years. Dr Maharaj listed the following as the key issues that has an impact on the South African economy:

- Agriculture: already in recession six consecutive quarters of negative growth
- Manufacturing: slow growth – steel crisis which is affected by cheap import from China and AGOA which might result into the closure of some factories in KwaZulu Natal
- Mining: low demand, but fewer strikes – stable
- Finance: Growing (yet savings rate at 15.4% of GDP is lowest among peers)
- Trade: Growing (fuelled by consumption)
- Community Services: stronger growth, but sustainability concerns going forward.

He mentioned that tourism in S.A. was impacted negatively by the introduction of VISA laws, but the country has since recovered, resulting in significantly positive tourism growth in 2016. He explained that the international tourism numbers from January to May 2016 grew by 15, 7% from the same period last year.

Dr Maharaj went on to say that the unemployment rate increased from 22, 5% in 2008 to 25, 1% in 2014. He concluded his session on the state of the economy by summarising the negative and positive trends in the economy.

Negatives trends:

- National growth outlook to remain low
- Fiscal and monetary policies have been inadequate/ineffective to support economic growth
- Rising food prices and effect of drought

Positives trends:

- Free and fair local government elections
- Electricity stability
- Quarter three growth expected to be 3,3%
- Exploring better incentives for SMMEs
- Regained position in Africa

7. Doing business in South Africa

Presenter

Carli venter (World Bank)

Carli Venter focused his presentation on two reports namely, *Doing business 2016* and *Doing business in South Africa 2015*.

The *Doing Business 2016* report was a worldwide report that was based on the following:

- Regulations relevant to the life cycle of a small to medium-size domestic business;
- Standardised case scenarios;
- Measured for the most populous city in each country, and the second largest business city in countries with more than 100 million inhabitants;
- Focused on the formal sector;

Regarding South Africa, the report was based on Johannesburg only. The rankings for South Africa for the measurement items was:

- Ranked 120th for starting a business;
- Ranked 168th for ease of obtaining an electricity connection;
- Ranked 101st for ease of registering a property;
- Ranked 14th for protecting minority investors;
- Ranked 20th for ease of paying taxes.

Carli Venter then discussed the second report namely *Doing Business in South Africa 2015*. This report was based on the international report and had the following focus:

- Expanding the Doing Business indicators beyond the largest business city (i.e. Johannesburg) to include all of the Metro Municipalities together with Msunduzi Local Municipality, which is part of the SA cities network;
- Capturing local differences in regulation and enforcement;
- Proving information on good practices that can be easily replicated.

The presenter pointed out that a key finding of the report was that typically 50% to 75% of national wealth resides in its real estate. In developing economies only 30% of land is subject to a form of land registration while only 10% of land in Sub-Saharan Africa is registered. This then means municipalities play a key role in driving GDP and revenue growth through removing the red tape around registering property. The increase in GDP and revenue growth arise from increased investment through secure property rights. This leads to greater credit potential of residents which in turn makes it less costly to obtain finance.

8. The revised draft raw water pricing strategy and the Norms and Standards for tariff setting

Presenter

Sizani Moshidi (Department of Water Affairs & Sanitation)

Sizani Moshidi started the presentation by stating that Section 56 of National Water Act (NWA) and Norms & Standards for tariffs (s10 of WSA) both provide a pricing framework for any use of water from the water resource and supply of potable water respectively. The Pricing strategy seeks to address the following:

- Recovery of costs for water resource management and sustainable infrastructure asset management
- Funding of catalytic water infrastructure to support social and economic development

The Norms & Standards for tariffs seeks to ensure that pricing is transparent, affordable, sustainable and economic ensuring access of water to everyone. The two pricing frameworks are under review to close-in gaps that have been identified over the implementation of the current versions. The presenter said that the revisions are also meant to create room for Economic Regulation of the water sector as per the NDP

A key change has been made to the water use categories with the pricing categories moving from 3 to 6 user categories. The new categories added are hydropower and a separation of municipalities and industry/ mining categories to allow for better charges for end users.

She said that a controversial aspect around the new pricing is the intention that Metros pay a cost reflective rate similar to industry with different categories of municipalities paying a lower cost to lower the burden on the consumer. This is however still in discussion with

National Treasury. Agricultural users account for 62% of the water use whilst municipalities account for 24% of use.

She also mentioned that a new proposed cost component in the charge of water is the Economic Regulation Charge which is related to the set up and operations of the proposed regulator.

Ms Moshidi concluded by mentioning that the areas that have been revised and added into the Norms and Standards include differentiation, accounting for costs, tariff setting procedures, disclosure, and the clarification of the definition of terms to avoid vagueness.

9. Salaries of s56 employees and other employees. Are they justified considering the economic distress?

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| Theme | Impact of Municipal remuneration on budget |
| Presenter | Peter Ndoro |
| Panel | <ul style="list-style-type: none"> — Krish Kumar (eThekweni Metropolitan Municipality) — Eduard Le Roux (National Treasury) — Muthotho Sigidi (COGTA) — Sabelo Gwala (SALGA KZN) — Sidwell Mofokeng (IMFO) |

Peter Ndoro provided a background on the topic and whether there is value in the amount that the senior managers are being paid against the work that they do, as well as the ability of the municipality to pay given the economic conditions. The Department of Cooperative Governance and Traditional Affairs (COGTA), have come up with various formulas to try and level out the playing field and try rationalise across the country. The question that needs to be discussed is whether people think it's fair, does it make sense and is it understandable.

Muthotho Sigidi indicated that senior managers' salaries within the local government environment has never been regulated. COGTA has decided to look into regulating the environment in relation to salaries of s56 managers. Its decision was not, in any way, influenced by the current economic downturn, but rather to ensure there are norms and standards as in other industries. COGTA indicated that the regulation was informed by the following three parameters:

- Gross Municipal Income – This represents the income generated by the municipality (own revenue which senior management initiates processes for collection). This parameter has been allocated a 60% weighting.
- Population – This represents the number of people that the municipality services. This parameter has been allocated a 30% weighting.
- Equitable Share – This is a new parameter introduced in the formula. It represents the allocation received from the national fiscal. This parameter has been allocated a 10% weighting since it requires less effort from the municipal officials.

COGTA views these regulations as a transformation initiative/agenda that seeks to address the challenges identified within local government. However, COGTA acknowledges that there are further challenges that the regulations have not addressed which will require future improvements.

A debate took place on the topic and the following key issues discussed:

- The need for greater consultation with key stakeholders

- The inconsistencies in salaries between local government and other spheres of government
- The need to attract and retain the right resources

In conclusion Peter Ndoro indicated that this is a topic that will need to be discussed further.



Day 2

Program Directors

- Bharthie Ranchoddas
- Louise Muller

10. Land Reforms, Expropriations and the impact on Local Government and how to maximise income

Presenter

Chris Gavor (Valuer General)

Chris Gavor commenced the presentation by discussing the definition of land reform as the statutory division of agricultural land and its re-allocation to landless people. It consists of government initiated property redistribution, generally of agricultural land and it gives power to those who work the land, with or without compensation.

He mentioned that the Office of the Valuer General was legislated in 2014 and operates autonomous from Government. The vision for land reform has been defined by the Department of Rural Development and Land Reform (Department) and reconfigures a system of secure tenure and clearly defined property rights to farm workers.

Mr Gavor discussed a few land reform programmes currently implemented and illustrated its connection to the financial viability of municipalities. The following programmes were discussed:

- Strengthening of relative rights of people working the land (50:50) - Co-ownership exists between farm owner and farm workers. The Department will buy a piece of land from the farm owner. This is to ensure that farm workers are part of the venture, resulting in the formulation of a new company. Farm workers will have 45% share, farm owners 50%. National empowerment fund then owns the remaining 5% of shares on behalf of farm workers. Fifty percent equity for farm workers will be provided by the government.
- One household one hectare - The plan here is to allocate a one hectare piece of land to a household for agricultural activities. Households will be given a user rights certificate title to use land for agricultural activities.
- AGRI-PARKS - An Agri-park is a networked innovation system of agri-production, processing, logistics, and marketing, training and extension services, located in a District Municipality. As a network, it enables a market-driven combination and integration of various agricultural activities and rural transformation services. The Agri-park comprises of three distinct but interrelated basic components:
 - The Farmer Production Support Unit (FPSU) – enabling a farmer outreach and capacity building unit that links farmers with markets.
 - The Agri-hub (AH) - a production, equipment hire, processing, packaging, logistics, innovation and training unit.
 - The Rural Urban Market Centre (RUMC).

Mr Gavor said that as a result of the above initiatives, there is reduction in unemployment, a reduction in crime, increased spending power of individuals, increase in GDP, reduction in poverty, land viability for human settlements and infrastructure investment.

11. How to successfully project manage your municipal Standard Chart of Accounts (mSCOA) conversion

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| Presenter | Walter Muwandi (CCG Systems) |
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In his opening remarks, Walter Mywandi highlighted the importance of the mSCOA project and the need for municipalities to take this project seriously. According to Walter, the key success factors required to ensure that mSCOA conversion succeed, includes the following:

- Define and assign the level of importance – Municipalities need to recognise the significance of mSCOA and to assign it the high level of respect it deserves;
- Adopt a methodology – Municipalities are urged to follow a best practice methodology that is simple, easy to understand and auditable;
- Plan and follow the plan – Municipalities should not under estimate the need to plan their project.
- Monitor and control (Time, Costs, Risks, Issues, Changes) – During the project execution stage, municipalities need to monitor and control the project.
- Manage stakeholder roles, expectations & governance – Key stakeholders that municipalities need to work closely with include National Treasury; Systems vendors, Project steering committee, Stream Leads, etc.
- Understand the relevant legislation – There is a need for municipal officials to research and to familiarise themselves with all mSCOA related legislation. These includes Circulars that need to be complied with and implemented.
- Manage change – Municipalities need to put change management processes in place in order to deal with what people go through during a process of change.
- Know and understand the mSCOA segments – Training is critical to ensure that people know and understand the seven segments of mSCOA.

In closing, Walter Muwandi encouraged municipalities to be positive and to embrace the roll-out of mSCOA.

12. Infrastructure as Economic Driver

Presenter

Faried Manuel (DBSA)

The focus of the presentation was on the service offerings provided by the DBSA. DBSA is a development finance institute capitalised in the 1980s. Since then, the Bank has not been re-capitalised by government with the intention being that it must be self-sustainable through profitable investments.

The core sectors within which the DBSA operates are energy, transport, ICT, water and municipal infrastructure. Secondary sections are education, housing, health.

Most of the DBSA investments are made in SA with limited investments in the rest of Africa. There is a perception in the market that DBSA funds are expensive but actual figures show that DBSA funding is comparatively lower than the market and takes a longer term view.

The DBSA focuses on preparing sustainable projects within DBSA's mandate to bankability in all African Countries. Project preparation is financed through own funds and a South African Development Community (SADC) Facility together with a €100m European Union Facility managed by DBSA. The other financing instruments available at the DBSA include:

- Senior debt-term loans (variable & fixed) both balance sheet loans and limited/non-recourse project finance; Mezzanine/subordinated debt; Short term bridge facilities;
- Guarantees;
- Project Finance;
- Subsidised interest for local government municipalities ;
- Broad Base Black Economic Empowerment (BBBEE) facilities-sub debt/quasi equity

DBSA has accepted its mandate to as a “first mover” in investing in any sector where both public and private sector funding is required. DBSA has also recently been involved in many infrastructure projects on behalf of national and provincial government and is now looking for greater partnerships with municipalities.

Recent projects in SA are the Energy Independent Producer Programme (IPP), the Tshwane Bus Rapid Transit Project and the University of Venda Student Residence Project and the Accelerated Schools Infrastructure Delivery (ASIDI) Programme.

Faried Manuel concluded by mentioning that DBSA's view is to make long term investments that have real developmental impact.

13. Breakaway sessions

13.1. Revenue Value Chain

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|--------------------|--|
| Theme | Effective monitoring mechanisms to ensure the revenue raising mechanisms to support the budget are being effectively implemented |
| Facilitator | Fathima Khan |
| Presenter | Makhari Ndanduleni |
| Panel | <ul style="list-style-type: none">— Venitah Haupt/ Sadesh Ramjathan— George van Schalkwyk— Peet du Plessis— Mfaniseni Ntombela— Pumla Maphisa (Crosscheck) |

Ms Khan welcomed everyone to the session and apologised for the late start. The session was sponsored by Crosscheck which is a credit bureau specialising in local government. The focus areas of Crosscheck are indigents, supply chain management and revenue management.

After the introduction of the sponsor of the session, Ms Khan introduced the panel members and thereafter handed over to the presenter Ms Ndanduleni.

Ms Ndanduleni spoke of relevant legislation and its importance in revenue management. She highlighted that in respect of the MFMA the key imperative is to ensure that revenue to be collected is realistically budgeted for.

In respect of the Property Rates Act, the key imperative that Ms Ndanduleni touched on is ensuring that rates are levied on all rateable properties and to make sure that the market value of properties are correct. Ms Ndanduleni pointed out that property rates and taxes is the liability of the property owner, though as per legislation, this revenue can be recovered from the tenant or estate agent if the owner is not paying.

Ms Ndanduleni discussed trading revenue, such as electricity. She also pointed out that the measurement of free basic services and rebates on property rates needs to be managed carefully as this can have a significant effect on the finances of the municipality.

In respect of customer care, Ms Ndanduleni stressed the importance of having people with the appropriate knowledge placed at first point of contact at call centres. She further indicated that accounts provided to the communities must be user friendly.

She highlighted that if the revenue collection processes are working properly the need to implement the credit control and debt collection policies will be less. She further specified that there is allowance within the legislation for debt collection from the employers of property owner through consented agreements.

Ms Ndanduleni also discussed the Indigent policy. She concluded by reiterating that it is the responsibility of the municipality to ensure that reasonable steps are taken to recover municipal debt while ensuring that unrealistic expectations are not made to the community.

A question and answer session followed where after the session was closed.

13.2. The Councillor's Role: Oversight and Delegation System

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|--------------------|--|
| Theme | Responsibility of the Mayor and role of the Council in financial management MFMA Circular 73 |
| Facilitator | Faried Manuel |
| Presenter | Louise Muller |
| Panel | <ul style="list-style-type: none">— Paledi Marota— Bongani Ngcobo— MMC Khethiwe Ntombela |

Ms Louise Muller explained the council structures, which is headed up by the elected mayor and includes both legislative and executive authority for the provision of all municipal services.

She said that there are certain functions of the municipal council that can be delegated and some which cannot. She pointed out that the following functions can only be performed by the council:

- Pass by-laws (local laws and regulations) which may not contradict or over-rule any national laws and must support the Policy approved by Council.
- Approve budgets and development plans.
- Borrow money – to fund capital expenditure /development.

She pointed out that the council may appoint committees to assist with achieving the councils' mandate. Committees make recommendations to council and saves the council from having to deal with all matters in detail.

Ms Muller proceeded to describe the various types of committees which include:

- Portfolio committees - These are the most common and usually have the same names as the different departments in council e.g. health committee, planning committee, finance committee.
- Geographically-based committees - These are set up to deal with issues in a specific area. This system is usually used in large metropolitan municipalities that also have sub-councils.
- Issue-related committees - These may be set up to deal with a specific issue in a way that involves people from different committees. This helps to stop problems from being treated in isolation.

A comparison between section 79 verses section 80 committees were also discussed as follows:

- Section 80 committees - Usually permanent committees and specialise in one area of work; they are sometimes are given the right to make decisions over small issues (which can be delegated) and will also advise and make recommendations to executive council on policy matters.
- Section 79 committees - Usually temporary committees, appointed by the executive council as needed to investigate a particular issue. These committees do not have any decision-making powers and are usually disbanded once they have completed their task;

The importance of delegation was discussed and she said that for the delegations to be effective it should be reviewed regularly and the various committee's terms of reference should be aligned to the delegations

In conclusion it was noted that even though responsibility for certain tasks are delegated by executive council to sub committees, the executive council still remains accountable

13.3. Performance Management and the Audit of Performance Information

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|--------------------|---|
| Theme | Lessons learnt from the Audit of Pre-determined Objectives |
| Facilitator | Cheryl Reddy |
| Presenter | Nirmala Govender |
| Panel | <ul style="list-style-type: none"> — Graham Terblanche — Andre Delport — Vanuja Maharaj — Priscilla Shanmugam |

The session consisted out of two presentations. The first being the presenter, Nirmala Govender, dealing with the experiences of eThekweni Municipality (Metro) and the second by Vanuja Maharaj, Business Executive of the Office of the Auditor General in KwaZulu Natal (AG).

Nirmala Govender mentioned that the Auditor General did not find major findings with regard to the auditing of the performance information and that the Metro received a clean audit in the previous year. She went on to discuss certain audit criteria's where potential challenges may exist for municipalities:

- Usefulness of key performance indicators (KPIs) - KPI's should be consistent from year to year. She mentioned that during the year the KPI's at the Metro were reduced in order to have a more strategic focus. This however caused a challenge regarding to the consistency of the performance reporting from year to year and they eventually had to bring the remaining KPI's back.
- Reliability of the measurement of performance - She mentioned that if measurements are only done at year end, there is likely to be a challenge with regard to its reliability.

Nirmala Govender also drew attention to some other common pitfalls that should be managed. She said that if you do not achieve the required result you must ensure that you can provide valid reasons, these reasons will be tested. With that she pointed out that the evidence provided should be verifiable.

The session continued by showing two video clips to illustrate some of the principles of performance reporting. The first video demonstrated that reporting must be timely to be useful and the second video to illustrate the challenges when reports cannot be provided electronically.

In conclusion of her session she summarised the key issues as follows:

- Top management and council oversight support.
- Adequately resourced performance management and evaluation unit necessary to do all the necessary work – AG is critically looking into this.
- Internal audit department must be adequately resourced
- Robust performance and audit committee and MPAC.
- Targets need to be SMART

- Keep things simple
- Quarterly performance reviews must be performed
- Prepare for the audit before AG comes.
- Check annual report against performance report to ensure alignment.
- Internal audit must check the performance information before it goes to AG.
- You can't measure something that is not in the IDP. Make sure everything is on the IDP.
- Budget information must align to performance information.

Vanuja Maharaj only had a few minutes to address the delegates and covered the issue of timing of submissions and the quality of the annual performance reports. She mentioned that over the last few years, the timing and quality of the reports has improved but that some reports have material misstatements. She then pointed out that the audit process is the one that is picking up these misstatements.

Some discussions took place after the presentations covering topics such as the alignment of the SDBIP and the KPI's, consequence management of non-performance and the Back to Basics programme as a means to improve performance.

13.4. mSCOA Reporting Pack

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|--------------------|--|
| Theme | New formats and additional detail |
| Facilitator | Annette van Schalkwyk |
| Presenter | Dumisani Mathambo |
| Panel | <ul style="list-style-type: none"> — Johanna Steyn — Elsabe Rossouw — Cornell Botha |

Dumisani Mathambo started the session by elaborating on the key design principles in setting-up the mSCOA Classification Framework. This included:

- Central source of data for local government information to be used by different users;
- Improvement of data quality and integrity through uniform classification framework with definitions to assist in the understanding of the classification of similar transactions throughout local government;
- Initiative supported by a modernised system application to facilitate the adoption and implementation of the mSCOA Classification Framework;
- Reporting relates to internal and external information requirements for local government in the context of the municipality or municipal entity.

He mentioned that reporting in the context of mSCOA is currently confined to financial information and does not address non-financial information. Once the financial information submission has been stabilised further consideration will be given to non-financial information in improving the collection and reporting on these important indicators.

He mentioned that the design framework inherent to mSCOA considered the reporting outcomes and envisage improvements to be made to existing reports. He said that the mSCOA tables will be released after the technical review by Treasury and is an important land mark in the project development life cycle.

Future actions will involve locking down the chart after finalising the review and thereafter updating the set of reports for Local Government. It is envisioned that the data imports will contain sufficient information to allow users and Treasury to extract these reports. Most importantly the accountability responsibility placed on the local government governance structures remain.

Dumisani Mathambo said that the reporting pack is expected to include a number of reports that satisfy different stakeholder and management requirements and give a clear picture of the Financial Performance, Financial Position as well as Indicators for improved decision making and goal setting (Improved Service Delivery).

Components of the reporting pack are expected to include National Treasury returns, stakeholder reports, dashboards, management packs, analysis reports, Council reports and dashboards, Annual Financial Statements, Annual Reports, Performance Reports, non-Financial Reports, Project Management Reports, exception & tracking reports.

13.5. Risk Management

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|--------------------|---|
| Theme | Project Risk Assessment to maintain sustainable services |
| Facilitator | Paledi Marota |
| Presenter | Thoko Konyana |
| Panel | <ul style="list-style-type: none"> - Rampuru Setati - Philip Ntsimane - Jamie Moodley - Remo Moyo (Nedbank) |

The presenter spoke about the impact of risk management and its relation to the economic distress in municipalities. She presented a few examples of failed projects in the media including the:

- M1 Bridge Collapse JHB October 2015
- R600-million project failure as pit toilets collapse in Chris Hani Municipality.
- Tongaat Mall Collapse, 2013
- Sao Paulo Roof Collapse

She mentioned that a common theme in the above failures were a lack of risk management activities and inadequate risk planning and mitigation.

She linked the economic climate to the increase in risk that municipalities face with regard to projects. She explained that the economic distress in the current South African economy impacts negatively on government/municipal revenue and it impacts on our ability to deliver on municipal projects. A ripple effect is then experienced as a lower investment in infrastructure results in deterioration of existing infrastructure, which further increases our losses as a municipality in terms of providing basic services like water, electricity, etc. and eventually resulting in urban decay.

Ms. Konyana went on to explain the definitions and importance of project management and project risk assessment. The following considerations are considered critical when performing risk assessments of municipal projects:

- Do we have the right people with the right skills in the right positions
- Having proper and adequate systems and processes in support of the work performed

- Having effective controls (policies, standards & procedures) to ensure that objectives are reached

She mentioned that the project lifecycle includes the following stages whereby a risk assessment is considered necessary at each of these stages:

- Inception – Liaising with the communities, understanding their expectations, site awareness programmes, appointment of consultants, policy adherence
- Concept and viability – feasibility assessments, budget availability, business plan, health and safety
- Design development – important to consider technological advancements that may assist in achieving cost effectiveness. Need to measure the maintenance costs
- Documentation – to ensure adequate record keeping
- Construction and close-out

Ms. Konyana used the failures encountered during the Sao Paulo hosting of the World Cup was used as a case study. The delayed timelines in effecting the project was highlighted and the root causes of these delays discussed. Some of these root causes pointing to a lack of adequate risk planning include:

- Land/ Property Owners rejecting proposal to upgrade privately owned stadium
- Funding sources not agreed to as the Brazilian Government was reluctant to use state funds to upgrade Corinthians (Private Property)
- Political interference - Hosting committee included politicians and land owners thereby resulting in a conflicts of interest as to who gets awarded the contract
- Project program was unrealistic
- Project Teams indecisive/ delayed decision making

Ms. Konyana illustrated by way of examples how a lack of risk management can lead to disasters. In closure she said that we must have a master risk plan at the commencement of each project. This will enable us to deal with problems as they arise and to mitigate those problems that were anticipated upfront.

13.6. Successful Public Participation Framework

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| Theme | Successful Public Participation Process conducted for the IDP and the Budget |
| Facilitator | Louise Muller |
| Presenter | Eddie Scott |
| Panel | <ul style="list-style-type: none">- Nkapo Ranake- Nomthi Ngcobo- Piti Pambaniso- Nomsa Nteleko (Os Holdings) |

Eddie Scott from the City of Cape Town (CoCT) presented on the strategies implemented in the CoCT to improve their public participation process. He commenced the presentation by giving background to the legal framework that governs the Public Participation Process (PPP). Eddie then spoke to the elements that make up a successful PPP based on the experiences at the CoCT.

He went on to talk about the pitfalls that should be avoided at all cost and discussed the approach taken by the CoCT in the PPP process which included the following:

- Combine the IDP and budget process.
- Use community newspapers to advertise and communicate with the people.
- Hold of public meetings.
- Budget documents are made available to the public at libraries, admin buildings, etc.

He closed off by talking about the realities that occur, regardless of having a sound process. These included last minute submission by the communities, which puts the teams under pressure to ensure inclusion. In addition, poorly communicated submissions are difficult to translate into tangible plans and in some cases, the translation process takes longer than expected and sourcing meaningful responses from internal departments has proven to take longer than expected.

The Panel discussion followed and some of the key questions that were posed to the panel are summarised below:

- How does the CoCT deal with communities redirecting projects during public participation?
- What type of campaigns does the CoCT run to make the communities aware of the different types of communication channels available to them, e.g. social media?
- In terms of legislation and by-laws, how does the CoCT deal with default rate payers that cannot participate in the public participation process due to their status?
- How does the CoCT compare to peers and other industries?
- What is the yard stick to measure the effectiveness of a public participation process?

In summary, the main theme of the panel discussions emphasised the importance of implementing an effective public participation process that is both transparent and inclusive.

Municipalities should deal with the “low hanging fruit” quickly to improve on citizen confidence. Lastly, there is currently no yard stick to measure the effectiveness of a PPP. Municipalities need to engage with the communities to gauge the effectiveness of their programmes.

13.7. Budgeting

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|--------------------|--|
| Theme | Optimising Revenue to Support Credible and Sustainable Budgets / Budget Optimisation through Innovative Technology |
| Facilitator | George van Schalkwyk |
| Presenter | George van Schalkwyk |
| Panel | <ul style="list-style-type: none">- Oubaas Wagner- Peet du Plessis- Masheke Mukwamataba- Collin Pillay- Chris Nagooroo (EOH) |

Chris Nagooroo opened the presentation by giving a brief background of EOH from its establishment, its JSE listing in 1998; and its market footprint, to name a few. He went on to discuss the first theme with emphasis on the following:

- Highlighting the criteria that must be satisfied in formulating a structurally balanced budget that is credible and sustainable;
- Some of the key external and internal factors impacting on the current state of Local Government Finance;
- Reasons for poor service delivery, which include among others, poor infrastructure, limited capacity and skills gap within the municipalities, inadequate revenue versus the expenditure (service delivery) needs, governance issues (including actual/ perceived corruption), etc.
- Some key revenue optimisation strategies and programmes, including key success factors and limiting factors to guard against.

Building on Chris' presentation, Masheke Mukwamataba discussed the second theme emphasising the need to employ clever technology to enhance capacity to ensure quality service delivery. Masheke's presentation concentrated on the key processes around asset lifecycle optimisation.

The presentation highlighted practical challenges around infrastructure maintenance and available technologies that can proactively detect infrastructure failure. This will assist municipalities with the identification of ageing infrastructure and inadequate failure analysis to reduce impact of down time.

The presentation also highlighted that there are technologies that can predict asset failures and therefore assist the municipalities to proactively respond to possible asset failure.

13.8. Costing and revenue generation in mSCOA

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| Theme | Costing and revenue generation |
| Facilitator | Bharthie Ranchoddas |
| Presenter | Khanya Nongogo |
| Panel | <ul style="list-style-type: none">- Silma Koekemoer- Venita Haupt- Eduard Le Roux- Dewald Pretorius (Vesta) |

The presenter indicated that the costing segment in mSCOA represents the management accounting principles of cost allocation using the costing methodology. He mentioned that accurate cost allocations is important in ensuring that the tariff calculations reflect all the relevant costs of delivering the service to the municipal customers.

He said that there is a distinction between financial accounting and management accounting with the latter focused on internal financial decisions and the former focusing on external financial consequences. Costing forms part of management accounting and is the bases for tariff setting. He illustrated this with an example and elaborated further on the different types of costs as explained below.

- Costing segment: Activity Based Costing - This is the type of costing where the indirect costs which can't be traced directly to a specific output, are allocated to a wide number of outputs that benefited from the cost.
- Costing segment: Internal Billing - This is the type of cost where costs for services and products between internal departments are recovered.
- Costing segment: Departmental Charges - The municipality may decide to follow the department charges which entails the allocating of costs using pro-rata approach.

13.9. Internal Audit

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| Theme | Relationship between Internal Audit, MPAC and Audit Committee |
| Facilitator | Paledi Marota |
| Presenter | Makhosandile Kwaza |
| Panel | <ul style="list-style-type: none">- Bonga Mgoma- Philip Ntimane- Ugen Moodley- Smartryk Calitz (Mubesko) |

Mr Kwaza shared insight into the purpose of his presentation, being the important task of providing context on the link between the MPAC, the Internal Audit Committee and Internal Audit. He explained that it is of critical importance to set the context in terms of the South African Constitution and went on to explain the relevant sections.

Following on from his coverage of the legislation he mentioned that the principle of "separation of powers" is important, and demonstrates the functional independence between the 3 branches of Governance (i.e. Executive, Legislative and Judicial). With regard to the local government sphere one can argue that the "functional independence" aspect is

lacking. This is due to the fact that Councillors may play an Executive, and Legislative role thus straddling between differing roles and therein impairing independence

Mr Kwaza noted that in terms of the MFMA the Council is required to appoint a Committee to prepare the Oversight report. He then posed an interesting question, in terms of whether or not the Oversight Report was now the responsibility of Council or MPAC? He mentioned that if this key deliverable is indeed expected of MPAC, it is important that the Terms of Reference (TOR) for MPAC include reference to this, and be appropriately approved by Council. Moreover, it is important that a properly structured TOR be in place to provide credence to the oversight role of MPAC.

Mr Kwaza further highlighted the key roles and responsibilities of the various Council Committees as follows:

- Section 79 Committees: Legislation/Oversight role
- Section 80 Committees: Executive
- Audit Committee: Advisory (A committee of independent individuals, with people that have specialist knowledge. Appointed by council, and the Terms of Reference must be approved by Council).

He then explained the relationships between the MPAC, The Audit Committee and Internal Audit which is summarised below.

- The MPAC consist out of councillors and the key purpose of MPAC is to provide oversight over the Executive.
- The Audit Committee consists out of independent members and is responsible for approving the Internal Audit Charter, Internal Audit Plan and to provide an assessment on the quality of Internal Audit Reports as prepared during the year.
- Internal audit is responsible to implement the internal audit plan and report to the audit committee on its findings

A discussion then followed where several issues was covered. The key issue was however if the MPAC can enforce decisions and actions and the general outcome was that the MPAC can recommend but that the Council approves the any actions that will be taken.

13.10. From IDP to mSCOA budget

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| Theme | Unpacking projects and functions mSCOA team |
| Facilitator | Annette van Sckalkwyk |
| Presenter | David Mogofe |
| Panel | <ul style="list-style-type: none">- Andre Bossert- Vincent Malepa- Templeton Phogole- Una Rautenbach- Maritz van Zyl (Sebata) |

This session covered the process from IDP to the mSCOA budget. The presenter indicated that municipalities have until the end of October 2016 to submit their mSCOA budget. They therefore need to develop these budgets from the IDP. The timeline for this process was presented as follows:

- July – September: the IDP process needs to begin within the prescribed period from 3 August 2016.
- October – November: the community participates in identifying projects (capital and typical work streams), identifying regions of these projects, and identifying the functions that need to deliver the projects.
- January – March: The budget process commences by populating the municipal running cost and maintenance and repair projects. The functions will need to link the required items to deliver the projects. The IDP will be aligned with the available resources (funding and revenue items). Finally, the costing modules will be determined and tariffs will be finalised.
- 1 July 2017: The new chart of accounts will be implemented and legacy items opening balances will be carried over. Restatements for the 2018/2019 year will be noted.

The presenter indicated that the IDP to Budget process is made up of several key segments as follows:

- Project
- Function
- Fund
- Item
- Region
- Costing.

The session continued with a representative for Sebata who demonstrated how a system tool can assist in guiding municipalities through the above process. This tool embeds all seven segments in developing in mSCOA-compliant budget.

13.11. Funding infrastructure for basic services

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| Theme | Exploring alternatives of funding for infrastructure in the economic distress |
| Facilitator | David Garegae |
| Presenter | Mmannini Mohloko |
| Panel | <ul style="list-style-type: none"> - Ramasela Ganda - Umar Banda - Gundo Maswime |

Mr David Garegae introduced the audience to problems that are faced in the public sector regarding the lack of funding and how this negatively effects the service delivery and satisfaction of the community at large.

He then introduced the presenter, Mmannini Mohloko, who mentioned that the municipalities has been under intense pressure regarding funding. Some of the causes highlighted by him was the continued population growth, the resources boom, a competitive international market and the need to maintain the quality of life for the community

He said that the infrastructure for basics services are mainly financed through government grant, but that's not sufficient (MIG). We require alternative funding structures in order to have sufficient funds to provide the service that's required.

He went on to discuss the various funding methods as listed below:

- PPP- Public private partnership, regulated MFMA chap 12
- Bank term loans
- Project bonds
- Collective borrowing
- MIG Financing

The session then proceeded with a question and answer session. Many issues were discussed and some of the key statements are summarised below:

- There are alternative funding available but legislation makes it difficult to put these into place.
- The inflow form rates and services are limited.
- Cost increase but the revenue does not increase to the same extent. You would therefore have to increase your funding
- Ageing infrastructure is the cause of the losses and to prevent losses we need to upgrade the infrastructure

13.12. Identifying the correct line items related to mSCOA projects

| | |
|--------------------|---|
| Theme | The process of developing a project on mSCOA |
| Facilitator | George van Schalkwyk |
| Presenter | Trevor Chetty |
| Panel | <ul style="list-style-type: none"> - Kgomotso Baloyi - Ronnie Page - Lydia Mahloko - Lientjie Marais - Cherina Strydom & Elize Arendse (Bytes) |

The objective of the session was to cover the process of developing a project on mSCOA. The presenter indicated that it is now necessary to go through a series of decision points to ensure that the transactions will be classified correctly. The difference is that municipalities are now expected to create projects for operational and project expenditure. You can select default for items that are non-project related.

He summarised the required steps as follows:

- A project needs to be linked to the IDP.
- The nature of the project must be determined. Is the nature of the project capital, operational or default?
- Item segment – look at expenditure items and relate them to the budget. The item is what you actually transact on. The item is the nature of the transaction.
- Capital projects can only be debited to assets.
- Item segment has been broken up into capital and expenditure.
- Default expenses are debited with all other items including current assets.
- All other projects require regional indicators except default projects.

The session continued with the Bytes presenter demonstrating the working of the SAMRAS system.

13.13. Impact of Financial Reforms on ICT Skills

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| Theme | The impact of the new financial reforms on the current municipal I.C.T skills |
| Facilitator | Khomotso Phelane |
| Presenter | Monique Herselman |
| Panel | <ul style="list-style-type: none">- Silma Koekemoer- Nomandla Jikwana- Paul van de Haar- Jordan Maja- Walter Muwandi (CCG Systems) |

The session facilitator was Ms Phelane, who introduced the presenter and the panel which was made up of various mSCOA and ICT industry specialists.

The session presenter, Ms Herselman began by stating that the mSCOA regulation affects municipalities at various levels, one of these specifically being the ICT skills or lack thereof within municipalities.

The mSCOA regulation requires an improved focus on ICT skills and employee up-skilling related to ICT in municipalities. The benefits of improving ICT helps municipalities to transform public service delivery through open budget information paired with creative and intuitive visualisations which help reduce corruption and increase accountability.

She said that there will also be alignment of mismatched information between the IDP, Budget, SDBIP, and service delivery. This leads to improved decision making by senior management

She said that a challenge may be that there could be connectivity gaps at regional, national and rural levels making it difficult to reap the full benefits of a highly functional and effective ICT network. She said that a lack of ICT skills may even result in the unsuccessful ICT implementation. In closing she made a recommendation that the ICT departments should endeavor to make more informed decision and be more involved in daily business decisions that have a major effect on the municipality's day-to-day operations.

The facilitator then opened the floor to questions which focused on how to recruit and retain adequately skilled ICT professionals.

Mr Muwandi closed off the session explaining how far developments within the IT industry have come since the days of the big mainframe computers. He said the mSCOA regulation will have a significant effect on municipal finance systems and big data. He mentioned that there will be a shift from collecting data to analysing and understanding data.

13.14. Funding and finalising the budget in mSCOA

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|--------------------|---|
| Theme | Funding and finalising the budget |
| Facilitator | Cheryl Reddy |
| Presenter | Kashnee Sewnarain |
| Panel | <ul style="list-style-type: none">- Andre Bossert- Pierre Gerrits- Willem Voigt- Sandile Mnguni- Peter Balt (Munsoft) |

Karshnee Sewnarain started the presentation by highlighting that municipalities currently manage and report their financial affairs using charts of accounts that are unique to them. This presents a challenge to National Treasury as there is limited transparency, comparability and accuracy of data. Another very big challenge facing municipalities is the inaccurate budgets that are prepared that contribute to financial distress of the municipality, such as unrealistic revenue budgets.

The aim of mSCOA was to standardise the manner in which the budget format and the accounts are prepared. The funding segment will be used to bring the different accounting methods into to a level of consistency.

She then gave a detailed analysis of the funding segment and highlighted that this segment identified various sources of funding to finance both the capital and operational expenditure. The funding segment is the determinant segment that will be used to validate the adequacy of funding of a budget, the funding of day to day transactions and budgeting and managing cash flow.

Next Peter Balt representing Munsoft, provided a brief introduction of the company highlighting who they are, what they've done and where they are currently. Nadia De Toit provided information as to how the Munsoft system works and that they currently use three functionalities. Munsoft allows the budgeting on all the segments of mSCOA and are on version six.

Sandile Mnguni from eThekweni Municipality provided a brief background as to how they have approached their early adoption and highlighted that they realised that mSCOA is not only about getting the system correct but also to ensure that they get their processes correct as well. They ensured that they worked collectively as a municipality by involving all the relevant directorates

In closing, Andre Bossert indicated that National Treasury may avail resources to assist the municipalities that they have identified as distress municipalities (those that face the risk of not meeting the deadline).

13.15. Good governance and oversight

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| Theme | Role of traditional authorities in rural municipalities (S81) and the impact on indigent policy |
| Facilitator | Fathima Khan |
| Presenter | Jamie Moodley |
| Panel | <ul style="list-style-type: none">- Tebogo Motlashuping- Nelisiwe Ntlhola |

Fathima Khan, who facilitated the session, welcomed everyone and introduced the panel

Jamie Moodley started the presentation by greeting everyone. She emphasised that the starting point for a discussion such as this one has to be with the legislative framework available to traditional leaders. Jamie went on to discuss the relevant legislation indicating amongst other requirements the maximum level of representation that traditional leaders have in councils

She went further to explain that traditional leaders have the role to support municipalities in the identification of the needs of the community; facilitating the involvement of the traditional community in the development or amendment of the IDP of the municipality in which the community resides and participating in the development programs of the municipality.

Jamie emphasised that due to the current processes in place at many local municipalities, traditional leaders do not feel empowered to fulfil their role mainly due to the fact that they are not members of council and that their level of participation in council meetings has not been defined clearly.

Jamie cited the following key areas as being impediments to traditional authorities playing a part in Local Government:

- Complex municipal processes
- Different value systems within communities – thus different needs
- Degree of consultation processes
- Patriarchy – women representation
- Lack of Benefits and privileges
- Lack of systems of accountability
- Traditional Governance has not adapted to democratic dispensation

She said that In light of the above, there are also areas of conflict which exists with regard to the role of traditional leaders and went on to highlight some examples of key questions that exists due to the uncertainty..

Jamie then raised the question as to what areas of cooperation are required at local government level. She proposed the following strategic collaborations for local government and traditional leaders:

- Participation through the houses of traditional leaders in the budgetary and financial resource allocation process (across the spheres).
- Capacity development for traditional leaders in order for them to meaningfully participate in all these structures.

- Improving working relations between traditional leaders and councilors, especially their participation in structures such as ward committees, IDP Forums, Community Police Forums, school governing bodies and all the local participatory structures will allow them an opportunity to influence processes.
- Municipalities should co-operatively work with traditional authorities to facilitate appropriate land use management, the rollout of basic services and the collection of rates from non-poor households and businesses located on traditional land.

In terms of how traditional leadership could participate in determining the indigent policy, Jamie highlighted the following key activities as possible areas where traditional leaders can add value:

- Traditional authorities to act as a conduit between municipalities and indigents – playing an educational and influential role.
- They may assist in the monitoring of the accuracy of the status of indigents registered and their exit plan.
- They may assist in indigent policy determination – economic packages should be analysed and reassessed: to determine the actual needs of the communities. (One size does not fit all).

A discussion then took place covering topics such as how traditional leaders can be made more inclusive into the process and training for traditional leaders on processes of municipalities.



Day 3

Program Directors

— Paledi Marota
— David Garegae

14. Academic Paper: Business readiness considerations and preparing for the rollout of mSCOA

Presenter

Paul van de Haar (KPMG)
Yushaa Abrahams (KPMG)

The session facilitator, Mr Garegae, introduced the authors of the academic paper titled “mSCOA Business Readiness Self-Assessment”. Mr Abrahams then took to the stand and began his presentation.

It is undeniable that the financial landscape within the South African municipalities are changing with drastic effect. In the near future, municipalities will no longer operate their own ‘unique’ chart of accounts, which results in inconsistent municipal information and a lack of uniform revenue and expenditure items. Instead, they will conform to a nationally regulated standard chart of accounts established by National Treasury, called the Municipal Standard Chart of Accounts (mSCOA).

Mr Abrahams eluded to the fact that a requirement was identified for a method for municipalities to track their progress towards mSCOA. He then proposed the mSCOA Business Readiness Self-Assessment for mSCOA project implementation teams at Southern African municipalities to determine whether they are on the correct path to mSCOA compliance within the set National Treasury time frames. The readiness assessment forms part of a more comprehensive KPMG mSCOA maturity model.

The presenter explained that the mSCOA Business Readiness Self-Assessment is based on 26 questions across six categories below.

- Corporate Governance
- Strategic Planning and Reporting
- Business Processes
- Technology
- Data
- People and Change Management

He suggested that multiple employees of the same municipality complete the self-assessment. This can assist in getting an average compliance rating as well as identifying disconnects between employees’ perceptions of mSCOA compliance.

He also suggested that the self-assessment is repeated periodically to ensure maintenance of compliance. Also, where evaluation shows less than reasonable compliance, it is suggested that analysis is taken to discover gaps. After appropriate action is taken to rectify non-compliance, this should be followed by re-assessment.

Mr Abrahams concluded his presentation stating that municipalities can complete the self-assessment tool at the following link: <https://kpmg.fulcrum-digital.co.za/>. The final paper will be published in the IMFO journal.

15. Chartered Institute Public Finance and Accountancy (CIPFA) Launch of Profession

Presenter

Dr Adrian Pullham (CIPFA UK)

Dr Pullham started his presentation by mentioning that the Chartered Institute of Public Finance and Accountancy (CIPFA) is proud to walk the journey with IMFO. He then proceeded with sharing some of his thoughts that have resonated with him:

- While listening to a speaker from the South African Local Government Association (SALGA), he had reflected on the challenges facing municipalities and that the issues of fraud and corruption are similar to those experienced around the world;
- In the UK, there are patterns of fraudulent activities; and
- The concepts of fraud and corruption goes beyond simply theft and its abuse of power and privilege. From a previous conference that the speaker attended, a phrase resonated with him i.e. “Inefficiencies Is theft” where the speaker elaborated that every time we are inefficient in our work, we are stealing the democratic rights of people that are buying quality efficient services. These words have remained with him over the months.

The speaker also praised Madame President and Vice President Mofokeng and the initiatives and work done over the past two years.

The speaker discussed some of the benefits of CIPFA membership:

- Undertaking to identify opportunities for capacity building to build a public financial management community in South Africa.
- Training opportunities.
- Supporting CIGFARO members and professionals through this membership and special relationship with CIPFA.
- Access to thought leadership and materials that will assist in the day-to-day work.
- Access to robust professional development programme.

16. Smart grid network: managing, controlling, and monitoring a smart grid network for improved utility operational performance and revenue securitisation

Presenter

Clifford Ntshudisane (Powercom Ltd)

The speaker introduced the topic of smart meters and smart grid solutions. It was mentioned that smart meters could be a way for municipalities to enhance revenue. The industry has evolved and a smart grid solution is recommended for utilities to enable them to achieve its revenue targets.

The speaker went on to introduce some recent challenges experienced:

- Meters are installed but the municipalities have no real time access to the meters. The smart grid is there to help the municipalities allow each and every event to be reported.
- Where people are consuming more than they should be, the current device transformers are not able to accommodate the load. This eventually results in costly replacements due to burn outs on these devices.

The speaker then discussed the evolution occurred in the industry, namely:

- 1st evolution, where the implementation of smart metering enabled a two way communication.
- 2nd evolution, where smart meter applications are implemented along with customer portals.
- 3rd evolution, where advanced metering infrastructure which is remotely manageable and provide various types of information e.g. consumption statistics among others.
- Current evolution i.e. GIS analytics which is the control room for the municipality.

Clifford Ntshudisane then discussed Dynamic Power Line Communications (PLC) solution. He mentioned that the solution is actually a low cost solution for a municipality since the municipality is not required to implement any new infrastructure. He went on to explain how the system works.

Mr Ntshudisane then discussed energy fraud management. He said that it is important for the municipalities to be able to identify excessive usage of energy on its grid. Transformers are costly and susceptible to burn outs if overloaded. The smart grid will enable the tolerance detection of transformer utilisation, and in so doing, avoid outages and damage to the transformers.

He mentioned that an end-to-end smart grid solution ensures accurate data collection and effective decision making. The smart grid software is a one stop shop and allows modules to be added on for integration in areas of water and gas. He made reference to a case study in Palestine where a smart grid implementation enabled savings where revenue losses dropped from 52 to 8 percent.

In conclusion, the speaker mentioned that a smart grid solution is the technology for the future because it provides accurate data that can assist municipalities to reduce energy theft and improve service delivery.

17. Presidential handover

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| Presenter | Jane Masite (IMFO President) |
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Jane Masite was introduced by the Madam Event Coordinator.

Jane Masite thanked the following people:

- Programme directors – all protocol observed.
- Her family
- Board members, especially Vice Presidents, who said they would walk with her in this journey and did not disappoint.
- Media partners.
- Loyal sponsors who have continued to support us. COGTA and Treasury, professional support highly appreciated.
- Professional partners and sister organisations.
- The Executive Mayor and Municipal Manager of her local municipality.
- Last but not least, the Secretariat, for supporting her throughout.
- All stakeholders who were part of this process.

Jane Masite then presented her final speech in this professional journey.

A video was shown of her inauguration and highlights from her tenure as president of IMFO.

The incoming Board for the next two years was then introduced. They were asked to rise in their places and applauded by the audience. Jane noted that the Board is put in a very strategic position to take CIGFARO to the desired level, and it's in their hand to make a difference. In addition, she noted that they are charged with a serious responsibility and shouldn't disappoint themselves.

The baton was handed over to the new president, Krish Kumar, and photographs were taken of the pair.

18. Incoming address by the new President

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| Presenter | Krish Kumar (IMFO President) |
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In the interest of time, the new President went through his presentation fairly quickly, highlighting the main areas for thought on each of his discussion points.

Mr Kumar began his address by thanking the following people who have supported him throughout his journey in local government:

- His wife
- IMFO
- CIGFARGO

He declared that tough times do not last but tough people do and that this would be the theme of his address to follow.

Mr Kumar moved straight onto the first point of discussion which was South Africa's economic climate. He raised the following challenges currently facing the economy:

- Politics
- Growth of less than one percent
- High inflation
- High unemployment
- Fluctuating currency
- Major volatility in foreign markets
- Loss of investor confidence.

He went on to say that financial leaders are in a crucial position to influence these challenges to get positive results. He highlighted the following ways in which finance managers could assist in improving the economic outlook:

- Working together to increase financial resilience as finance managers
- Working smarter and more effectively
- Stretching the Rand to get more value for money
- Promoting accountability in the work environment

Besides the economic challenges, Mr Kumar stressed the following areas require improvement:

- Levels of productivity: respecting the time of others by ensuring that our actions are timely.
- Capacity building: standard operating procedures must be developed in order to transfer skills and ultimately ensure succession planning. This is key and must be entrenched in the way we do business.
- Our ability to summarise and contextualise accurately to ensure that the right message is conveyed.
- Medium-term planning and integration: We have an opportunity with the devalued rand to improve on exports, thereby improving our competitiveness and ultimately our productivity.

In terms of legislation, Mr Kumar praised the South African law and regulations for its ability to have politicians pay back unauthorised, irregular and fruitless and wasteful expenditure.

Mr Kumar focused on the topic of urbanisation and stressed that with the high urbanisation rates facing the country, local authorities need to develop clear strategies to ensure that the country is able to handle the increasing rate of urbanisation.

To ensure our financial sustainability, Mr Kumar highlight the following key areas for focus:

- Achieve a clean audit report
- Improve our credit ratings
- Produce a balanced budget
- Maintain a collection rate of over 95 percent to ensure liquidity and strong cash flow
- Pursue alternate sources of funding, such as a local business tax
- Achieve a balance with economic, social, rehabilitative and environmental spends
- Pursue the issue of unfunded mandates
- Borrow prudently taking into account the impact on tariff increases
- Scrutinise costs on an ongoing basis and drive costing cutting and austerity measures, as well as productivity, return on investment and value for money
- Spending patterns must be closely monitored and irregular expenditure reduced

He stressed that financial managers will not achieve sustainability if our environmental impact is not considered at every step. The following are just some of the initiatives that could be undertaken to improve our impact on the environment:

- Triple-bottom line reporting
- Energy Office, as well as Environmental Planning and Climate Protection Department must be in place
- Climate Change Strategy must be in place
- Green innovation in housing projects – LED lighting, solar panels, rainwater harvesting (jojo tanks), more efficient shower heads, and heat pumps.

Without dwelling too much on information and technology, he highlighted the use of technology in improving the billing and metering systems.

To conclude, Mr Kumar highlighted some of the key strategic issues that he would like to see IMFO get more involved in during his term of office:

- Help public entities survive the current economic climate through economic growth, improved productivity, better collection rates, value for money and return on investment
- Assist in reducing the rate of rural-urban migration
- Enhance financial sustainability and viability
- Commit to the triple bottom line – economic, social and environment spends – need to get this balance right
- Optimise the use of technology and innovation
- Develop the skills and capacity of finance practitioners in the public sector

He closed his presentation with the following quote from Albert Einstein: “Strive not be a success but rather to be of value”.

19. IMFO CEO Closing Speech

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| Presenter | Abbey Tlaletsi (IMFO CEO) |
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The CEO began his closing speech by saying that a dream come true is putting in to practice what we wish to see happening effectively in the municipal environments. The theme of the conference has forced everyone who attended and participated to think about what they would like to see happening, given the current economic challenges.

The CEO highlighted the following focus areas from various speakers over the course of the conference:

- Economic distress
- Doing more with less
- High productivity
- Alternative sources of revenue
- Balance sheet optimisation
- Alternative financing options
- Delivery of effective services
- Rural development
- Relook at cost base
- Cut costs through reprioritisation
- Sustainability of municipalities
- Implementing effective integrity frameworks
- Include Traditional Leaders in key processes

The CEO urged all attendees to reflect on all issues raised and adapt recommendations to suit their individual environment. Due to the limited resources at hand, recommendations must be carefully considered in order to add value to communities and the environment.

The CEO then moved onto the vote of thanks where he expressed sincere gratitude toward the

- Attendees
- Special guests from Zimbabwe
- Facilitators and programme directors
- Sponsors
- Host municipality and the ICC
- Media
- Board members
- CIGFARO staff
- Justice Malala
- Deputy Minister
- MEC

In closing the CEO took the opportunity to remind everyone about the Audit and Risk Indaba to be held in Cape Town on 3 – 5 April 2017.

20. Motivational Speaker

Presenter

Justice Malala (Political Analyst)

Mr Malala explained that since his background is that of political commentary, he would like to address the intersection between politics and money.

He stressed that in light of the economic crisis at hand, our institutions within South Africa are still upholding their protocols and thus there isn't a reason to worry, just yet.

In contrast, where the words of politicians begin to threaten the way institutions are being run, that should then be a cause for concern.

He stressed that the public need to hold politicians accountable for fixing process and systems within institutions so that the mistakes and mismanagement are not repeated.

Mr Malala highlighted that while the economic outlook may not appear promising, the Finance Minister is abroad promoting investment in the country and communicating that plans are in place to improve stability.

In order to achieve more positive results, the risks facing our individual environments must be considered. As an example of which is where politicians put pressure on the staff in a municipal environment to achieve initiatives that may not be budgeted for. We will never be in trouble if we have sight of the risks at hand.

In conclusion, Mr Malala wants us all to bear in mind that the truth is not necessarily out there, but can be concealed somewhere in the middle.

Notes

This image shows a single sheet of white paper with horizontal blue ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



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