

# IMFO



OFFICIAL JOURNAL OF THE INSTITUTE OF MUNICIPAL FINANCE OFFICERS



**ELECTION  
DECISION  
PG 8**

**TAX - Reportable Arrangements 16**  
A Municipal Perspective

Revenue Management in Local Government 24

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# IMFO 2016

ANNUAL CONFERENCE

Sustaining Municipal Viability amidst  
the economic distress



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# IMFO

INSTITUTE OF MUNICIPAL FINANCE OFFICERS



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Cold conditions upon us.

The South African Weather service has warned us that this year's winter will be the coldest to hit South Africa over the last 4 years. I hope we are all winter ready and keeping warm. I personally do not like this cold season because I feel like this is the season we spend a lot of money. Money for medication for fever and flu symptoms, more warmer clothing needed to survive the outside temperatures. Yes, you've figured it out I'm not much of a spender.

Even with the lowest of temperatures outside, the work must still be done. The ball must keep on rolling as said by many. Fresh from our 7th Audit and Risk Indaba that was a huge success with all praise going to the IMFO Board Members, IMFO secretariat, the Standing Committee on Audit and Risk under the leadership of Ms Paledi Marota as the chairperson. Extended gratitude to our exhibitors for coming on board and part taking on this journey with us and our loyal delegates. The indaba was a wondrous success, and we had a record number of participants. The feedback we received at the indaba was unanimously positive. For presentations, visit our website [www.imfo.co.za](http://www.imfo.co.za).

In this issue, we will be focusing on the current issues that we are facing as a country. The Municipal elections, with an interesting timetable included to unfold the process that will take place during these local government elections. The timetable starts from proclamation day till the election day. You can find this timetable on pages 14 and page 15. There is also an interesting read on Election Decision written by Nobuntu Enkosi on page 8.

Do stay in contact with us on our social media pages Facebook and Twitter for the latest updates and upcoming events. Like our annual conference that will be taking place in Durban on the 03-05 October 2016 under the theme: **Sustaining municipal viability amidst the economic distress.** ●

**Hurry, hurry, hurry!** Early bird registration is still open till 31 August 2016 and also awesome discounts on registration, for more details visit our website on [www.imfo.co.za](http://www.imfo.co.za)

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**A**s we continue to promote Municipal Finance, Audit, Risk and Performance Management in the Public Sector, in this issue we will be focusing on the most recent event we hosted in Cape Town. The 7<sup>th</sup> Audit and Risk Indaba and celebrating the youth and women during this quarter. Whilst looking back at the Indaba, we are reminded of the declaration that was taken at the last day of the seminar submitted by the Standing Committee on Audit and Risk. The declaration reminds us of the key factor that the Internal Auditors, Risk Management, Performance Management and Governance practitioners need to apply and practise by *(for a detailed declaration, you can visit our website [www.imfo.co.za](http://www.imfo.co.za)).*

As the President of the Institute, I would personally like to pass my gratitude to all members of the institute especially our exhibitors for their continued support we received throughout the years. The 7<sup>th</sup> Audit and Risk Indaba was an overwhelming success with a huge number of delegates attending this year. The number of papers delivered during the Indaba were truly empowering and for that we thank our speakers, for always investing their valued time in ensuring that they deliver quality papers to the audience.

Amongst our distinguished speakers that we had at the Indaba was the Auditor General Mr Kimi Makwetu who focused on “The importance of value for money audit in the service delivery processes”, Mr Makwetu we thank you for gracing us with your presence and sharing your valued knowledge with us on this critical yet very important topic.

Looking back at the month of June, I wish to paraphrase President Jacob Zuma about what he outlined in his State of the Nation address “2016 marks the 40years anniversary since the landmark 16 June student uprising in Soweto. We salute the class of 1976 for their bravery in standing up against the brutal apartheid regime. True to the lasting legacy of our young heroes and heroine of the past, IMFO is pleased to be a home to more youth who attend our workshops, seminars and conferences which confirms their commitment to building a better South Africa. The growing interest of our graduate and intern youth interest in municipal governance field is encouraging and is a confirmation of a better future for our country. The year 2016 also marks 60 years since the women’s march to the Union Buildings to demand an end to pass laws.”

To honour these Heroines of our times, we have included a brief feature article from Tshepo Morabane the Chairperson of Student Society, I believe this article will be very beneficial to all our student members and also guiding in terms of where the student chapter is currently at in the institute.

As we continue to celebrate the amazing anniversaries in our country, the Institute of Municipal Finance Officers celebrates its 87<sup>th</sup> year of existence in promoting municipal finance, audit, risk and performance management. The institutes continues to innovate and enhance its governance processes. I am delighted to record the mechanism of electronic voting by members for purposes of facilitating participation in the board elections. This process has brought in greater transparency in our internal board elections. Based on the number of nominations received this year, I am truly inspired by the interest shown by members in this process and am keenly awaiting the outcome of the election results.

When, I took office, the process of name change underway, championed by the board guided by the operating environment under which IMFO is operating. The EGM of 2015 endorsed the process and a campaign to facilitate the name change was undertaken, by requesting proposals from members. The board has evaluated all proposals and approved a name which will be unveiled soon at an Extra Ordinary General Meeting EGM planned for September 2016. Whilst this heralds a new era for IMFO, this remains our vision for continuity and change.

IMFO is continuing to break new grounds, the process of name change will be aligned to the official opening of our new state of the art building in September 2016.

The institute will be hosting an mSCOA workshop in Ekurhuleni at Emperors Palace from the 11<sup>th</sup> - 12<sup>th</sup> of July 2016. The workshop is aimed at empowering municipal employees specifically the Chief Executive Officers, Municipal Managers, Managers, Directors, Finance Officers to name a few, for more information visit our website. Other mSCOA workshops, for Vendors and Internal Auditors are in the pipeline. I wish to thank the National Treasury for bestowing their confidence in IMFO to spearhead this process.

The IMFO MScOA team led by the Acting CEO and Vice President General is truly doing a sterling work in this regard. This year’s annual conference will be held in Durban International Convention Centre (ICC) on the 03-05 October 2016 under the theme “Sustaining Municipality Viability amidst the economic distress”. Call for paper have been sent out to members who are interested in being part of the programme, you are kindly requested to submit before the deadline.

Finally as IMFO we pledge to deliver better quality service to our members. 

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# From the DESK of the Acting CEO



## Greetings!

As we embark into the new quarter. Like mentioned in my previous message, time really does fly, when we all buried in our work mode. Looking at the past three months, we had very successful events with very limited time. I would like to send my gratitude to our sponsors especially our diamond sponsor at our 7th Audit and Risk Indaba and the host city Cape Town.

The Indaba was a huge success with delegates across the country attending. IMFO extends sincere and most heartfelt gratitude to all our loyal members and thank you for the continued support throughout the years. We pride ourselves in providing most relevant and good quality workshops, seminars and conference to empower our members.

As we continue to promote excellent development of municipal finance and governance practitioners in public sectors. We also looking at providing within the statutory framework, effective financial accounting advice, maintaining high financial standards and controls in public finance and governance, to all levels of government and stakeholders to benefit the community. Before I tap into the upcoming local municipal elections. I would like to acknowledge the youth since we celebrating our youth this month.

As mentioned before by most, 2016 marks 40th anniversary of the June 16 Soweto and other related uprising. The Soweto uprising ended tragically with hundreds of youth been brutally killed by the Apartheid government. 40 years later we celebrate the bravery of the class of 1976 for standing up and fighting for what they believed in. In celebration of this milestone that we have achieved as a country, the government saw it fit that the theme for this year's celebration be "Youth moving South Africa forward", this theme reminded me of our two young and dedicated interns (Esther Gumata and Lehlohonolo Tseke) who speak to the theme in my eyes. South Africa today prides itself in our youth. One of our authors in this issue Tshepo Morabane,

a young man himself quoted Desiderius Erasmus "The main hope of the nation lies in the proper education of its youth" how profound.

Looking at the milestones that we have reached as a country, this year the country will be holding the local government elections, municipal elections are held every five years to elect councillors who will be responsible for governing a municipality for the next five years. I hope everyone is registered and I encourage everyone to go and cast their vote on the 03 of August 2016. We as the Institute are also on our voting year for the 2016-2018 term. IMFO members were given a chance to nominate their best candidate for the 2016-2018 term. Call for nominations were formally opened on the 1st of April 2016 and closed on the 2nd of May 2016. The following schedule was given to our members, to keep them posted with the whole process:

02 May 2016	Closing Date for nominations
6 May 2016	Verify eligibility of nominated person, get acceptance and CV from eligible nominated candidates including a certified copy of the ID and the completion of the required forms for the fit and proper tests required ito s 69 of the Companies Act
20 May 2016	Office will open the process of voting (electronic) for presidency categories
10 June 2016	Office will open the process of voting (electronic) for 10 Board members' category
17 June 2016	Closing date for submission of votes for Presidency election
17 June 2016	Office will open the process of voting (electronic) for provincial branches
8 July 2016	Closing date for submission of votes for other Board members
15 July 2016	Closing date for submission of votes for provincial branches
22 July 2016	Deadline for counting of votes
27 July 2016	Receipt of the fit and proper results for the candidates with the highest number of votes
29 July 2016	Announcing of election results

As the process proceeds, you can keep in touch with us on our social media platforms and on our website. Nominees for presidency (Technical and General Vice President) have been release. The members are encouraged to cast their vote. For Technical Vice President nominees are Ms Paledi Marota and Mr Peet Du Plessis and for General Vice President nominees are Mr Sidwell Mofokeng and Mr John Badenhorst.

Final announcement for the election results will be done on the 29 July 2016. Share your thoughts with us on our social media platforms (Facebook - Institute of Municipal Finance Officers-IMFO and Twitter- @IMFO\_editor) or send us an email on [ceo@imfo.co.za](mailto:ceo@imfo.co.za) 📧

Kind Regards.

IRA KOTZE  
ACTING CHIEF EXECUTIVE OFFICER.

## Legal Brief Today reports today -

### **C**onstitutional: Top court decision on elections tomorrow

The Constitutional Court will hand down a judgment tomorrow that will probably determine whether the local government elections can go ahead in August as planned. The court case over contested by-elections in Tlokwe revealed the possibility that the Electoral Commission of SA (IEC) may have – for years – misinterpreted its duty under the Electoral Act to obtain and record the addresses of registered voters, notes a Business Day report. Subsequently the IEC told the Constitutional Court that if the duty in section 16(3) meant it had to obtain and record the addresses of all voters – whenever they were registered – the coming election would not be able to proceed. During the hearing, Justice Mogoeng Mogoeng said the ‘bottom line’ was that everyone arguing before the court had a duty to help find a way to ensure that elections could go ahead lawfully. He asked counsel whether, if the highest court accepted that it was impractical to require all voters to have addresses for the coming election, an interim remedy could not be crafted. In the same vein, the court could also make an order to ensure that ‘come 2019, we have a common voters roll that complies with (section) 16(3), accepting that some people simply do not have addresses’

### **Constitutional: Compromise ruling clears way for elections**

In what amounts to a compromise ruling – described by Chief Justice Mogoeng Mogoeng as an ‘extraordinary and unique’ decision made in the interest of democracy – the Constitutional Court yesterday found a way to allow the 3 August local government elections to go ahead, notes [Legalbrief](#). Although finding the IEC’s failure to record addresses of voters to be inconsistent with the rule of law and therefore invalid, the court nevertheless ruled the elections could proceed without a complete voters’ roll. The Electoral Commission of SA (IEC) lost its case regarding its duty to record voters’ addresses, but the court suspended its order, clearing the way for the municipal elections. Handing down the judgment, **Mogoeng said this was an ‘exceptional case’, warranting an extraordinary remedy in order to avoid a constitutional crisis.** The IEC was given until June 2018 to get its house in order, notes a [BDlive](#) report. Mogoeng said the IEC’s obligation in section 16(3) of the Electoral Act to provide copies of the voters’ roll to political parties, ‘which includes the addresses of voters, where such addresses are available’, did not mean those addresses that it had chosen to record or happened to have available. It meant addresses that were ‘objectively available’ or ‘reasonably ascertainable’. This duty had been in place since December 2003 when the Electoral Act was amended, he said. ‘The Electoral Commission must by 30 June 2018 have obtained and recorded on the national common voters’ roll all addresses that were reasonably available as at 17 December 2003,’ the court ordered. However, the municipality of Tlokwe – whose disputed by-election gave rise to the case – was made

an exception from the suspended order. This means that the Tlokwe voters’ roll must include all reasonably ascertainable addresses of voters who registered after December 2003.

### **Full BDLive report**

[Mogoeng said there was no reason why the Kham order was not complied with by the IEC.](#) The Kham order is a reference to Xolile Kham, a councillor candidate in Tlokwe whose name appeared on a complaint which saw the Constitutional Court find that the IEC must include addresses of voters on the voters’ roll, notes a [TimeLIVE](#) report. Mogoeng said the 18 months’ suspension the court had handed down would allow the IEC to properly capture voters’ details for all future elections local, provincial and national. ‘**The freeness and fairness of the elections must be the focus of the IEC;** their failure to comply with recording the addresses correctly makes their actions unlawful,’ said Mogoeng. He also said the method of capturing voters addresses used by the IEC was erratic and inconsistent.

### **Full TimesLIVE report**

[Electoral Commission v Mhlope and Others \[2016\] ZACC 15](#) *The IEC would be obliged to comply with every piece of legislation governing free and fair elections in future.* The legislation came into effect on 17 December 2003 but the IEC had for 13 years dismally failed to implement it, according to the court. ‘The IEC admittedly failed to appreciate the true meaning and importance of section 16 (3) of the Electoral Act. Consequently, it initially did not consider itself obliged

to and did not record the available addresses of voters, as and when voters registered,' the Chief Justice is quoted as saying in a report on the [IoL](#) site. He said **the IEC's failures had meant that the addresses of millions of voters have not been recorded on the voters roll**. For this reason, he said, this year's local government elections would be held 'on the basis of a defective voters roll'. This, he explained, was because 'there is seemingly no time to cure the defect before the elections are held'. Co-operative Governance and Traditional Affairs Minister Des van Rooyen welcomed the ruling, saying the government machinery was in place to meet the June 2018 deadline. IEC chair Glen Mashinini said he was grateful for the Constitutional Court's expeditious ruling on this very complex legal issue.

#### [Full report on the IoL site](#)

[The judgment received a resounding welcome in Tlokwe from independent candidates](#), notes a [Business Day](#) report. It says the judgment concludes a protracted legal challenge led by independent candidates in Tlokwe to have access to a voters roll that included not just names of voters but also their addresses. Speaking on behalf of independent candidates, David Kham said that the candidates were happy with the judgment. 'We have always been saying the IEC is going to lose (and) what will prevail is the interest of the Constitution.' Kham said the termination of Tlokwe municipality's by-elections was 'water under the bridge'. The municipality was meant to have held fresh by-elections after the court found that its 2013 by-elections were not free and fair. Political parties also weighed in on the court order, saying they welcomed the ruling, with some calling for the IEC to shape up.

#### [Full Business Day report](#)

[However, some lawyers suggest the ruling may have repercussions after the elections](#), according to a [Beeld](#) report. Phephelani Dube, director of the Centre for Constitutional Rights, says the suspension of the invalidity order **effectively means the court is pardoning the unlawful voters' roll**. Constitutional law expert Marinus Wiechers says the judgment leaves the door open to political parties to challenge the outcome of the elections in a way similar to the Tlokwe matter. 'The court didn't give a practical solution for the handling of the situation after the suspension,' he is quoted as saying.

#### [Full Beeld report](#)

### [ISSUED BY THE ELECTORAL COMMISSION](#)

Response to judgment of the Constitutional Court in the matter

between the Electoral Commission v Aaron Pasela Mhlope and Others.

The Electoral Commission welcomes the judgment of the Constitutional Court which paves the way for all 26.3 million registered voters to participate in the 2016 Municipal Elections.

We are grateful for the Constitutional Court's expeditious ruling on this very complex legal issue. The fact that there was a majority and two minority judgments shows the complexity of this matter. Even Chief Justice Mogoeng Mogoeng noted that this was an extraordinary case which required an extraordinary solution.

For the Electoral Commission the judgment provides final clarity and certainty that we required. From now on all voters, political parties, candidates and election officials can proceed with certainty to prepare for the 2016 Municipal Elections to proceed as planned on 3 August 2016.

The Electoral Commission appreciates the pragmatic approach taken by Constitutional Court in granting relief from meeting the requirements of Section 16(3) for the upcoming elections and allowing sufficient time to meet the requirements fully ahead of forthcoming by-elections and the next general election scheduled for 2019.

The Electoral Commission is already working on a programme of action to rectify any inaccuracies and omissions of address details within the voters' roll. Further details of this programme will be announced in due course.

Evidently the Electoral Commission has to deal with addresses on the voters' roll segments for Tlokwe. In this regard speedy arrangements on the process to be followed will be communicated soon after consultations with all affected stakeholders.

The Electoral Commission pledges to South Africa to leave no stone unturned in implementing the order of the Constitutional Court to address all omissions and errors in the voters' roll.

#### **Concort rules that local government elections will go ahead**

2016-06-14 10:45

Johannesburg - The Constitutional Court ruled on Tuesday

# Election Decision

by Nobuntu Enkosi - City of Cape Town Municipality

that local government elections can go ahead on August 3 without a complete voters' roll.

Chief Justice Mogoeng Mogoeng said the IEC's failure to record addresses of voters was inconsistent with the rule of law and was invalid.

However, the Constitutional Court did not have the powers to postpone elections, so the 2016 local government elections would go ahead.

The Electoral Commission of SA (IEC) filed an urgent application with the court in April, seeking leave to appeal an earlier Electoral Court ruling that it furnish addresses of registered voters to candidates contesting the elections.

The Electoral Court ruling could potentially result in millions of registered voters being disqualified from casting their votes in the upcoming local government elections, because the IEC does not have their proper addresses.

Last month, Parliament was told that the IEC did not have the addresses of around 46% of more than 26 million people registered to vote in the August local government elections.

This case stems from a November 2015 Constitutional Court ruling that the 2013 Tlokwe by-elections in the North West were not free and fair.

The court found that the closely contested vote fell short of the standards set out in the Constitution.

The African National Congress (ANC) had won all the contested wards, except one.

The independent candidates included former ANC councilors expelled in July 2013 for participating in removing an ANC mayor.

Before the by-elections, the candidates had lodged objections with the IEC over voter registrations in their respective wards.

In those by-elections in six wards, the applicants complained of delays in receiving the segments of the voters' roll to be used for the by-elections.

These segments also did not include the residential addresses for any voters.

The candidates approached the Electoral Court for an order that the December by-elections be postponed, but the court was unable to convene to hear the application.

The by-elections went ahead and six of the candidates lost.

Following the by-elections, the IEC conducted its own investigation into the allegation that voters not entitled to register in these wards had been registered and their participation affected the by-election results.

It found that 1 040 people were identified in its investigation to have been incorrectly registered on the segments of the voters' roll for the affected voting districts.

Following these revelations, the Constitutional Court set the by-elections aside and these were to be re-contested in February this year, with all new voters required to provide details of their address or sufficient details of where they lived in order for them to be placed in a voting district.

On the eve of the fresh by-elections, however, the Electoral Court halted the voting processes after the six independent candidates complained that the IEC had not upheld the November 2015 Constitutional Court ruling, as over 4 000 addresses were missing from the voters' roll.

They requested a postponement of the elections.

The Electoral Court upheld the argument and ruled that the by-elections would again not be free and fair. The ruling resulted in the delay of several by-elections which had been scheduled around the country.

**In its urgent application presented to the Constitutional Court last month, the IEC argued that the Electoral Court's interpretation of the November 2015 judgment was wrong, and that it was only obliged to furnish voters' addresses which it had in its possession.**

The commission said before 2003, it was not required to keep addresses of voters and it highlighted that the lack of a voters' address did not make the voting roll irregular.

The commission has also revealed that around eight million dwellings did not have an address and that many of these did not have a tar road running next to them.

The ANC agreed with the IEC, while the DA and IFP opposed the application for leave to appeal.

The Democratic Alliance argued that the court should order the relief sought in the direct access application to the court but limit it only to the 2016 local government elections.



**SOUTH AFRICA**

**ELECTORAL COMMISSION OF SOUTH AFRICA**  
ENSURING FREE AND FAIR ELECTIONS

The Inkatha Freedom Party on the other hand opposed the direct access application, proposing that a provisional balloting system be used by the IEC to solve the issue.

#### **Opening of Special Vote Applications For 2016 Municipal Elections**

Tomorrow (10 June) will see the opening of applications for voters to cast special votes in the 2016 Municipal Elections which for the first time ever will be available online and via SMS.

Special votes are available all registered voters including the disabled, infirm and pregnant voters as well as members of the security forces, election officials, the media and any other voters who are unable to visit their voting station on Election Day 3 August 2016.

There are two forms of special votes:

- Home visits: This is where election officials visit voters at their place of residence to allow them to cast their ballots. Home visits are only available to voters who are disabled, infirm or pregnant
- Special voting at your voting station: Available to registered voters who are unable to vote on 3 August

Special voting days for the 2016 Municipal Elections are 1 and 2 August 2016 between 08h00 and 17h00 (unlike voting hours on Election Day which are 07H00 to 19H00).

Special votes may only be cast by voters who have applied for and received approval from the Electoral Commission to cast

a special vote. Applications open at 08h00 on Friday 10 June 2016 and close at 17h00 on Friday 8 July 2016.

For the first time applications for special votes will be available online via the Electoral Commission's website [www.elections.org.za](http://www.elections.org.za) and via cellphone by SMSing the voter's ID number to 32249 (SMS charged at R1).

The SMS application facility is only available for those applying to cast a special vote at their voting station and NOT for home visits.

Once their application has been processed, voters will receive a notification via email or SMS of whether their application for a special vote was successful or not. They can also check the status of their special vote application online at [www.elections.org.za](http://www.elections.org.za)

The traditional method of applying for a special vote at local IEC offices by submitting a MEC35 form is also still available. Forms must be hand-delivered but can be delivered on behalf of a voter by someone else.

The process for casting a special vote is the same as a normal vote – with the exception that the completed ballot papers are sealed in an unmarked envelope which is then marked with the voter's name, ID number and voting district (VD) number. IEC officials take the envelope and place it in a secure ballot box for special votes and the voter's name is marked off the voters' roll with "SV" to indicate a special vote.

Once voting on Election Day has ended, the outer envelopes of the special votes are discarded and the ballot papers are removed from the unmarked inner envelope and then counted as part of the counting process for all ballots.

#### **ISSUED BY THE ELECTORAL COMMISSION** **Pan Africanist Movement to top PR ballot papers for 2016 Municipal Elections**

The Pan Africanist Movement will top the Proportional Representation (PR) ballot papers in all municipalities where it is contesting in the 2016 Municipal Elections after it was randomly drawn from a list of 206 parties contesting the elections.

All other parties will follow in alphabetical order. In municipalities where the Pan Africanist Movement is not contesting the elections, the next party in alphabetical order will appear at the top of the ballot paper.

# Election Decision

by Nobuntu Enkosi - City of Cape Town Municipality

The draw applies only to ballot papers for the PR element of the municipal elections – namely PR ballots for councils (printed with a yellow background) and District Council PR ballot (printed with a green background). Ballot papers for ward candidates (printed with a white/grey background) are traditionally in alphabetical order according to the surname of candidates.

The use of a random draw to select the party which will top the ballot paper has been the established practice for all elections over the past 21 years of democracy in South Africa as the fairest way to choose the order of the ballot paper.

South African has seen a relatively steady growth in the number of political parties contesting municipal elections since 2000. In that year, there were a total of 79 political parties which contested the various municipalities. Six years later that number grew 23% to 97 – and it grew a further 25% between 2006 and 2011.

The 2016 Municipal Elections will see a record number of political parties contesting the 8 metropolitan municipalities, 205 local municipalities and 44 district councils. A total of 204 political parties submitted candidate lists by last week's deadline – almost 69% more than the 122 which contested in 2011.

The Western Cape will have the highest number of parties contesting (77) followed by Limpopo (56), Gauteng (45) and the Eastern Cape (43). The smallest number of parties will contest in the Northern Cape (18).

The provincial breakdown of parties contesting in 2016 and comparison to 2011 is as follows:

## Number Of Parties in the Province: 2016 Municipal Elections 2011 Municipal Elections

Eastern Cape	43	29
Free State	27	18
Gauteng	45	36
KwaZulu-Natal	32	28
Limpopo	56	22
Mpumalanga	34	21
North West	31	20
Northern Cape	18	11
Western Cape	77	62

The metropolitan council with the longest PR ballot paper will be the Western Cape with 37 parties. The shortest metro will be Buffalo City in the Eastern Cape with 10 parties. The following is a list of the number of parties contesting the metro councils:

Metropolitan Council	Parties Contesting
BUF - Buffalo City	10
CPT - City of Cape Town	37
EKU - Ekurhuleni	26
ETH - eThekweni	26
JHB - City of Johannesburg	28
MAN - Mangaung	13
NMA - Nelson Mandela Bay	19
TSH - Tshwane Metro	20

Mock PR ballot papers for these metros showing the order of political parties based on today's draw are available on the Electoral Commission website at [www.elections.org.za](http://www.elections.org.za)

Four municipalities in the Eastern Cape (EC102 - Blue Crane Route; EC123 - Great Kei; EC126 – Ngqushwa; EC131 - Inxuba Yethemba) share the shortest PR ballot paper with just three parties contesting each municipality.

While the Electoral Commission is still in the process of validating the various candidate nominations received by the deadline, indications are that there will be approximately 970 independent candidates who will contest these elections. In 2006 there were 663 independent candidates. This grew to 774 in 2011.

So far more than 66 000 candidates have been captured as part of the nomination submission process. Most encouragingly, nearly 57% of these (about 38 000) were submitted electronically using the Electoral Commission's new Online Candidate Nomination System.

Political parties and independent candidates will be informed by Monday 13 June of any outstanding documentation and will have one week to rectify any non-compliance with the administrative requirements for nomination.

The final issuing of certificates to contesting parties and candidates will take place on 1 July 2016 after which the printing of ballot papers will begin. There are a total of 4 649 unique ballot papers for the 2016 Municipal Elections:

- 4 392 ward ballot papers
- 205 local council PR ballot papers
- 8 metro council PR ballot papers
- 44 District Council ballot papers

Voters in metros will complete two ballot papers and voters in all other municipalities will complete three ballot papers. The Electoral Commission plans to print approximately 80 million copies of ballot papers to ensure sufficient ballots for all voters. **1**

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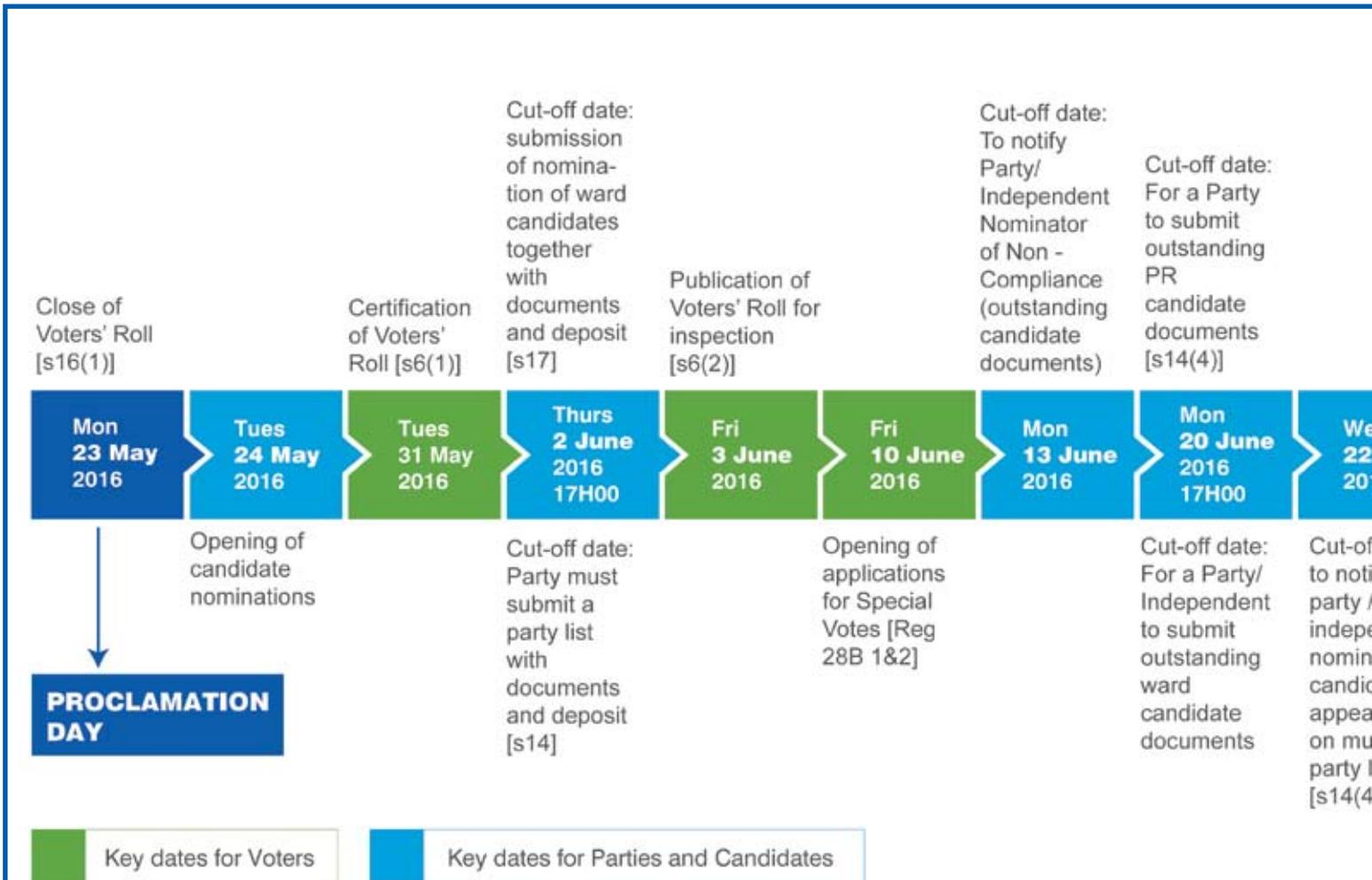


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# 2016 Municipal Elections Timetable



## 2016 MUNICIPAL ELECTIONS TIMETABLE



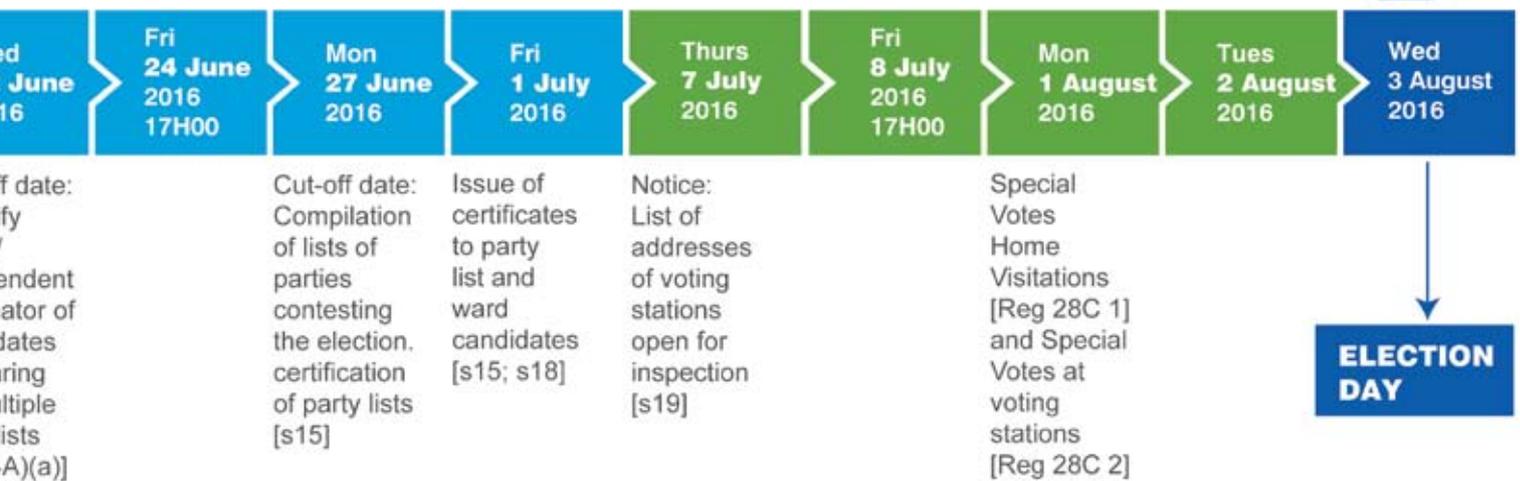
Cut-off date:  
for a party /  
independent  
nominator to  
submit revised  
or substituted  
lists in regard  
to candidates  
on multiple  
party lists  
[s14(4A)(b)]

Cut-off date:  
Compilation  
and  
certification  
of list of  
ward  
candidates  
for each  
ward [s18]

Notice of  
Mobile  
voting  
stations  
routes  
[Reg 28C 2]

Closing  
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Special  
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# TABLE



**MUNICIPAL  
ELECTIONS  
2016**



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**ELECTORAL COMMISSION OF SOUTH AFRICA**  
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# TAX - Reportable Arrangements – A Municipal Perspective

by Chaya Lakhani - Ethekwini Municipality



To bring visibility of complicated arrangements used by planners to ensure the tax efficiencies of transactions, the tax legislation has introduced a mechanism to report certain transactions to SARS, failing which the parties can be heavily penalised. Until a recent amendment dated 3 February 2016, (vol. 608, Government Gazette no. 39650) (“the Public Notice”), the rules relating to reportable arrangements excluded the need for a municipality to report (i.e. no tax benefits enjoyed by a tax exempt entity). Now, in main, the Metropolitan councils (Category A) or larger municipalities will be required to consider the application of “reportable arrangements” set out in sections 34 to 39 and section 212 of the Tax Administration Act, 2011 (“TA Act”).

## BASIC PRINCIPLES

### REPORTABLE ARRANGEMENT – SECTIONS 34 TO 39 OF THE TA ACT

Transactions are reportable because :

- The item is listed in a public notice as being an reportable arrangement in terms of section 35(2) of the TA Act; or
- The arrangement contains certain elements listed in section 35(1) of the TA Act and has not been specifically excluded as being reportable, unless excluded via section 36 of the TA Act or the public notice. (Ignored in the rest of the article).

### OBLIGATION TO DISCLOSE

The “participant” has to report the transaction within 45 business days from the date when the transaction qualifies as a reportable arrangement, unless that person has obtained written confirmation that another participant has reported the arrangement.

The duty to report an arrangement rests on a “participant” to the arrangement. A “participant” includes a “promoter” and a participant in the narrow sense. The “promoter” is the person who is principally responsible for organising, designing, selling, financing or managing a reportable arrangement. And, in essence, will include an advisor. A participant is a company (which includes a municipality) or a trust which directly or indirectly derives a tax or financial benefit by virtue of the arrangement. In the context of the municipality, the responsible person as the participant will be the representative person for Tax purposes, which is either the Municipal Manager or the equivalent of the Chief Financial Officer.

The information required to be disclosed includes (but not limited to) a completion of a form; a detailed description of all the steps and key features of the arrangement; details of the tax benefits; details of the participants and promoters; list of all arrangements and any financial model that embodies the projected tax benefits.

### PENALTY

Failure to report an arrangement could lead to monthly penalties between R50 000 and R150 000 for a participant other than the promoter and R100 000 to R300 0000 for the promoter under section 212 of the TA Act. This can be doubled or tripled under certain circumstances.

Such penalties can accumulate for a period of up to 12 months, resulting in a potential maximum exposure of R1,8 million or R3,6 million for the participant or the promoter, respectively, if the arrangement is not reported.

Furthermore, there is nothing in the TA Act limiting the application of the penalty to only one party, i.e. the participant and the promoter can find themselves liable for the penalty.

## LISTED TRANSACTIONS

The Public Notice lists six transactions that are required to be reported. These include

- Hybrid instruments, i.e. between debt and equity;
- Share buy backs within a 12 month period from a share issue;
- Contribution to a non – resident trust;
- Acquisition of interest in companies with an assessed loss;
- Premiums paid to foreign insurers; and
- Foreign services.

### FOREIGN SERVICES

A reportable arrangement includes a “consultancy, construction, engineering; installation, logistical, managerial, supervisory, technical or training services” rendered by a “foreign person” to a resident for an amount exceeding or likely to be exceeding R10 million in aggregate.

The services whilst limited to the list, are however, wide in application; e.g. consultancy, managerial, etc.

Further, the foreign person (or an employee, agent or representative of that person) must be or must anticipate to be physically present in South Africa in connection with or for the purposes of rendering the services. But, the arrangement will not be a reportable arrangement if the expenditure qualifies as remuneration for the purpose of the Fourth Schedule to the ITA.

### EXAMPLES

An ideal example will be the spend by the various councils in the building of the stadiums for the 2010 FIFA World Cup. In this case, foreign services were procured for several of the above listed services, e.g. installation, construction, managerial, consultancy. The building of the stadia may have been once off, but if there are still outstanding retentions exceeding R10 million payable to the foreign person, then this payment is likely to be a reportable arrangement.

Consideration has to be given to the a municipality’s involvement in the various international events (entertainment, sporting, etc.) coming to our shores, especially if the affecting services to be rendered for which we pay a fee to the association, e.g. Commonwealth Association, CAF, etc.

In addition, foreign persons may be involved in a joint venture to assist in the building of municipal infrastructure (e.g. roads, water works, etc.). The parties to the joint venture must be known and sufficient information must be obtained during the tender / appointment process to be able to make an informed decision with regard to reportable arrangements.

The consequences of non – compliance can be harsh and hence, care needs to be taken by municipalities to consider all foreign payments for the need to report. 

## Cash Management is one of the critical tasks of the Chief Financial Officer.

**If the municipality does not have the right liquidity levels, it may not be able to settle its financial obligations. If the liquidity levels are too high, it may be indicative of over taxing or under-investment in service delivery projects.**

Let's unpack the terminology used in cash management:

### KEY DEFINITIONS

#### Cash

When referring to the cash balances, it must be noted that the cashbook balances and not actual bank balances are referred to. Bank balances reflect the actual balance as at the day, whilst the cashbook balance includes cheques that have been issued, but not yet cashed by the bank, deposits made but not yet reflected on the bank statement are some examples. Furthermore, cash balances as per the annual financial statements (termed cash and cash equivalents) include investments that mature within three months from the reporting date, as well as amounts held for petty cash and floats as required by the accounting standards.

#### Cash Generated from Operations

This refers to the amount of cash that a municipality generated during a particular year as a result of the normal operations of a municipality, mainly related to the rendering of services. This category includes grants received but excludes any loan funding, capital expenditure, investments, etc. Non-payment for services rendered is included in this category.

#### Liquidity Ratio's

**Liquidity ratio:** This ratio expresses the current assets (debtors after provision has been made for non-payment, inventory, investments maturing in 4 – 12 months and cash and cash equivalents) as a ratio or percentage of current liabilities (creditors, unspent grant funding, amounts to be paid on long term loans within the next 12 months and short term provisions). This ratio should also be at least 1:1 but ideally greater than 2:1. The logic for this ratio is that an entity should be able to turn the current assets into cash within a 12 month period if required so

that all of the liabilities due within the 12 months can be settled.

**Acid Test ratio:** Due to the fact that it is in some cases, and specifically so for municipalities, difficult to convert your inventory into cash within a 12 month period, this ratio excludes inventory from the current assets when comparing to current liabilities. If this ratio is more than 1:1, the entity should not experience cash flow constraints in the short term (assuming all other factors remain unchanged and current operations will generate sufficient funds to settle current commitments).

**Number of day's cash:** This indicator looks at, if no further income is received, for how long an entity will be able to sustain itself based on the current expenditure trends. This calculation is done using the approved budget as basis (eliminating all non-cash expenditure items) for a 365 day year.

These liquidity indicators are or should not be seen in isolation as a myriad of factors can impact on the ratios (which are stated at a specific date). There may be only 10 days of cash available on one day (as an example), whilst the next day grants may be transferred changing the days cash to 60. The opposite is also true – cash holdings can be reduced from the 60 days to 10 days within a day when interest and redemption payments are made or the monthly Eskom bill is settled.

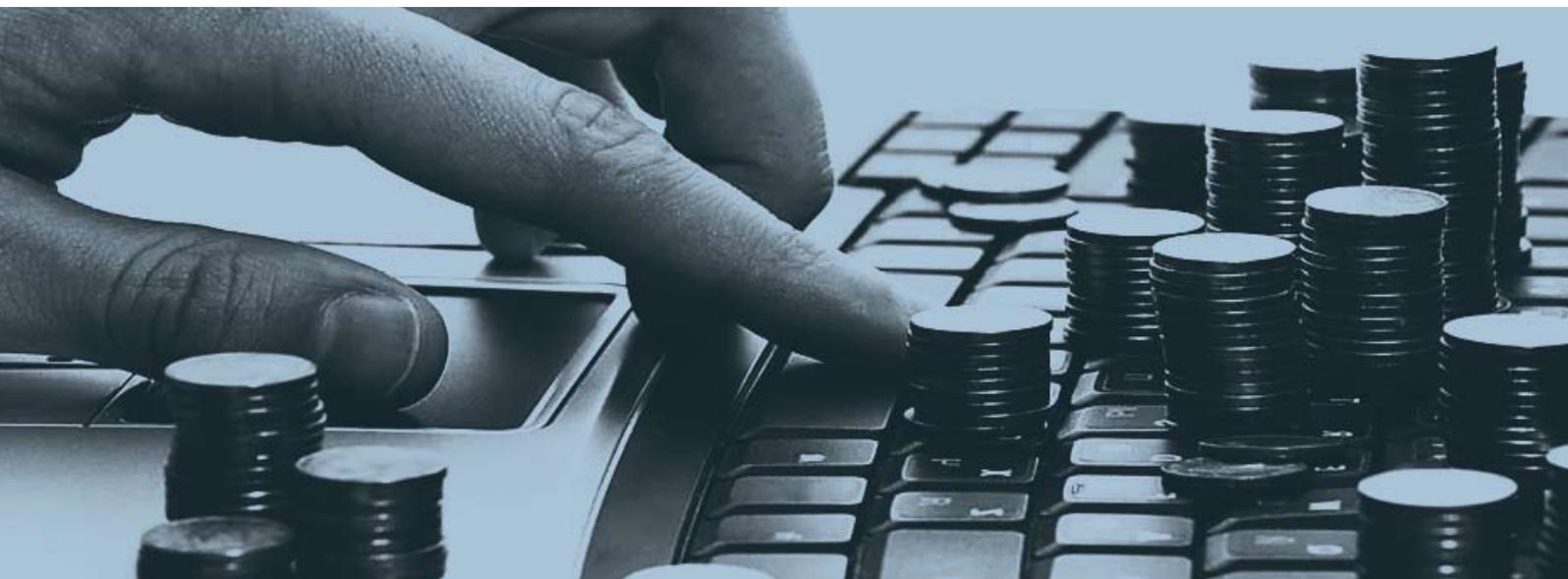
Further factors that must be taken into account are:

- Long term borrowings and/or creditors: An entity may have large cash balances whilst having long term borrowings and creditors. When comparing this with an entity with lower cash balances, but also relatively lower borrowings and lower creditors, it may very well be found that the one with the lower cash balance is in a better financial position.
- Debtors: An entity may have a low cash balance, but a fairly significant debtor's balance (which is collectable) which will change the cash position as soon as payment is received from the debtors.

These and other factors make it necessary to not only look at a specific (or even a range of) ratio at a specific date, but to monitor the trends over a period of time. Excluding exceptions or specific interventions, the cash balance must increase on an ongoing basis with at least the ruling inflation rate to ensure the financial position is sustained in real terms.

### HOW MUCH CASH IS ENOUGH?

Each municipality must compile a cash management policy in which the minimum liquidity levels are determined.



The first step will be to determine which items on the Statement of Financial Performance should be cash-backed and at what level. Consider the following items

#### **Encumbered Cash and Investments**

Unspent conditional grants - Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a current liability is recognised. Unspent amounts in relation to donations, public contributions and unspent grant funding are therefore retained in cash and are not available to fund any items on the operating or capital budget other than in terms of the conditions of the donations, public contributions or grants and should be retained in cash.

Certain long term investments could be ceded to financial institutions as guarantees for long term loans taken up. These investments are not available for any purpose other than the redemption of the loans and the cash can therefore not be made available to fund either the operational or capital budget and should also be included in the calculation for minimum liquidity levels.

Consumer Deposits including Rental Deposits - Consumer deposits are regarded as creditors, i.e. the funds are owed to consumers and can therefore not be utilised to fund the operating or capital budget and the cash should be ring-fenced in the minimum liquidity levels.

#### **Provisions and Reserves**

**Provisions** - A provision is a liability of uncertain timing or amount (in other words, the municipality will have to pay an amount out

resulting from a previous event, but the timing or the amount to be paid out is uncertain).

**Reserves** - Reserves are funds set aside and may be specifically for a certain purpose or may be general surplus funds. These reserves are usually created as excess funds and not to meet a liability (as is the case with a provision). The Capital Replacement Reserve is a good example.

**Contingent Liabilities** - a possible obligation depending on whether some uncertain future event occurs, or a present obligation but payment is not probable or the amount cannot be measured reliably. The municipality must decide how conservative they want to be in their cash management in deciding whether they will set funds aside for contingent liabilities.

**Working Capital** - Working capital is a financial metric which represents operating liquidity available to a business, organization, or other entity, including governmental entity. Along with fixed assets such as plant and equipment, working capital is considered a part of operating capital. Net working capital is calculated as current assets minus current liabilities. If current assets are less than current liabilities, an entity has a working capital deficiency, also called a working capital deficit.

#### **CONCLUSION**

When compiling a cash management policy, municipalities must determine their minimum liquidity levels. Not all municipalities will have the same levels of cash, but the benchmark of 1 – 3 months as set by National Treasury is a good guideline. ●

#### **REFERENCES**

1. Midvaal Local Municipality Cash Management Policy
2. National Treasury Budget Benchmarking Documentation

# Credit Ratings - Questions and Answers

by Lucky Leseane - SALGA Gauteng

In the first quarter of the year Rating Agencies such as Moody's and Fitch released the latest credit ratings for the Tshwane, Joburg and Ekurhuleni Metropolitan Municipalities, IMFO spoke to Mr Lucky Leseane the PEO of SALGA Gauteng, to get a glimpse of what the latest ratings mean for these Municipalities.

## Q: What do the latest rating upgrades mean for Municipalities and their Residents?

**A:** This is good news especially coming against the earlier statement posted by Moody's in March 2016 wherein a number of municipalities had been placed under review for a possible downgrade, this was followed by an about turn, in their May 2016 statement which repositioned the Municipal ratings in conjunction with the recalibration of the sovereign rating scale.

What the upgrades mean is that investors would be more willing to tap into the domestic sub-national / municipal bond market and thereby enable Municipalities to cover the infrastructure deficit gap. These latest ratings are important because they are the tools used by investors in determining whether they are willing to invest in a municipality. The latest rating upgrades also means that the Metro's will be more emboldened to seek finance in the debt capital market to fund their infrastructure projects, pay back their debt at a lower level, create jobs, increase access to services and help with putting the SA economy back on tracks.

The latest National Scales Ratings are tabulated as follows;

**Table 1: National Scale Ratings**

Grade	Rating Description	MOODY'S INVESTORS SERVICE	FitchRatings
Investment Grade	Highest creditworthiness, minimal credit risk	Aaa Aaa = City of Ekurhuleni Aaa = City of Cape Town	AAA
	Very strong investment grade, very low credit risk	Aa1 Aa1 = City of Joburg Aa1 = Nelson Mandela	AA+
		Aa2	AA AA = City of Joburg
		Aa3	AA-
	Low credit risk, strong capacity to meet financial obligations	A A1 / A2 / A3 A3 = Mangaung A3 = City of Tshwane	A A+ / A / A-
Lowest investment grade, moderate risk	Baa	BBB	
	Baa1 / Baa2 / Baa3	BBB+ / BBB / BBB-	
Speculation Grade	Highest speculative grade, substantial credit risk	Ba1 / Ba2 / Ba3	BB+ / BB / BB-
	Speculative, vulnerable to non-payment	B	B
	Very high credit risk, limited capacity to meet obligations	Caa	CCC
	Highly vulnerable to non-payment, near default	Ca	CC
	Close to default, possible bankruptcy, continues to pay interest	C	C
	In default	D	D

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# Credit Ratings - Questions and Answers

by Lucky Leseane - SALGA Gauteng

## Q: What does this translate to?

**A:** In the case of the **City of Joburg (COJ)**; the recent Moody's report (March 2016) raised Joburg's national scale ratings by four notches up from A2 to Aa1, and the global scale ratings from Baa3 to Baa2. This follows hot on the heels of a recent upgrading by Fitch Rating Agency in December 2015 which saw the COJ's long-term rating and the national unsecured rating on outstanding bonds from AA- to AA and the affirmation of its national short-term of the Jojobond (COJ02). This **City of Nelson Mandela Metro** national rate scaling is also rated at Aa1.

The **City of Ekurhuleni (COE)** together with the **City of Cape Town** were graded Aaa which is the highest investment grade by Moody's Investment Services. The COE's national scale rating was moved four notches up from A1 to Aaa, and a global scale rating of Baa2 which is **two notches above the sub investment grade**.

The **City of Tshwane** and the **City of Mangaung** latest grading was A3 which is still within the investment grade but is viewed as a lowest investment grade and substantial credit risk.

## Q: Why are the current ratings good for Municipalities?

**A:** The recent rating upgrades are good for both the Municipalities and the residents because a good credit rating determines the cost at which a Municipality will be required to repay its debt, so a bad rating equals high debt repayments through high interest rates, and a good rating equals low debt repayments with a lower payment of interest rates. The rating upgrades also affirm a prudent management of finances by Municipalities. Coupled with the paying of lower interest this upgrade also opens avenues for the cities to compete in the international bond markets as well as other project finance and investment opportunities to address the infrastructure funding deficit.

But it is also important to analyse the fuller picture of the ratings as they reflect both National Credit Rating and the Global Credit Rating, with the former being tantamount to a passport enabling participation in the domestic financial markets whilst the latter is akin to an international passport with a Visa to participate in the global credit market. So the latest credit ratings upgrade helps in assessing the credit risk of specific debt securities and structured finance instruments of Municipalities as borrowing entities or issuers of debt and thereby improving their liquidity in the debt capital market. The ratings provides an independent assessment about the debt security creditworthiness of bonds issued or to be issued by the respective Municipalities

**Table 2: Moody's Global Creditworthiness of a sample SA Municipalities**

Munic	MOODY'S INVESTORS SERVICE
CoJ	<p><b>Baa2</b></p> <p>The COJ is assigned at Prime 2 debt issuer rating which reflect the improvements on its financial performance coupled with a debt reduction from 35% to 30% revenue and improved liquidity in spite of increases in capital infrastructure spending. A Baa2 rating, just a level above the speculative grade falls under the lowest investment grade with moderate risk according to the Moody's rating descriptions.</p>
CoE	<p><b>Baa2</b></p> <p>The City of Ekurhuleni likewise has been assigned a Global Credit Rating of Baa2 and assigned as a Prime 2 debt issuer and its debt ratings reflecting a relatively large economic base and strong liquidity but with concerns regarding its growing debt levels.</p> <p>The City of Ekurhuleni likewise has been assigned a Global Credit Rating of Baa2 and assigned as a Prime 2 debt issuer and its debt ratings reflecting a relatively large economic base and strong liquidity but with concerns regarding its growing debt levels.</p>
CoT	<p><b>Ba1-Not Prime</b></p> <p>The City of Tshwane is rated at Ba1/Not Prime places it in the highest speculative grade with substantial credit risk. This rating also reflects the city's high indebtedness by its consumers and cash flow pressure, this, couple with the city's undertaking a large capital expenditure programme.</p>



# Credit Score

## Q: Why do the latest Municipal ratings differ to that of the Country which is currently a level above Junk?

**A:** Subnational (Municipal) credit ratings may differ from the ratings of the Sovereign (Country) due to a number of factors, for example municipalities have relative exposure to comparatively rich economic bases, sound financial and good governance practices, however any negative outlook on the sovereign ratings for a possible downgrade will prompt a negative rating for the subnational.

This is largely due to a symbiotic and close operational and financial linkages between the national governments and municipalities, so all municipalities are eventually exposed to the countries micro economic performance and socio economic conditions. So we, at the subnational level, should be worried at the potential deteriorating profile of our sovereign ratings, because any further downgrade will reverse all the good gains made by the subnational to date. As the parlance says, all the subnational ratings carry a negative outlook given the sovereign's negative forecast and rating which is a level above junk.

## Q: What factors influence a rating?

**A:** Ratings by their very nature don't just change overnight and is dependent on a number of factors, the lowering or upgrading of a Municipalities credit rating level is a result of sustained performance on a number of factors such as

- Sustained financial resilience,
- Improved financial performance,
- Increases on total assets, revenue & collection rates and healthy liquidity levels
- Implementation of a financial development plan,
- Decline in net direct debt,
- Generation of recurring surpluses,
- Sound policies and most importantly Good Governance

## Q: So what's all this ratings about?

**A:** A credit rating is intended as a relative measure of creditworthiness among debt issues and issuers within and outside a country, which then enables market participants to be able to differentiate relative risks. They are generally a rating instruments used to assess the relative capacity of an issuer to meet its obligations, principal and interest on time.

## Q: The role of Credit Ratings

**A:** It should also be noted that the credit rating is a highly concentrated and monopolised industry which has developed into an Oligopoly dominated by the so called "Big 3" rating agencies controlling 95% of the ratings market, that's your Moody's Investor Services and S & P Global (formerly known as Standard and Poor's) together control 80% of the global market, and Fitch Ratings controls a further 15%.

These 3 are not the only players in the credit rating industry as there are a number of other niche players in the market such as the Global Credit Ratings (GCR) of South Africa, who are mooted to be in partnership with other players from Malaysia, Brazil, India and Portugal to develop a new global credit rating agency. There are also discussions at the World Bank to relook at this oligopolistic culture through the Basel II/III processes, questions regarding the reliability of their ratings as indicators of default risk and the consistency across the rating agencies, started to emerge after the recent European financial crisis. 

# Revenue Management in Local Government

Peet Du Plessis - eThekweni Municipality

**T**his article intends to look at the beginning of Revenue management under the new dispensation of Local Government which started in the 90's. This is a good 20 years of implementation and it will be most appropriate to reflect on the situation today.

The White paper on Local Government, which is the Policy document for Local Government, was published on the 9th March 1998. In the foreword of the document the then Minister for Provincial Affairs and Constitutional Development, Min. Mr. Mohammed Valli Moosa indicates that under the New Constitution Local Government is a *sphere of government* in its own right and no longer a *function of national or provincial government*<sup>1</sup>. These words gave certain status to Local Government, which is not always understood both by National and Provincial Departments and by some Politicians.

The White paper has set certain principles for local government finances which inter alia are:

- Revenue adequacy and certainty;
- Sustainability;
- Effective and efficient resource use;
- Accountability, transparency and good governance;
- Equity and redistribution;
- Development and investment; and
- Macroeconomic management.

What is clear from the principles above, and how it is applicable to revenue management, is the requirement for a system of collection that will ensure revenue certainty; provide for sustainable service delivery; ensure that there is transparency supported by good governance and the implementation of effective and efficient revenue collection processes.

The Rates Policy (Tax Policy) of a municipality must fit into the national framework provided for in Legislation, and must take into consideration any adverse impact on the productive economy. This would require from a Municipality to test its rates policy against the legislative requirements, but more so the impact of the cent-in-the-Rand property rate impact on the local economy and how it would stimulate national objectives, which include job creation.

When it comes to user charges, the White Paper highlighted the importance of cost recovery and indicates that it is essential for sustainable service delivery. It was agreed that a "user pays" principle should be adopted and all users of services should at least pay in proportion to the amount of service consumed. All households, with the exception of the indigent, should pay the full costs of the services consumed. Municipalities should develop a system of targeted subsidies to ensure that poor households have access to at least a minimum level of basic services.

## Credit Control

The White Paper acknowledges with regard to credit control that the long-term financial viability of a Municipality is highly dependable on the ability of the Municipality to collect its outstanding debt. This means that an appropriate credit control mechanism must be established. The White Paper touches on the basics of revenue management, which is also referred to as the value chain, which will be discussed in future articles. Some of the salient features in the White Paper are the:

- Ability to measure consumption of customers accurately;
- Sending of monthly bills, which requires that information of customers must be maintained;
- Requirement to ensure that there is relief for poor households who cannot afford the full cost of supply; and
- Need for municipalities to take strong measures to deal with those households who can afford to pay for services but are not doing so.

The White paper also acknowledges the importance of Electricity as a measure of credit control. The White Paper has the following to say on the matter. *"It is fundamentally important that local government is able to retain the power to cut off electricity to consumers as a credit control measure, and amendments to the Electricity Act will be promulgated in this regard."* (Department of Provincial Affairs and Constitutional Development, 1998).

## Case Study on Credit Control in Municipalities

The purpose of this case study was to evaluate the effective application of credit control in Local Government; the outcome of the study would be used as an input into the Local Government Municipal Systems Act (MSA), and particularly the content which we know today as Chapter 9. It was intended to give the Minister guidance on the development of credit control policies and manuals to assist municipal officials.

The team conducting the case study visited the participating municipalities being: :

- Greater Johannesburg Metropolitan Council
- Kroonstad TLC
- Port Elizabeth TLC
- Hermanus TLC
- Pietermaritzburg TLC
- Tzaneen TLC
- Nelspruit TLC

The then Department of Provincial and Local Government, currently Department of Cooperative Governance and Traditional Affairs issued comprehensive guidelines dealing with credit control and the objective was to:

- a) Define the roles and responsibilities with regard to credit control of the Administration and Councilors, this principle is now clearly articulated in s 99 and s100 of the MSA;

<sup>1</sup> My Emphasis added



- b) Establish the principles of customer care and Batho Pele, which is also in s95 of the MSA;
- c) Lay down the rules for a comprehensive financial policy within which credit control should operate, this has been overtaken by s97 of the MSA; and
- d) Indicate what measures and action should be taken when there is non-payment for services.

One of the findings from the study was that there appeared to still be confusion between the role of Councillors and the administration in the implementation of credit control. (Kapp, 1998). The roles have since been clarified in the MSA, s99 and s100.

The report in the study also raised some issues with regard to the shortcomings in the legislation applicable at that time, such as adequate authority to disconnect for services, ensuring equality in the application of credit control procedures, conflicting legislation between the Electricity Act, the Water Services Act, etc. This has been subsequently addressed and resolved, mainly through the promulgation of the MSA.

#### Situation as at 2015

One of the outcomes in the case study was the uncertainty regarding roles of the administration on that of Councillors. The MSA has endeavored to clarify the roles by clearly specifying in s99 and s100 (Republic of South Africa, 2000) what the roles are. The executive committee or executive mayor or, if a municipality does not have an executive committee or executive mayor, the municipal council itself or a committee appointed by it, is the supervisory authority over the implementation of credit control and debt collection measures, including the approval and amendments to the policy. The municipal manager and his administration or appointed service provider is the implementing authority of the credit control and debt collection policy and any by-laws enacted of the municipality in terms of section 98 of the MSA.

There are still uncertainties in many smaller Municipalities regarding this and it is therefore important to note that the Act is clear regarding the roles and responsibilities for the collection of outstanding debt.

A Councillor can't instruct the Administration not to implement the credit control policy; such an instruction could only be taken at supervisory level and implemented by the Administration. ❶

# Succession Planning

by Tshepo Morabane - Tshwane University of Technology

The nature of a wheel is to meet the ground at all points in revolution; and that would be the case with Institutional activity or at least that seems to be the case with the eventuality of establishing the Student Society under the banner of the Institute of Municipal Finance Officers.

Our Institutional history, as an institute, tells us of a time we ran student operation believed to develop young minds and we find the fruits of such operations at the top of the tree, this then establishes the critical importance of a fertilising ground for young minds within the Institute.

The first Student Society was founded, in Natal, on the 1st of October 1928 after Mr E B Scott was elected to the Presidency of the Institute at the inaugural conference of the Institute. Even more significant to the establishment of the structure, the Student Society was made mention in the original documents of the Institute. The Provision was made in the Rules and Regulations of the Management and Conduct of local sections. A fundamental activity of the Society was to provide in that time was the alignment to theoretical training in capacitating future municipal officials, in that sense the rise of Student Societies was closely associated to examinations. In evolution, the nature of conduct and Institutional procedure changes but the core activities remain relevant and thus the need for student representation remains with the Institute today.

Taking a moment from student representation to speak to the evolutionary steps of the Institute, as we are met with our elective conference in October 2016, proves to be of great importance. Noting that the Student Society was inaugurated in the first 3 months of Mr E B Scott's Presidency, one must acknowledge that our leaders play a critical role in regulating our representation and in that we must be critical in selecting our leaders. Without giving rise to any particular leader within the Institute, it is for us to critically assess our leadership and give our vote to a model leader, one that is relevant to the current environment and or so, one that shows potential to evolve the Institute to fit the context of the industry. The same may be said for the National Municipal election to be held in August 2016, let us put the needs of the many before our own.

The need for a Student Society came about through the consistency in participation the Tshwane University of Technology which boasts a student membership barely fewer than 2000 individuals. The content and event objectives of the Institute proved most relevant to industry role-players and stakeholders, creating the vacuum between the Institute and student membership. As members of the affiliated Institute, students were afforded the opportunity to participate in all activities but were found to be misplaced when given the platform to engage the content – speaking in abstract theory to industry practice. However, the disconnect was not only

in engaging, theory vs practice, but included in the Institute's objective, the mandate of the Institute could not be owned by the student membership, as there was no platform for it to be workshopped with the newly affiliated membership. Critical importance had been established and the student membership had an answer not unknown to the Institute.

The vacuum and disconnect gave birth to newly revived Student Society under the banner of the Institute of Municipal Finance Officers. The initiative to establish, or rather re-establish, the Student Society came from Phineas Kekana, a then BTech Student at the Tshwane University of Technology. Having had the opportunity to participate in various forums and seminars, he saw the need for an objective realignment for what it the Student Society. Together with a few other likeminded individuals, they slowly but surely began filling the vacuum.

The establishment of the Student Society has now become a Board objective, a great token to take pride in. The objectives of the Student Society are outlined in the draft constitution of the structure as follows:

- Promote overall academic excellence and the enrolment of new student into the field of Public Finance Management and Governance
- To provide academic support to the student membership
- Advocate for student mentorship, training and professional-development workshops
- Assist in shaping and reviewing curriculum modules to best fit industry demand
- Condition potential public sector practitioners in upholding the principals of Ubuntu
- To advocate for the professionalization of the Public Service Sector and assist in advancing new graduates into internship programs
- To manage an apolitical, non-sexist, non-racial and professional organization that will influence industry related programs.

The structure of the Institute aims to impact, in the long-term, the industry through effective execution of these objectives that speak to moulding the modern day Ubuntu Public Servant and doing it at the grassroots level.

It has been announced in many forums and many have stressed the importance of cultivating young minds. Desiderius Erasmus said, "The main hope of a nation lies in the proper education of its youth". It is for us to apply the principle and note; the sustainability of an Institute lies in the proper induction of its youth or better said, Student Membership.

The need is evident and the passion is rightly placed, it is now for the Institute to embody the structural shift. 

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Author changes  
Letter conversion  
Digitisation of signatures and logos  
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Postal code and language file sorting  
Data manipulation

### Printing

Full-colour litho  
Corporate identity documents  
Business forms  
Pamphlets  
Brochures  
Letters  
Posters  
Calendars  
Labels  
Company profiles  
Magazines

Manuals  
Books/pads  
Annual reports  
Print finishing  
Election forms  
Laser  
Monochrome variable data printing – simplex/duplex  
Full-colour/digital variable data printing – simplex/duplex  
Statements  
Invoices  
Payslips  
One-step mailers  
Letters  
Manuals  
Envelopes  
Labels  
Vouchers  
Election forms and other documents requiring bar-coding  
Lists  
Digital  
Booklets and brochures  
Pamphlets  
Presentations  
Z-card portfolios  
Invitations  
Business cards  
Letterheads  
Complimentary slips  
Vouchers  
Manuals  
Short run personalized calendars and newsletters  
Trans-promotional documents  
Silk screen  
Half and full-colour printing  
Corporate gifts:  
T-shirts/hats/caps/bags/pens/glasses

### Pre-print

Conceptual design  
Editing and copy-editing  
Typesetting  
Layout design(DTP)  
Proofreading  
Scanning  
Colour play-outs  
Computer to plate (CTP)  
Positives and negatives

### Mailroom processing

Multiple folding and gluing options  
A1 bookwork folding in  
A2,A3,A4,A5,DL finishing  
Roll, Z,cross,  
Non Envelope Solutions: One-step mailers with drop-in insert  
Re-sealable and aqua seal glue  
Envelope Solutions:  
Intelligent insertion: automated multiple six-station OMR and BCR selective insertion  
Non-intelligent insertion: automated and manual insertion  
Document matching  
Documents  
Letters  
Cards (generic and personalized)  
Labelling  
Postage and rebate analysis  
Postal code sorting  
Registered mailing with track and trace auditing (and e-document archiving)

Fulfilment solutions  
Warehousing  
Couriering  
Fine packaging for bulk distribution

### Envelope production

Window and non-window  
Pocket and wallet options  
One- and two-colour reel conversion  
Full-colour flat sheet conversion (including spot colour, security printing, foiling and embossing)  
All standard sizes:  
DL, C3, C4, C5, C6, B4, B5, B6, E4, E5, E6,  
X-ray sizes (mm):  
405 x 370, 438 x 363, 406 x 305, 311 x 260, 267 x 216  
Strip seal  
Paper bags  
CD and VCD  
Boxes (including drug boxes; cosmetic boxes; toy boxes; paper tissue boxes and gift boxes)

### Brand marketing

Corporate Identity (CI) designing and CI guide development  
Corporate gifts  
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Event branding (including gazebos, banners, flags, vehicles)  
Fine packaging (promotional packaging)



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# Municipal Bonds Market in Africa

by Lucky Leseane - SALGA Gauteng

**SALGA and IMFO** participated in the recent Forum on African Municipal Bonds Conference held in Dakar, Senegal during April 2016. The forum was organized in partnership with Markets of Africa, publisher of the UCLGA's African Cities Magazine. The forum brought together potential issuers African Municipalities and potential buyers including hedge funds, investment banks and private equity companies across the world to reflect on forging strategic partnerships in the continent.

The forum shared experiences of the challenges around the development of the Municipal Bond Market in the African continent and was addressed by various speakers ranging from issuers, investors, brokers. Lawyers, rating agencies and regulators and the Mayor of Dakar who also shared their near miss experience in the municipal bond market.

The forum focused on addressing the most pressing issues facing the African municipal bond market and made an honest assessment of the current standing of African cities in today's financial markets with special reference to the following key issues;

- The overall size of the debt market compared to the national GDP
- Interest rates and their impact on the issuance volume
- Consolidation trends and the prospects for increased municipal bonds
- Opportunities in the Municipal Capital Debt Markets
- Sources of Funding
- Local Debt Markets v/s International Debt Markets
- The role of Regional and Development Banks as intermediaries between the capital markets, aid donors and private operators
- The existence of an enabling legal framework

The interest in the Bond market came as a result of the scarcity of loans from Banks largely due to the aftereffects of the 2008 financial crisis. Many African countries both at sovereign and subnational began to investigate alternative sources to fund their infrastructure funding deficit in order to address their infrastructure economic development projects.

Learning from the experience from the US and other European countries local government practitioners in the continent have awoken to the fact that donor funding and the national fiscus do not adequately meet their infrastructure funding deficit and have become aware that Bonds present opportunities to raise funds to finance capital intensive projects, but the municipal bond market has not risen up due to a number of challenges which stated below;

Challenges in the Development of the Municipal Bond Market in Africa

- Underdeveloped Capital Markets
- Absence of an enabling and regulatory legal framework
- Limited State, local government and corporate bond issues
- Absence of a secondary market to trade the bonds

- A weak institutional investor base
- High level of unfamiliarity with the structuring and issuing bonds

## What are Municipal Bonds?

Bonds are debt instruments through which a municipality can raise finance for infrastructure development, and different types of bonds are available for selection to suit a tool to raise capital. Bonds differ in the manner in which they repay interest rates, in some cases a fixed rate of interest is paid until maturity, while in other cases a floating rates or what is normally referred to as coupons are paid periodically. Zero coupon bonds are the type of bonds where no interest payment is made until the bond matures, and single and higher payment is then made at maturity.

Therefore, in the local government level, Municipal bonds are debt securities issued by cities and municipalities to fund their daily operations and to finance their capital infrastructure deficit to fund projects such as water, roads, transportation etc. Ideally these bonds are purchased by investors hoping to make a steady investments repayments until the bond matures.

A municipal bond may be issued either as a general obligation bonds and or as revenue bonds. General obligation bonds are not secured by any asset but the full faith and credit of the issuer, as in the balance sheet. On the other hand, revenue bonds are not backed by the sub national's taxing power but by the revenues generated from the funded project or other revenue generating source.

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**Despite the underdeveloped capital market in most African countries, there is potential for the development of bond markets and Governments will be required to take steps to support their development.**

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## Municipal Bonds v/s Bank Loans

Municipal bonds are an attractive option from an investors as they are prone to low volatility given their nature as long term investments with high liquidity on the secondary market, albeit its underdevelopment in Africa. From the bond issuer's perspective, the cost of borrowing using bond issues is lower than loans from a bank, and has the added advantage of allowing the issuer to set the interest rates and other parameters such as the repayment period.

The recent interest on Bond issues to fund infrastructure development in the continent comes as a result of a realization

that funding from the national fiscus, traditional development finance institutions and loans from banks is not adequate and the debt market is emerging as a time tested sources of long-term finance. This funding deficit can be covered through dabbling in the international capital markets or the local debt markets where they exist.

African countries will have to promote the development of their domestic capital markets and will also have obtain sovereign and domestic credit ratings; a sine qua non for them to float international bonds. Experience from the American bond market shows that raising debt financing in the capital market is probably one of the most potent sources of finance for rapid infrastructure development.

### Bond Markets in Selected African Countries

Municipalities and cities in the continent infrastructure funding challenges and seek additional revenue either from bank loans or bank loans. This scenario has not always played itself out such a bipolar way, it has become a norm for most Africa governments to raise capital by obtaining loans rather than issuing debts in the form of a bond. Thus the bonds provide government with an alternative funding source to raise capital at a lower cost. Despite the underdeveloped capital market in most African countries, there is potential for the development of bond markets and Governments will be required to take steps to support their development.

Bond Markets exists in varying degrees of complexity in the following African Countries, South Africa, Nigeria and Kenya.

South Africa had a municipal bond market prior to 1994 but has seen the decrease in securities debt and a continuous rise in loan debt. The residual credit market is an intermediate one with most loans largely dominated by banks and other financial intermediaries, and SOE's to a larger extend. The SA securities market is largely sophisticated and the securities and bond market is developing at a relative pace. In SA Municipalities are able to issue municipal bonds to raise capital for development projects, these municipal bonds are not guaranteed by the sovereign. Despite the advanced nature of the SA financial market, the use of bonds is not widely practiced as instruments to finance infrastructure development in municipalities.

### What are the lessons for African Municipalities?

Despite the challenges raised above numerous countries in the continent have issued bonds to raise capital for infrastructure development and the key lessons from these experiences;

- The development of a legal and regulatory framework
- Enhancing the development of the capital market structure
- Macro and micro economic reforms and further development of the secondary market to enable the trading of bonds
- Capacity building on the Bonds market

### In Conclusion

The forum concluded that the development of a municipal bond market in the continent will require African governments to demonstrate an understanding of the advantages and disadvantages of bonds as a viable instruments raising capital on debt markets for capital development to meet the infrastructure funding deficit. ❶



# IMFO - 7th Annual Audit and Rik Indaba



Jane Masite - IMFO President, Paledi Marota - IMFO Board Member, Kimi Makwetu - Auditor General of SA, Cheryl Reddy - IMFO Board Member, Nkuli Swana - Arms Audit



Sidwell Mofokeng - IMFO Vice President



Kimi Makwetu - Auditor General of SA



Leslie Holland - AGSA



Delegates in plenary



Khomotso Phelane - IMFO Board Member and Tumi Morake - Comedian



Audit and Risk Indaba - Governance Panel



Tebogo Gafane - IMFO committee member, Busisiwe Mathe - PwC, IMFO Presidency



Ms Seba Ngwana with delegates at the IMFO stand.



Kenneth Ngakantsi, ABASA Chairman Student Chapter.



Delegates in conference hall.



Prof Strydom: Dean faculty of Management Sciences.

# IMFO - Western Cape Branch Seminar



IN & AROUND  
**IMFO**



Dr Ivan Meyer - MEC for Finance



Alderman De Bruyn -  
Executive Mayor of Cape Winelands Municipality



Mbulelo Memani - IMFO Western Cape Branch Chairperson



Santie Reyneke - IMFO Western Cape Committee Member



Learners from Goudini Bad Primary School



Frans Sabbat - Beaufort West Municipality (Programme Facilitator), Panellist for mSCOA discussion: Silma Koekemore - National Treasury, Donovan Stuurman - Provincial Treasury



Dean Louw - Drakenstein Municipality



Representative from ASB

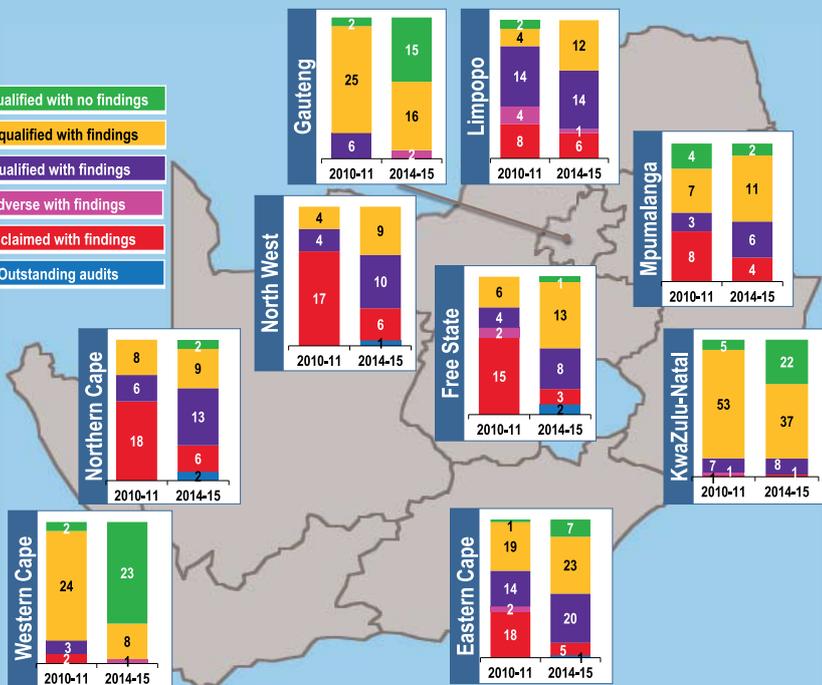


Delegates in plenary



Delegates in plenary

# MFMA 2014 -15 Highlights



- Municipalities that received clean audit opinions increased from 13 to 54 (with 18 additional municipal entities)
- 53% of the audited municipalities improved over this period
- Reduction in adverse and disclaimed opinions of municipalities in the current period
- The expenditure budget for the municipalities totalled R347 billion, with 39% being clean
- Provinces with the highest proportion of clean audits were the Western Cape (73%), Gauteng (33%) and KwaZulu-Natal (30%).



To see the full report visit our website: [www.agsa.co.za](http://www.agsa.co.za) @AuditorGen\_SA Auditor-General of South Africa



## HOW CAN ARMS-AUDIT ASSIST YOUR ORGANISATION WITH mSCOA

- Considering the relatively short timeframes for mSCOA implementation, ARMS-Audit can assist the municipality by bringing in capacity and required skill to prepare the municipality with the activities associated with the following:
  - **Project Management;**
  - **Change management;**
  - **mSCOA & related Training;**
  - **Pre, during and post implementation review and Assurance.**
- ARMS-Audit can assist the municipality in verifying, preparing and ensuring that the current system vendors are able to accommodate the technical specifications of the SCOA classification framework.
- ARMS-Audit has the requisite skill to assist municipalities overcome technical complexity of the SCOA classification framework and ensure successful and flawless implementation of SCOA.
- ARMS-Audit can assist the municipality to create a conducive environment by which the municipality is SCOA compliant come **1 July 2017**.

## ASSURANCE - WHY INVOLVE INTERNAL AUDIT IN mSCOA?

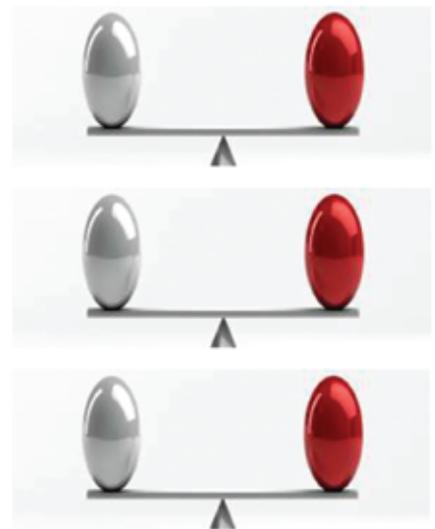
Internal Audit should provide assurance and/or advice to senior management/council, the audit committee and other stakeholders on:

- Project governance processes (pre-implementation review), including policies, procedures and controls.
- Business case validity, viability and worthwhile.
- Project planning matters such as the critical path, completeness and suitability.
- Change management attending to adherence to controls in the business processes and timeliness.
- Risk and issue management addressing depth, coverage and resolution.
- Project cost considering actual compared to budget.
- Sign-off and criteria for stage gates.
- Approach to vendor management for example contracting, dependencies and management involvement in process ownership and decision making.
- Business readiness "pre-go-live".

**Imperative for the Internal Audit is to be involved at the individual work stream level to assist with identification and monitoring of key risks, assignment of responsibility for risk and review treatment of risks.**

## CONTACT DETAILS

For further details and enquiries please contact us on the details below:  
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### Recent Legislation

Government Gazettes are also available free online at [www.gpwonline.co.za](http://www.gpwonline.co.za)

#### **DIVISION OF REVENUE ACT (DORA) 2016, ACT 3 OF 2016 and ALLOCATIONS PER MUNICIPALITY ITO DORA, 2016**

*(Notice 529 published in Government Gazette 39995 of 18 May 2016 AND Notice No. 586 published in Government Gazette 40021 of 27 May 2016)*

#### **The objective of the Division of Revenue Act is –**

- 1) to provide for the equitable division of revenue raised nationally among the three spheres of government;
- 2) to provide for the determination of each province's equitable share of the provincial share of that revenue;
- 3) to provide for other allocations to provinces, local government or municipalities from the national government's share of that revenue and conditions on which those allocations are made;
- 4) to promote predictability and certainty in respect of all allocations to provinces and municipalities, in order that provinces and municipalities may plan their budgets over a multi-year period and thereby promote better coordination between policy, planning and budgeting; and
- 5) to promote transparency and accountability in the resource allocation process, by ensuring that all allocations, except Schedule 6 allocations, are reflected on the budgets of provinces and municipalities and the expenditure of conditional allocations is reported on by the receiving provincial departments and municipalities.

Allocations per municipality for grants to local government and to provinces, and provincial and local government frameworks for each grant were published on 27 May while the first transfer of equitable share and conditional grant allocations for pre-election municipalities, 2016 and Explanatory Memorandum were published in June 2016 *(Notice No. 613 published in Government Gazette 40035 of 2 June 2016)*.

#### **LOCAL GOVERNMENT: MUNICIPAL STRUCTURES ACT 117 OF 1998**

*(Notice GN. 562 published in Government Gazette 40007 of 23 May 2016)*

The calling of and setting of a date - 3 August 2016 - for local government election was published.

#### **LOCAL GOVERNMENT: MUNICIPAL ELECTORAL ACT 27 OF 2000**

*(Notice No. 564 published in Government Gazette 40011 of 24 May 2016)*

The election timetable for the 2016 municipal elections was published.

#### **AMENDMENT TO THE MUNICIPAL ELECTORAL REGULATIONS, 2000**

*(GN 569 published in Government Gazette 40020 of 25 May 2016)*

The Electoral Commission has, in terms of section 89 of the Local Government: Municipal Electoral Act, 2000 (Act No. 27 of 2000), made various regulations in order to amend provisions relating to the nomination of candidates; to provide for different modalities for payments of electoral deposits; to provide for the electronic submission of candidate nomination documents; to provide for the notification of interested parties where a candidate has been nominated by more than one person; to clarify the circumstances in which new ballot papers may be issued to voters; and to clarify the provisions relating to the determination and declaration of the results of by-elections.

It has been published that the amendment to the Municipal Electoral Regulations, 2016 come into effect from the date of the commencement of the Local Government: Municipal Electoral Amendment Act 1 of 2016 which was published as 3 June 2016 *(GenN 335 published in Government Gazette 40050 of 3 June 2016)*.

#### **DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM: SPATIAL DATA INFRASTRUCTURE ACT REGULATIONS**

*(Notice No. 698 published in Government Gazette 40058 of 10 June 2016)*

Organs of state holding, using or distributing spatial information must adhere to standards and prescriptions as determined by the Minister.

#### **PUBLIC AUDIT ACT 25 OF 2004**

*(General Notice No. 574 published in Government Gazette 40021 of 27 May 2016)*

The Auditor-General has issued a directive, in terms of the Act and withdrawing GenN 125 in GG 38464 of 11 February 2015, with effect for financial periods beginning on or after 1 April 2015 and until further notice.

Under financial management and other related matters, sections 20(2)(b) and 28(1)(b) of the Public Audit Act, the auditor's report must reflect an opinion or conclusion on the auditee's compliance with any applicable legislation relating

- clarify the circumstances for the casting vote of the councillor presiding during a council meeting;
- increase the variance of the number of voters in each ward during demarcation;
- clarify the allocation of excessive seats in local municipalities; clarify the supplementation of party lists for local municipalities and provide for multiple seats in local municipalities;
- amend the timeframe for the municipal manager to inform the IEC of vacancies and allow for the MEC to inform the IEC of vacancies if the municipal manager fails to do so;
- provide for multiple seats in district municipalities and clarify the supplementation of party lists for district municipalities.

### **LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT 32 OF 2000**

*(General Notice No. 287 in Government Gazette 40000 of 19 May 2016)*

The proposed upper limit of the total remuneration packages payable to municipal managers and managers directly accountable to municipal managers was published for comment. This replaces the proposals published in Government Gazette 39991 of 17 May 2016, which have been withdrawn and replaced.

### **PUBLIC TRANSPORT: COMMENT SOUGHT ON NATIONAL LAND TRANSPORT AMENDMENT BILL**

Written submissions are being sought on the National Land Transport Amendment Bill, which will be the subject of public hearings in Parliament once it reconvenes in August. Tabled in April, among other things the Bill includes provisions empowering the Minister to prescribe criteria to be met by municipalities when entering into transport service contracts – in consultation with the Minister of Co-operative Governance and Traditional Affairs. Once in force, the Bill will ensure that only under ‘exceptional circumstances’ – where ‘gaps’ in existing services require urgent attention – will the national Department of Transport enter into the necessary contracts on behalf of a local authority.

The amendment act aims to amend the National Land Transport Act, 2009, to, inter alia, to provide for non-motorised and accessible transport; to bring the Act up to date with developments since the implementation of the Act; to provide for certain powers of provinces to conclude contracts for public transport services; to expand the powers of the Minister to make regulations and introduce safety measures; to prescribe criteria and requirements for municipalities to enter into contracts for public transport services; to amend other transport-related legislation to bring it into line with the Act; and to clarify or simplify various provisions or solve problems

that have arisen since the implementation of the Act; and to provide for matters connected therewith.

### **TRANSPORT: THE ADMINISTRATIVE ADJUDICATION OF ROAD TRAFFIC OFFENCES AMENDMENT BILL (AARTO AMENDMENTS)**

The Portfolio Committee on Transport invites you to submit written comments on the Administrative Adjudication of Road Traffic Offences Amendment Bill [B 38-2015].

The Bill seeks to amend the Administrative Adjudication of Road Traffic Offences Act, 1998, so as to:

- substitute and insert certain definitions;
- simplify the manner of service of documents;
- provide for financing of the Authority; and
- provide for the apportionment of penalties.

### **EXPROPRIATION BILL**

The Expropriation Bill [B4D-2015], which sets out the new ways that the government can take land with compensation, was passed with a huge majority in the National Assembly. The Bill was put to the vote after the Public Works Committee secured agreement on some final touches – among them that a municipality had to tell the expropriating authority within 30 days, instead of 20, if there were any rates due on the targeted property. The Bill, replacing the 1975 Expropriation Act, allows for the expropriation of property by the state in the public interest or for a public purpose. Expropriation for a public purpose would include building roads, laying telephone lines and the like, while expropriation in the public interest mostly refers to land reform. The Bill sets strong guidelines regarding timeframes and the way in which the state pays expropriated citizens.

The ANC welcomed the Bill as a landmark on the road to equity, and said it was in line with the prescripts of Clause 25 (the property clause) of the Constitution. The DA argued that the Bill failed on four legal grounds: No socio-economic impact study was done; property is not properly defined, and could include anything from pension funds to cattle; the scope of expropriation is not defined; and there is no guarantee stipulating whether compensation offered for expropriated property would cover outstanding bank loans. It was considered necessary to have this new Act because there has been a contradiction between the old apartheid Act and our Constitution, in that the Expropriation Act had not provided for expropriation to acquire property for private citizens.

The Expropriation Bill now awaiting presidential assent ‘sounds a death knell for the ineffectual willing-buyer, willing-seller approach to land reform’ – heralding ‘a new era of intensified



land distribution' to historically disadvantaged South Africans based on the constitutional principle of just and equitable compensation. This is according to a media statement issued yesterday by the office of the ANC's Chief Whip, among other things welcoming the fact that the state will soon 'be allowed to expropriate by paying an amount determined by the Valuer-General, even without the owner consenting to the amount offered or the expropriation itself'.

### **KING IV CODE AND THE MUNICIPAL SECTOR SUPPLEMENT**

The draft King IV Code was released on 15 March 2016 by the Institute of Directors of Southern Africa (IoD) and the King Committee. The various sector supplements, being part 6 of the King IV Report, were released on 11 May 2016. These sector reports, now available for public comment, cover the following five categories of organisations:

- municipalities;
- non-profit organisations;
- retirement funds;
- small and medium enterprises (SMEs); and
- state-owned entities.

As a starting point, all organisations across all sectors should apply the principles of the draft Code to achieve its governance outcomes, guided by the recommended practices tailored to their businesses (the practices recommended by the draft Code are intended as guidelines to be applied relative to the turnover, workforce, resources and complexity of strategic objectives and operations of a given organisation).

The purpose of the sector supplements is to provide guidance and direction on how the draft King IV Code could be customised to meet the situational specifics of different categories of organisations. The intention is that the supplements illustrate the general approach to the application and interpretation of the Code in such a way that it enables users to formulate their own sound solutions to corporate governance challenges – including those specific challenges not addressed in the supplements. The supplements also indicate how to connect and reconcile the King IV Code and applicable legislation.

The deadline for comments on the draft sector supplements is 11 July 2016. All comments must be submitted to the Institute of Directors (IoD) via their online platform.

### **ENERGY: POSSIBILITY OF OFF-GRID SOLUTIONS FOR RURAL AREAS**

The private sector is leapfrogging inefficient state-owned power utilities in Africa to deliver electricity to rural communities, according to a report by consulting firm PricewaterhouseCoopers released last week. The report states that about 634 million people lack access to electricity in sub-Saharan Africa, compared with about 526 million in Asia. The pay-as-you-go solar home system business model is proposed as solution for the wider range of commercial relationships and activity. It is also felt that this will drive economic growth. It was felt that rural electrification could be accelerated by policy makers having an integrated energy plan, creating an enabling environment for off-grid solutions, promoting the growth of mobile payments, creating energy funds to promote off-grid power, and appointing a champion to drive results.

### **LANDFILL PLASTIC DIVERSION PROGRAMME**

The Department of Trade and Industry has initiated the Landfill Plastic Diversion Programme to ensure that instead of being landfilled, more used plastic is recycled to contribute towards job creation, promoting growth and helping to achieve a greener economy. South Africa is reported to have between 60 000 to 90 000 waste pickers which save our municipalities up to R750 million a year due to the diversion of recyclables away from the landfills at no, or little cost. According to a report by the Centre for Scientific and Industrial Research (CSIR), the waste and recycling sector 'is on the brink of change' thanks to mandatory extended producer responsibility, which means producers will be responsible for the waste they generate. This often takes the form of a reuse, buy-back or recycling programme. The Department of Environmental Affairs spokesperson Albi Modise said that 'extended producer responsibility would be in place for e-waste, lighting and the paper and packaging waste streams in 2017/18'. Integration of waste pickers into the formal system 'will depend on the readiness of each municipality' and what is 'suitable for their circumstances'.

### **AUDITING PROFESSION ACT 26 OF 2005**

*(BN No. 55 in Government Gazette 39985 of 13 May 2016)*

Proposed amendments to the Code of Professional Conduct for Registered Auditors relating to the custody of client assets were published for comment.

### **DRAFT CRITICAL INFRASTRUCTURE PROTECTION BILL, 2016**

*(BN No. 276 in Government Gazette 39985 of 13 May 2016)*

The Civilian Secretariat for Police Service called for comment on the Draft Critical Infrastructure Protection Bill, 2016. Amongst other things, this Bill proposes to identify, protect and secure critical infrastructure against threats; ensure confidentiality of information pertaining to critical infrastructure and to promote cooperation and a culture of shared responsibility among various role players in order to provide for a multi-disciplinary approach to dealing with critical infrastructure protection. This holds implications for the Municipal Managers, municipal emergency and law enforcement services as well as the disaster risk management services. The Bill proposes to repeal the National Key Points Act, 1980 (Act 102 of 1980).

#### **POLICY: MIGRATION GREEN PAPER READY FOR PUBLIC COMMENT**

Cabinet has approved a Green Paper on international migration, which is expected to be released soon for public

comment. Paving the way for the introduction of measures to more appropriately balance developmental and national security imperatives, according to Home Affairs Minister Malusi Gigaba the proposed new policy is underpinned by 'a risk-based approach' to economic migration taking account of 'the different levels of attractiveness' of African countries – as well as their 'unevenly developed' policies, legislation and systems.

While a media statement on the Cabinet meeting at which the Green Paper was endorsed notes the positive role played by legal migration in 'regional development', the Minister has already indicated that the Green Paper favours gradually facilitating freedom of movement across the continent. Among other things, it is expected to explore ways of bringing foreign nationals with work permits within the ambit of the Basic Conditions of Employment Act. [1](#)

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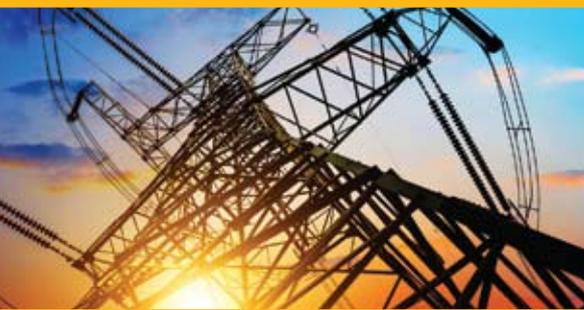
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# Municipalities with highest and lowest vacancy rate.

Acknowledge source: <http://www.fin24.com/economy/municipalities-with-highest-and-lowest-vacancy-rate-20160607>



**C**ape Town - The total vacancy rates at municipalities was more than 13% in 2015, which had a negative impact on local governments' ability to deliver critical services to residents, said Stats SA statistician general Pali Lehohla.

Stats SA released in Pretoria on Tuesday the annual non-financial census of municipalities, a survey that reflects selected aspects of service delivery of municipalities.

According to the latest report, the highest municipal vacancy rates were recorded in the areas of environmental protection (23%), electricity (20%), road transport (18%), and wastewater management (16%).

The report distinguished between the vacancy rates at district, metropolitan and local municipal level. At a district level, the highest vacancy rate was recorded in the area of electricity provision (41%), in metropolitan areas the most glaring vacancies were with wastewater management (28%) and at local level in the provision of health services (36%).

Of all the provinces, the vacancy rate was the highest in the Free State at 25.6% and the lowest in KwaZulu-Natal at 9.2%.

According to the 2015 report, municipalities identified 3.6m indigent households in 2015 of which 2.4m (67.8%) benefited from water provision, while 2.1m (58.7%) received free basic electricity.

However, 87 796 fewer consumer units (defined as members of a household, or individuals sharing a house) received free basic water, compared to 2014. In addition, 23 444 fewer consumer units benefited from free basic sewerage and sanitation.

According to Lehohla the decrease in the amount of beneficiaries of these free basic services could be attributed to two factors: either municipalities have improved in identifying poorer households, or they are not reaching the people who need these free services the most. **1**

By Liesl Peyper

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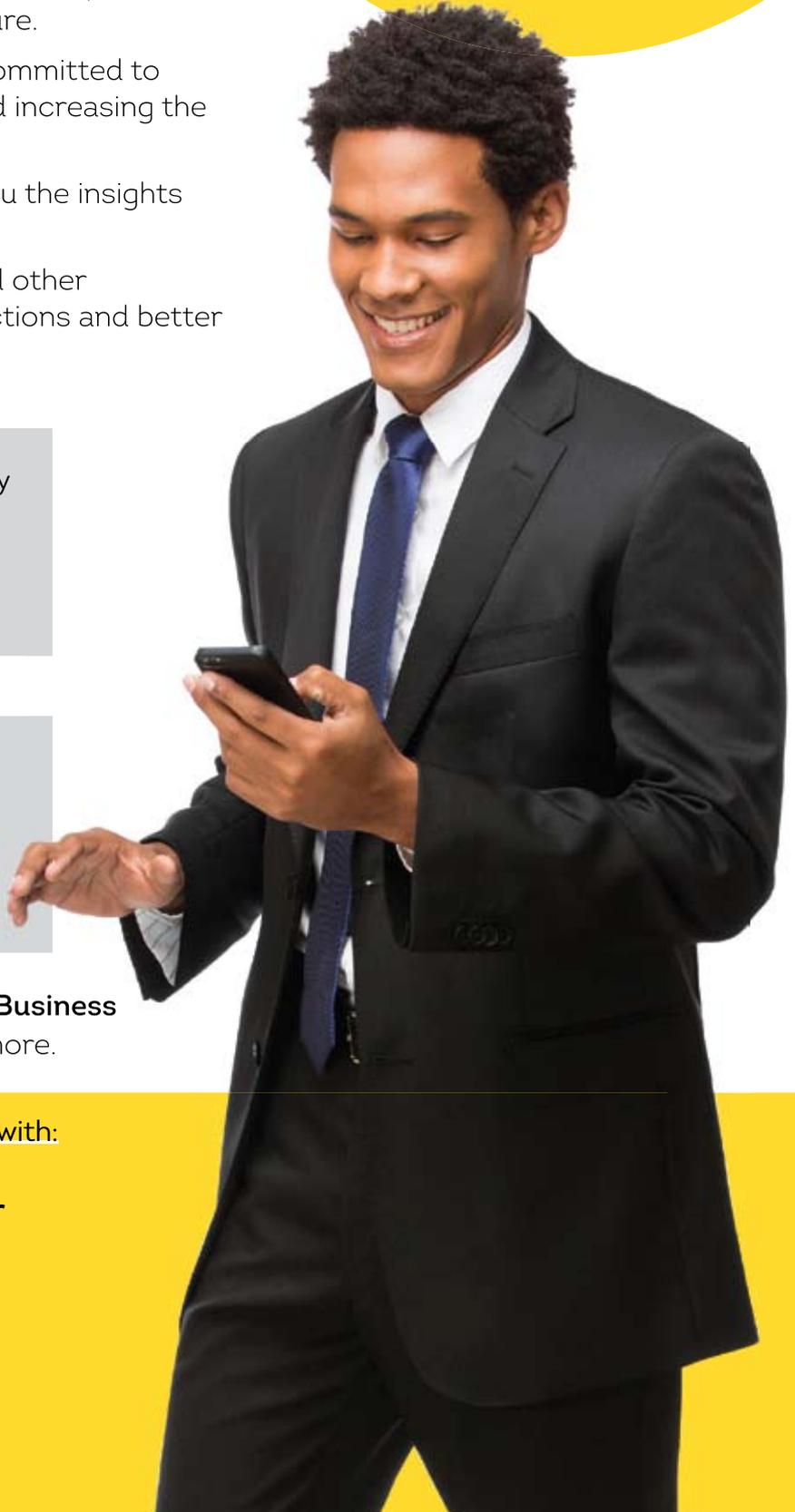
For more information, please get in touch with:

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**Executive Head of Industry: Public Sector**

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**T: +27 10 597 6264**



# New Members

## STUDENT MEMBERS

Province	Title	Initials	Surname	Designation	Employer
FS	Ms	M	Maartens	Student	Central University of Technology
WC	Ms	TT	Mushede	Student	University of Cape Town
KZN	Mr	TB	Putini	Student	Mangosuthu University Technology

## GENERAL MEMBERS

Province	Title	Initials	Surname	Designation	Employer
MP	Mrs	JA	Jacobs	Assistant Accountant	Thaba Chweu Municipality
NW	Ms	MMS	Lee	MMC Finance	City of Matlosana

## JUNIOR MEMBERS

Province	Title	Initials	Surname	Designation	Employer
KZN	Ms	TC	Madonsela	Finance Intern	Endumeni Municipality
WC	Mr	SA	Manyamalala	Specialist Clerk	City of Cape Town
MP	Ms	LT	Shabangu	Acting Assistant Accounting	Thaba Chweu Municipality
MP	Mr	KMM	Mashilo	Revenue Manager	Thaba Chweu Municipality
B-Swa	Mr	SV	Magagula	Management Accountant	Municipal Council of Mbabane
WC	Mr	N	Xamlayo	Finance Intern	Cape Agulhas Municipality
B-Swa	Ms	N	Mdluli	Income Accountant	Matsapha Town Council
KZN	Mr	KS	Makhathini	Budget & Reporting Officer	Endumeni Municipality
B-Swa	Mr	TW	Sibiya	Accounts Clerk	Ngwenya Town Board
WC	Ms	N	Luthuli	Assistant Professional Officer	City of Cape Town
KZN	Ms	TD	Dlamini	Internal Audit Intern	Ingwe Municipality

## LICENTIATE MEMBERS

Province	Title	Initials	Surname	Designation	Employer
KZN	Ms	TT	Mbatha	Chief Accountant	Uthungulu D/Municipality

## ASSOCIATE MEMBERS

Province	Title	Initials	Surname	Designation	Employer
B-Swa	Mrs	TA	Mabuza	Chief Finance Officer	Nhlangano Town Council
KZN	Ms	SF	Mbatha	Assistant Accountant	Newcastle Municipality
KZN	Mrs	T	Makhoba	Acting Municipal Manager	Endumeni Municipality
LP	Ms	MP	Mashilo	Manager: Revenue & Exp	Fetakgomo Municipality
EC	Mrs	N	Platyi	General Manager: SCM	King Sebata Dalindyebo Municipality
B-Swa	Mrs	MM	Ngwenya	Chief Finance Officer	Matsapha Town Council
B-Swa	Mr	PD	Nxumalo	Chief Finance Officer	Ngwenya Town Board
MP	Mr	LM	Mokwena	Chief Finance Officer	Thaba Chweu Municipality
GP	Ms	DM	Chabane	Accountant	Emfuleni Municipality

## SENIOR ASSOCIATE MEMBERS

Province	Title	Initials	Surname	Designation	Employer
KZN	Mrs	DM	Mohapi	Chief Finance Officer	Dannhauser Municipality



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For more information please contact Ms Seba Ngwana 011 394 0879 or [membership@imfo.co.za](mailto:membership@imfo.co.za)

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## MFMA Reporting Requirements

# Reporting Requirements

Reporting Requirements (Local Government Finance)

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

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

# MFMA Reporting Requirements

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



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