

# CIGFAR<sup>90</sup> YEARS

Chartered Institute of Government Finance, Audit and Risk Officers

1929 - 2019

## JOURNAL

VOLUME 19 • NUMBER 4 • WINTER ISSUE

JUNE / JULY 2019



# 8 Cheryl Reddy

THUMA MINA

10 SCM processes and the advent of the Fourth Industrial Revolution

28 Possible impact of the unbundling of Eskom



R30.00 ISSN 1607-520X



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7 - 9 OCTOBER 2019

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#CIGFARO2019



## TRANSFORMATIONAL LEADERSHIP IN THE PUBLIC SECTOR

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## TRANSFORMATIONAL LEADERSHIP

The Chartered Institute of Government Finance, Audit & Risk Officers (CIGFARO) invites all members and non-members in the public sector to attend the 90th Annual CIGFARO Conference scheduled for 07-09 October 2019, at the Durban ICC.

The theme for the conference is **"Transformational Leadership in the public sector"**. Transformational leadership was chosen because it inspires people to achieve extraordinary results. It offers employees autonomy in their work, as well as the authority to make decisions as an expert, once they have been fully trained.

As the country gears up for the New Dawn, CIGFARO aims to encourage its members and non-members in the public sector to renew their thinking and instil in them the courage, confidence and willingness to make sacrifices for the greater good.

CIGFARO Vice President, Ms Cheryl Reddy, says in her cover article: *"Thuma mina is not just a cliché. Each of us in the public service must own it for our future, but more especially, for our children's and their children's future. If we fail to maintain and replace infrastructure in our municipalities in a cost-effective manner, councils will collapse and service delivery will cease to exist."*

Do not miss the interesting article by CCG Systems and CIGFARO on page 10 which talks about *the goal of digitising government SCM processes to minimise human involvement and increase automation of the SCM processes.*

The Fourth Industrial Revolution also continues to bargain some space in our CIGFARO journal. In his inauguration address to the nation, President Cyril Ramaphosa states that, "we are having to contend with rapid technological change that is ushering in a new world of work, that is reshaping the global economy and that is redefining social relations." This clearly means that companies and government institutions need to consider how digital innovation will significantly disrupt and impact daily operations.

Thank you to everyone who continues to write articles that helps to maintain our broad scope, including all areas of public sector finance, asset, audit, ethics and risk management. The substantial support for the journal encourages us to strive for a more consistent high standard of publication.

We will continue to publish all types of theoretical, quantitative and empirical studies, including work on strategy, management and governance, while strengthening our expertise in the traditional public sector finance field.

We hope you enjoy this issue.

Remember to follow and like our social media pages and share this issue with colleagues:

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Ciao!

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**PUBLISHER:**  
The Chartered Institute of Government Finance,  
Audit and Risk Officers.

CIGFARO (ISSN 1607-520X), Chartered Institute of Government Finance, Audit and Risk Officers. Editorial contributions are welcome, but the publisher does not accept responsibility for unsolicited material, views expressed by contributors or correspondence, nor for the accuracy of information printed in this publication. All material submitted for consideration is subject to the discretion of the Editor and the editorial committee. The Editor reserves the right to edit all material. Contributions should be submitted in final form (Word document) by e-mail: oceanm@cigfaro.co.za to the Editor, accompanied by a short summary and preferably a photo of the author. For specifications on advertisement material contact the editor or Eloise Watson T: +27 72 451 6878. All rights reserved. No parts of this publication may be reproduced without the written permission of the editor or CIGFARO.



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## DEAR MEMBERS

All national and provincial Departments, as well as and municipalities should be geared up by now, for the implementation of its budgets in line with their respective strategies and plans.

The theme of this journal **“GETTING READY FOR EFFECTIVE SERVICE DELIVERY”** is most appropriate for this time of the year and it would therefore be appropriate to look at certain salient focus areas in achieving this core function of local government.

Municipalities as the sphere of government closest to the communities and bestowed with the responsibility and accountability for service delivery, need to be ready for this task by ensuring that they are ready from a supply chain management perspective, and that all contracts with suppliers are in place by 30 June of the preceding financial year.

This would require that municipalities implement their multi-year budgets as adopted in the previous budget cycle. Having said this, when we look at municipalities and departments, this is not happening and it creates anger and frustration amongst residents and communities, manifesting itself in the spate of service delivery protests we are currently experiencing.

The main reasons attributing to this phenomenon can be summarised as follows:

- Lack of service delivery coordination between all spheres of government;


- Strategic programmes and projects that is unachievable due to:
  - Poor project planning and management
  - Uncompleted or no procurement plans aligned with project plans
  - Lack of cash resources to commit projects
  - Political instability
  - Unskilled and inexperienced staff
  - Vacancy of critical positions

I do not want to be pessimistic and paint only a picture of gloom and doom, but realistically municipalities and departments need to reassess their capabilities and capacities, as well as design strategies to address and turnaround the negative perceptions relating to service delivery. To achieve this turnaround, the first step is to identify, admit and acknowledge the shortcomings regarding the non-achievement of service delivery objectives and goals. Step 2 will be to design plans to be adopted. Step 3 is implementation and develop an in-year monitoring system to evaluate the implementation of the plans and strategies.

Once we have the necessary plans, policies and strategies in place, we need to ensure that we have the necessary systems and processes in place. In this regard information technology and digital technology are key. We also need management reports to make informed decisions to improve service delivery. This will help you understand your customer base, improve your communication with them, help enhance revenue collections, enhance internal capacity and decision making, as well as identify areas of need.

Next, we need to ensure that we have the right people in the right seats to execute the plans and to deliver. Moreover, staff productivity is a key issue to ensuring service delivery. We are employing more staff and paying them more, yet there is more outsourcing and more overtime, but lower productivity at the end of the day. This is unsustainable. We need to look at interventions to increase productivity, such as new shift systems, and to ultimately enhance service delivery.

You are encouraged to assess the performance of your municipality or department regarding service delivery over the past few years, identifying the weaknesses, addressing them, and implementing sound policies and procedures to improve the quality of life to your respective communities and customers.

May this edition of the Journal provide you with guidance and encouragement to achieve and improve service delivery to your respective communities and customers. 

**PEET DU PLESSIS**  
**CIGFARO PRESIDENT**



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## New broom sweeps cleaner.

We are all geared up, as South Africans and all who live in it, towards the actualization of the “NEW DAWN” vision. The 2019 Elections have been successfully delivered by the Electoral Commission of South Africa (IEC) without bloodshed, even though there were minor hiccups which some refer to as “new innovation by the crooked minds”. We take this opportunity as CIGFARO to congratulate the IEC and all Political Parties which have participated in these democratic elections. The voters’ positive contributions towards the attainment of stability and peace in our country, cannot be ignored. South Africans have spoken. It is now time that the winners should look for new brooms in order to sweep much cleaner.

Congratulations to all who managed to secure seat/s at National Parliament and Provincial Legislatures. All eyes are now on the new Leaders “brooms” appointed. The call “whom shall I send” has been responded to by groups constituted of the elderly, young, women, experienced and skillful. As the old Irish saying goes, “A new broom sweeps, but the old broom knows the corners”, so It is also worth noting the importance of combining the new fresh blood with the old.

The continuous improvement of service delivery will require the old and new brooms for the benefit of all citizens. No human being has a static mindset irrespective of prevailing/ surrounding circumstances. The needs of a poverty-stricken individual will not be the same for his entire life. Our new brooms will have to make it their business to learn more about the corners from the old and sweep much cleaner at a faster pace and most prudently. Our indigent citizens need and deserve ever improving basic services.

It is befitting to congratulate the SALGA leaders who have also been elected to serve at National Parliament and Provincial Legislatures. Women empowerment has been taken to greater heights at government and private sector institutions. This is worth rejoicing. PricewaterhouseCoopers (PWC) is being acknowledged. In this regard we take this opportunity to congratulate Ms Shirley Machaba for being appointed as PWC new Chief Executive Officer (CEO).

CIGFARO will continue to provide support as an agent of change, advocating for Professionalization of the Public service, to all brooms of all shapes. “Thuma CIGFARO!!!” 

**ABBEY TLALETSI**  
**CIGFARO CEO**



**Magdelene Cheryl Reddy, CIGFARO Vice President: Technical, was elected at the AGM in October 2018 and will fill this important position until October 2020. Her duty as Vice President is to support the president in his oversight role and responsibilities allocated according to specific areas of operations.**

**A**s Vice President: Technical she oversees the Standing Committees on Research, Knowledge Development, Professional Conduct and Quality Assurance and Social and Ethics. Reddy has been a Board member of CIGFARO since 13 September 2011.

Her election as Vice President is not her only achievement. Reddy is Chairperson of the Umhlathuze Municipality Risk Committee, Chairperson of IMFO KZN branch and Trustee and Principal Officer of the Zululand Provident Fund. She was also the Corporate Sector Winner at the BWA Regional Business Achievers Award in 2009 and participated in the Inca Study Tour to France in 2008.

"We are proud to have a Vice President who strives to develop herself and those around her to reach a level of excellence, while ensuring that ethics and integrity are always maintained. She strongly believes in leading a balanced life. CIGFARO believes that Ms. Reddy has the leadership skills, experience and influence to lead Public Sector Southern Africa," says Peet du Plessis, President of CIGFARO.

**EDITOR:** How do you juggle being a wife and mother and being deputy municipal manager: financial services as well as Vice President: Technical of CIGFARO?

**CHERYL REDDY:** The greater the challenge, the more I enjoy it. I never wanted to be just a leader. I wanted to be someone who leads by example since primary school. Above all, I believe in encouraging a team spirit and a sense of belonging.

My role as a mother and wife and my role as a professional are stressful and demanding, but I am blessed to have a solid sounding board in my husband, as well as a supportive family, friends and colleagues, who have helped to make all this possible.

It takes a community to raise a child and it is certainly the case with me, when my husband and immediate family stepped in and assisted with the children. I love my three daughters who all have their own unique personalities.

I used the opportunity to grow on the professional front, become more strategic and relevant and develop or solidify my network base at local, provincial and national level. At the time my District Mayor really inspired me. As a woman, she understood the demands of being both a career woman and a mother, but she also mentored me in managing the relationships with our political leaders. We worked non-stop during the week and on weekends until the job was done.

Now, with my new role at CIGFARO, my support structure just carries on with the assistance of my new Mayor and MM, who are both female. My new family at CIGFARO, the CEO, staff and Presidency are also only a call away and ready to help. At CIGFARO we are also already part of the fourth industrial revolution and



most of our meetings are digital. Attending my first international conference also helped me so much. It was such a great learning opportunity. Watch this space at our next conference...

**EDITOR:** You seem to adapt well to change. Talking about change, why was the name of uThungulu District Municipality changed to King Cetshwayo District Municipality? What were the challenges during the process of name change?

**CHERYL REDDY:** The name, uThungulu, comes from a local fruit most people have never heard of. The district wanted to establish itself as a tourist attraction and chose a name that reflects its rich history.

King Cetshwayo travelled through the district when he left for the United Kingdom and upon his return settled in Eshowe, which is part of the district. He was later buried on inKandla. Tourism in the district will benefit tremendously from a twinning agreement with the City of Wales, where his memory is still commemorated. However, as the head of finance, the costs for the name change concerned me, but I know the costs can be managed closely if it is rolled out gradually. We kept the costs to a minimum, because cost containment is key in government, especially since the recent elections. The Honourable President Ramaphosa is serious about service delivery and any wastage is not tolerated.

**EDITOR:** In his inauguration address to the nation, President Cyril Ramaphosa continued with the mantra of "Thuma Mina" (which means "send me") and expressed his commitment to continue building South Africa. Where does this mantra mean for the country's economy and what does "send me" mean to you personally and professionally?

**CHERYL REDDY:** Thuma mina is not just a cliché. Each of us in the public service must own it, for our future, but more especially, for our children's and their children's future. If we fail to maintain and replace infrastructure in our municipalities in a cost effective manner, councils will collapse and service delivery will cease to exist.

Therefore we must own Thuma mina, we must make a difference and go the extra mile until we improve service delivery and eradicate backlogs and poverty. Poverty can only be alleviated by decreasing unemployment through sustainable job creation and local economic development and investment opportunities.

**EDITOR:** What do you see as CIGFARO role in the Public Sector under the mandate of the President?

**CHERYL REDDY:** I believe that CIGFARO has been very instrumental in Local Government finance. Our membership base is very strong and it is one of the largest and oldest associations,

providing support and guidance to the LG fraternity through workshops, conferences and training initiatives.

We have been actively involved in commenting on draft legislation from government departments such as National Treasury, Cogta, Public Service and Nersa, as well as partnering with other institutions on research and best practices for local government. CIGFARO's mandate now includes provincial and national departments of finance, audit and risk employees. This well-oiled institution can assist finance officers in government to increase their skills and capacity through training and networking.


The newly elected government can partner with CIGFARO to roll out capacity building at all levels at an affordable cost. Furthermore, the retired members of CIGAFARO can be called upon to act as mentors to newly appointed, younger CFO's.

The CPD points and chartered status through the various options means that CIGFARO would be able to compete with the likes of CIPFA and SAICA. These organisations hold ethics and governance in high esteem and therefore a membership with CIGFARO is very credible and government can rely on our accreditation process to ensure that they employ the right calibre of people for the job.

**EDITOR:** As the Vice President, please share with our readers the changes you would like to see during your term of office?

**CHERYL REDDY:** It would definitely be my priority to increase the membership of CIGFARO by promoting the brand at provincial and national level and ensure the registration of the professional status with SAQA. This has been on the cards at CIGFARO for a while and I would love to see this materialise in my term. I will call on the assistance of the President and the Vice President: General to ensure this happens.

The National Conference has been well attended over the years and as it will be held in Durban this year, in my home province, I definitely hope that it will again be a success and hopefully the President of the country could address us. This would be a wonderful opportunity for us to be enlisted as the foot soldiers of Thuma Mina and therefore I would encourage the CIGFARO office to try and arrange this.

Lastly, I would want CIGFARO to be the go-to guide for all finance, risk and internal auditors in government in an effort to improve confidence in local government finance officers and make a positive impact on audit outcomes. 

# SCM processes and the advent of the Fourth Industrial Revolution

by Taru Mafungwa – CCG Systems and Emmanuel Ngcobo – iLembe Municipality



**“The automation of the procurement process is the future; where budgets are linked to the demand and procurement planning, whilst analysing changing markets in real time.”**

With the advent of the Fourth Industrial Revolution, the key challenges facing SCM practitioners in government departments and SOE's today is how to use digitisation in strengthening governance and strategic sourcing practices to achieve procurement excellence. The goal of digitising government SCM processes is to achieve e-procurement processes that will minimise human involvement and increase automation of the SCM processes. The ultimate aim is greater transparency and impartiality in the SCM system while enhancing record management, data storage and monitoring of the SCM processes.

“We stand on the brink of a technological revolution that will fundamentally alter the way we live, work, and relate to one another. In its scale, scope, and complexity, the transformation will be unlike anything humankind has experienced before” - Professor Klaus Schwab, Chairman of the World Economic Forum.

Reflecting the effects of Industry 4.0 cutting-edge technologies and data management on strategic and operational procurement, the additional concept of “Procurement 4.0 or Digital Procurement” has recently emerged.

Companies and government institutions need to consider the way digital innovation will disrupt not only the way their organizations work today, but the entire value proposition of procurement to their suppliers, customers, and internal process partners.

These trends have a significant impact on the way companies and institutions operate. Given the new challenges and concepts, how should procurement be used to capitalize concretely on digital transformation and how should the procurement system be migrated?





## THE WHAT

### Capitalize on new cost performance levers

- Accelerate digital adoption by business lines and anticipate future evolutions to stay a step ahead.
- Challenge traditional suppliers on their digital capabilities, and integrate digital pure players into panels.

### Capitalize on technology to maximize procurement levers

- Use big data to challenge demand and suppliers more effectively.
- Utilize blockchain to secure transactions.
- Take advantage of new economic models.

### Optimize efficiency of procurement

- Dematerialize processes and collaboration.
- Robotize sourcing activities.



CAPITALIZE ON DIGITAL TRANSFORMATION THROUGH PROCUREMENT

## THE HOW

How to develop a strong digital vision and culture within the procurement community? How to ensure that procurement effectively manages resulting constraints and implications?

How to execute initiatives around the CPO/CDO/CIO triangle?

How to identify, attract, develop, and retain talent to implement transformation successfully?

How to ensure agile resource allocation and engage prescribers and suppliers?

ment suppliers and service providers in one accessible database, thus reducing the time spent on the verification process.

CEO of The Institute of Supply Management, Krishan K. Batra, has noted that this Digital Procurement will lead to a decrease in the levels of in-house value-add, and increase the speed of market and technological changes.

In the digital world procurement will increase its corporate value as an innovation “catalyst” by linking essential external knowledge and competencies with internal business partners to ensure technology and market leadership of the own enterprise, despite decreasing in-house value-add and related know-how.

To help procurement functions, Framework, consisting of seven component, which will enable procurement to generate value, drives supplier-enabled innovation and manages more and more complex supply chains in real time.

“Transforming procurement into an agile, linked innovation leader and catalyst” she adds.

Digital procurement enablers, such as Big Data, will help address many of the challenges faced by SCM practitioners through demand forecasting, capacity planning, advanced procurement with collaborative optimization, and centralized supplier management. The Central Supplier Database platform has already begun addressing some of these challenges with the storing of govern-

# SCM processes and the advent of the Fourth Industrial Revolution ...continued by Taru Mafungwa – CCG Systems and Emmanuel Ngcobo – iLembe Municipality

## Procurement in the future:

The traditional role of procurement, like it or not, is fast being confined to history. Procurement professionals operate in an intensely complex business landscape dominated by legal compliance, sustainability, and ethical issues which impact not only their commercial activities, but also their brand in a very public business and social world. Today the focus of business in terms of procurement and supply management is increasingly placing the emphasis on the supply aspect.

## The Digital Framework presented by Krishan K. Batra:

- New procurement value proposition: Enabled through the Fourth Industrial Revolution driven Procurement 4.0, and Procurement as service provider to key suppliers and customers.
- Digital supply chain and supplier management: Supplier risk management and KPIs, Supplier Co-Operation, and Centralized Supplier Management.
- Innovative procurement data utilization: Big Data Analytics, Predictive Markets and Supplier Analysis, Provide Suppliers with Data Analysis to improve design and performance, and Procurement IT Infrastructure Strategy.
- Digital processes and tools: Digitization of Purchase to Pay Process, Automation of Demand Planning, Digital Culture and Transparency, Business Process Outsourcing, and Digital Tools & Interfaces.


Looking at the current skill demand required to fully take advantage of Digital Procurement, competences will have to be developed within SCM Departments of government institutions.



## The Impact of Digitisation

- Operative procurement will become autonomous in most areas.
- The strategic procurement role will grow.
- Traditional purchasers will be a thing of the past.
- The changes will take place in all relevant dimensions: technologies and systems; organisation and processes; management and people.
- Procurement will need to adapt its structures and processes to suit digitalisation.
- Procurement will need to manage a procurement portfolio that has been modified and is becoming increasingly digitalised.
- Big Data and data processing technologies will be key in digitalisation.

The introduction of Procurement 4.0 / Digital Procurement will mean developing new value propositions, meeting new business needs, and integrating data across functions and value chains. It will call for using this data proactively and intelligently, while introducing digital processes and tools. Perhaps most importantly, it will require fundamentally reshaping the procurement organization and its capabilities to take on the challenges and opportunities of the expanding global digital revolution.

In conclusion, the digital revolution is creating a whole new model for what used to be the Procurement & Supply Chain Management process. In these digital times, successful procurement and sourcing solutions must offer seamless usability, end-to-end collaboration, and cost-saving efficiencies. The Compliance and Audit assemblies need to get to the times of system generated audits and enforced systems controls. The automation of the procurement process is the future; where budgets are linked to the demands and procurement planning, whilst analysing changing markets in real time. Digital Procurement will allow supplier interaction to be efficient, monitored and manageable, with audit trails and controls to eradicate ethical and other risk factors. 

**“Anything that is repeatable or can be defined by rules can ultimately be automated. CCG Systems continues to strive towards the digitization of the procurement process and realization of the fourth industrial in the Government Procurement space.”**





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- Business Process Re-engineering
- Information technology (system specifications)

### FINANCIAL MANAGEMENT

#### OPERATIONAL

- Financial Modeling
- Cost Management (value for money)

#### CAPITAL

- Capital Productivity
- Business/ Investment case development
- Due Diligence

### MANAGEMENT SUPPORT


#### MANAGEMENT INFORMATION & SUPPORT

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- Change management

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- Personal effectiveness training
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## Governance & growth

by Mike Batley and Robert Botha - James Social and Ethics Consultancy



CIGFARO's role in promoting governance and managing finance, audit and risk in pursuit of a professional public service remains central to the democratic interests and development strategy of South Africa.

The appointment of President Cyril Ramaphosa's new Cabinet, in particular Dr Nkosazana Dlamini-Zuma to Cooperative Governance and Traditional Affairs, is significant. This appointment is of strategic importance for CIGFARO and their stakeholders. Minister Dlamini-Zuma has been well positioned with her last post as Minister in the Presidency: Planning, Monitoring and Evaluation. It will prove to be foundational in helping her take control of her new responsibility and in sorting out governance issues. In addition, the appointment of Ebrahim Patel, as Minister, in a consolidated Trade and Industry, is also a game changer. This talented reformer brings with him a whole architecture for development as seen in the exciting green paper on the "Social Economy".

We need to heed the President's call during his inauguration: Let us forge a compact for growth and economic opportunity, for productive lands and viable communities, for knowledge, for innovation, and for services that are affordable, accessible and sustainable.

Let us forge a compact for an efficient, capable and ethical state, a state that is free from corruption, for companies that generate social value and propel human development, for elected officials and public servants who faithfully serve no other cause than that of the public.

We must be a society that values excellence, rewards effort and hard work and rejects mediocrity.

Have you considered what part you, as a government finance or risk officer, can play in forging this compact and contributing to this vision? In many ways you are positioned to play a pivotal role in this regard. Why do we say this?

In our previous article, '*How do we contribute to building a centre that holds?*', we spoke of the importance of finance and risk officers demonstrating sound moral character at this time in our nation, of being able to make good decisions and sound judgments. This ability is crucial in the context of the need for economic growth and to build an efficient, ethical and capable state. It includes understanding one's role as a finance and risk officer to be that of a steward, someone who protects and wisely husbands public resources, one who nurtures the six capitals outlined in King IV TM.





## We must find a true north and believe in it.

Secondly, if we understand ethics risk as part of broader risk, finance and risk officers are particularly well placed to identify and manage these risks. Section 22 of the Public Service Regulations (2016) is quite clear on this as part of the tasks required by a head of department under the heading **Anti-corruption and ethics functions**. These include:

- (a) Analyse ethics and corruption risks as part of the department's system of risk management;
- (b) Develop and implement an ethics management strategy that prevents and deters unethical conduct and acts of corruption.

Section 23 goes on to require an executive authority to appoint an appropriate number of ethics officers, among other tasks, to:

- (a) Promote integrity and ethical behaviour in the department;
- (b) Advise employees on ethical matters;
- (c) Identify and report unethical behaviour and corrupt activities to the head of Department;
- (d) Manage the financial disclosure system.

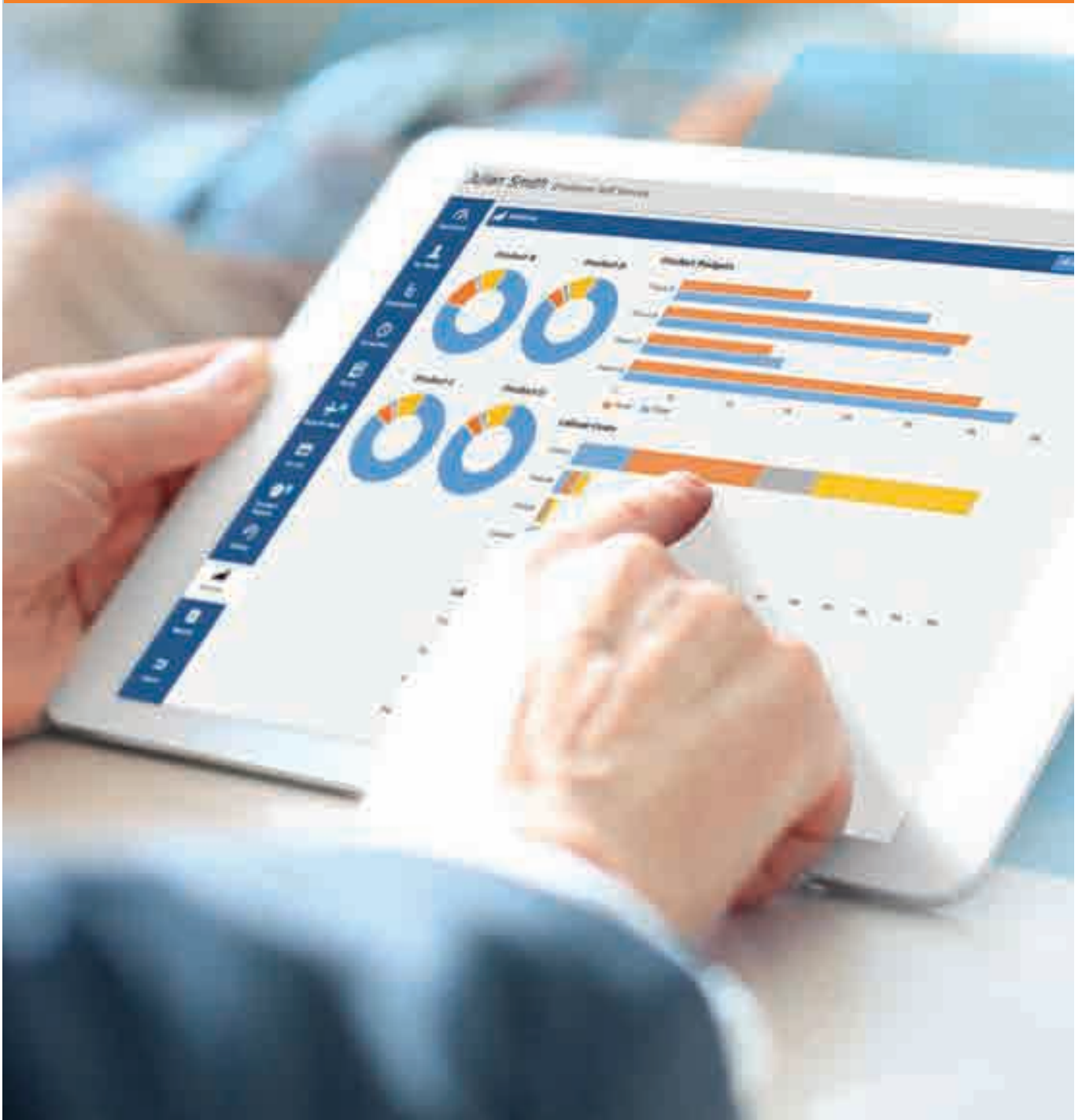
Furthermore, the head of department is required to appoint an ethics committee to provide oversight on ethics management in the department.

Does your department have an ethics committee and ethics officers? If not, this in itself poses a risk, as it means that the ethics risks have not been identified and that there is no ethics management plan in place. As a risk officer, what steps could you take to support your head of department in this?

A further reason we see government risk and finance officers as being positioned to play a pivotal role in supporting the President's call, is that you may be able to help your local, district, provincial or sectoral economy grow and make it more inclusive as part of building a caring society. Some of the specific ways we envisage this is in the area of procurement and providing leadership.

As leaders we have a responsibility, as one headmaster puts it, to be "peddlers of hope". We cannot afford to be cynical. As pragmatists, "idealists mugged by reality", we must find a true north and believe in it. The dream for South Africa, articulated by our President, needs to remain our focus. It is an effort that needs to be reenergised and envisioned and built with great care day by day, hour by hour. The nightmare, the ever-present fog of poverty, unemployment and inequality within a toxic mix of privilege, entitlement, indifference and corrupt leadership can be managed by competent, committed officials. [C](#)

# Performance Management is a process and not an event!





## 1. INTRODUCTION

Performance Management is a process and not an event! At the local government level in South Africa, performance management is often seen as a compliance event and not as a process whereby the municipality will clearly define their Strategic Objectives and implement a management process to ensure that the Key Performance Indicators (KPIs) are achieved. Experience has proven that this process is dependent on many factors which are often misunderstood / misinterpreted by the various stakeholders that contribute directly or indirectly to the municipal operational processes. Before any performance management system can be implemented, all the stakeholders need to agree on the **What, Where, Why, Who, When** and **How** that will be measured.

## 2. PLANNING FOR PERFORMANCE MANAGEMENT

For municipalities, the process starts with the development of the Municipal IDP (Integrated Development Plan). The IDP will be developed through the appropriate level of consultation, public participation and consideration of all relevant legislation, regulations and any other information that can possibly affect the municipality's performance in meeting its Strategic Objectives. The Strategic Objectives should be summarised in the municipality's IDP. The five (5) year IDP for the municipality should consider the needs of the community, service delivery expectations of all stakeholders, National Objectives, Provincial Objectives, District Objectives, International Objectives and any other outcomes that the stakeholders consider important.

The municipal officials and political leadership need to ensure that they are aware of and that they effectively manage the "Expectation Gap" that may exist between the various stakeholders. At all times, the municipal officials and political leadership need to share one common vision and should work together to deliver on the Strategic Objectives included in the IDP.

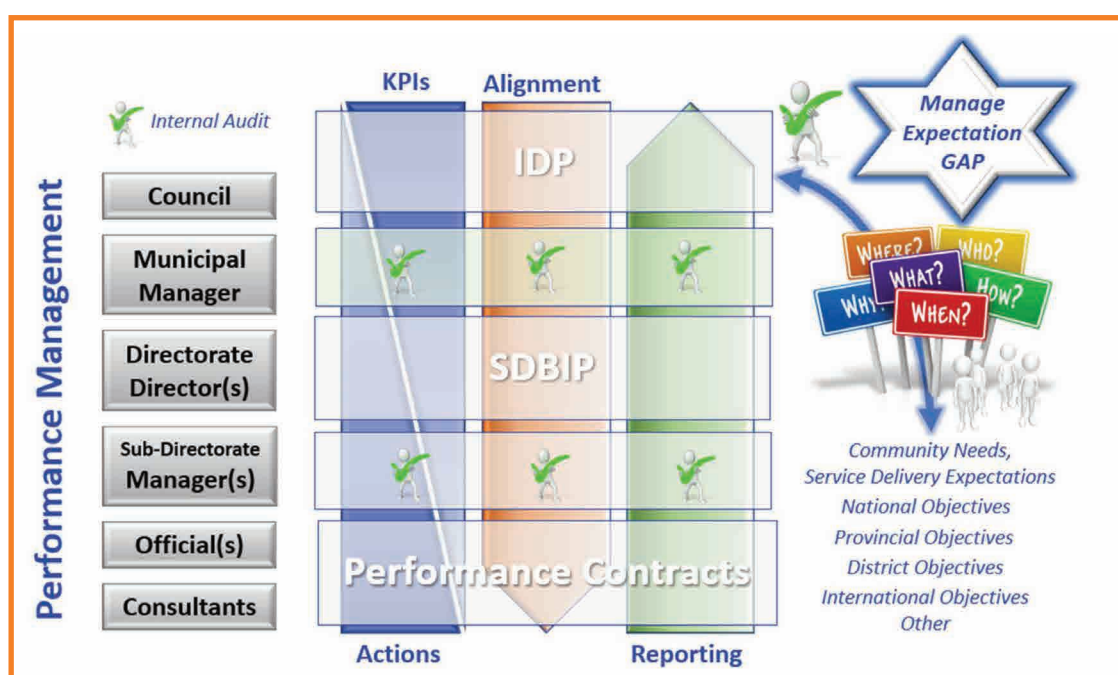


Figure 1: High-level overview of Municipal Performance Management Process

Figure 1 above represents the high-level overview of the municipal performance management process. Once the What, Where, Why, Who, When and How have been clearly defined, the municipality should request that the internal auditors review the IDP, which will include annual targets, and confirm that the required performance information included in the IDP is SMART (**S**: Specific, **M**: Measurable; **A**: Achievable, **R**: Realistic, **T**: Time framed (i.e. has a deadline)). By including the internal audit function at this point in the process, the municipality will be better able to ensure that the agreed-upon performance indicators will meet the requirements to be signed off during the performance information audit process.

# Auditing of the Performance Management System...continued

by Robert Klein – Action iT (Pty) Ltd

Once the five (5) year IDP has been approved, on an annual basis the one-year view will be cascaded downward to the SDBIP (Service Delivery Budget Implementation Plan) for the relevant municipal financial year. The municipal officials will then break down the annual performance targets for the KPIs into monthly / quarterly targets. It is critical that the municipal officials and political leadership ensure that all the KPIs are cascaded down to the Council, Municipal Manager, Directorate directors, Sub-Directorate managers, officials and / or consultants.

Processes and controls should be put into place to ensure that the performance objectives of the municipality filter through to the performance contracts of the municipal officials. This will assist in giving officials the required direction they need to follow in their daily operations. This can only be achieved if the municipal officials and political leadership set the tone by implementing sound performance management processes, evaluating and monitoring performance and consistently demonstrating that there are consequences for poor performance. It is important to note that, although the delivery of a performance indicator may be delegated to a consultant(s), the ultimate responsibility for the delivery will always remain with a municipal official.

The normal municipal SDBIP operational process will then manage the performance updates to the SDBIP and the attachment (upload) of the required POE (proof of evidence). After the closure of each performance period, the internal audit function should be given the opportunity to review the performance information updates and, if required, be given the opportunity to request the responsible official to clear any audit queries raised. In following this process, the internal audit function can play a very active role in ensuring that all the performance information captured, along with supporting POE, will meet the audit requirements of the AG (Auditor General). From an individual performance management perspective, this will also facilitate the automatic update and accumulation of the audit evidence required by officials for the individual performance evaluation process.

To ensure the proper downward cascading of performance indicators from the SDBIP to the individual official performance contract(s) (scorecard(s)), all the performance indicators in the SDBIP must be assigned to one or more officials within the municipality. If the municipality should decide to cascade performance down to the lower levels, the official's performance would be measured on the successful completion of tasks (actions) and not on KPIs. All tasks assigned to officials should be sub-function specific and should comply with the SMART principles. Municipalities will be able to complete proper performance reporting at

individual and organisational performance level if the municipalities performance indicators are SMART and have been cascaded down from the IDP to the SDBIP to the Individual performance contracts of officials.

## 3. LESSONS LEARNT FROM PAST EXPERIENCE

Our experience of working with local and district municipalities in South Africa has taught us many practical lessons to consider when implementing a performance management system. All these lessons need to be considered when implementing and maintaining an auditable performance management system:

- As with any system, if “Garbage” is captured into the system, “Garbage” will be produced as an output by the system;
- Apply the KISS Principle (Keep it Simple, Stupid). This helps addressing the Expectation Gap that may exist between the various stakeholders at the municipality;
- Avoid the use of jargon (“consulting speak”) as it increases the Expectation Gap. It is very important that language is used that is understood by the community and the officials;
- Maintain consistency at all times. By being consistent all the stakeholders receive the same message and will understand their roles and responsibilities and the possible consequences should they not meet their performance indicators;
- Ensure that all KPIs are SMART;
- Understand the difference between “Consultant Support” vs. “Consultant Dependency”. With the proper consultant support the officials at the municipality will be able to independently run the performance management process and reduce the dependency on consultants to carry out the performance management activities;
- When the municipality prepares the IDP, the stakeholders should plan for projects / KPIs across all the financial years included in the IDP. In this planning process, the municipal officials and political leadership should apply best practice project prioritisation principles which includes the application of the SMART principles;
- Ensure that all the stakeholders strive towards a Common Goal and that there is buy-in (commitment) to the strategic objectives and performance indicators included in the IDP, SDBIP and performance contracts of individual officials;
- Communicate effectively by giving a clear, consistent and understandable message at all times;
- The municipality should take the required steps to ensure the seamless integration of the performance management system, the mSCOA compliant financial system and human resource system. This integration will assist with the generation of audit verifiable financial performance reporting;
- Fill all vacancies with competent officials. These officials, as





- a team, will be able to ensure that the agreed-upon performance indicators can be attained, and any performance stumbling blocks resolved;
- Allocate sufficient budget to all projects as part of the project prioritisation process. This will ensure that the community needs, and service delivery expectations of all stakeholders can be achieved;
- The municipal team must take reasonable steps to manage the impact of political interference as this interference can lead to the municipality deviating from its approved service delivery objectives. Any such deviation can, down the road, result in an unfavourable audit finding;
- Municipalities should more actively implement and manage their audit action plans, resulting from the Auditor General audits. By effectively actioning all the items raised by the Auditor General, the municipality will be able to be better prepared for the following audit;
- Implement the appropriate measures to manage POE. All POE must comply with the municipality's document management protocols, which will ensure that the POE is available when required for audit purposes;
- Performance Management is a business / official management process that should have an aim to build the service delivery capacity of the municipality and not to punish officials for the non-delivery of project performance indicators;

- The performance management process will not be effective if the municipality does not implement consequences for the non-achievement of performance indicators. Consequence management is not always a negative process but should rather be seen as an intervention to get poor / lacking performance back on track.

Municipalities should consider the lessons learnt, and where applicable apply the learnings to their environment. Achieving a favourable outcome on the audit of a performance management system requires an understanding of the performance management process, the identification of the relevant risks, and proper planning, management and support.

#### 4. POE PREPARATION GUIDELINES

Municipal officials and the political leadership of a municipality need to be aware that, when the assurance providers audit performance indicator information, they will require sufficient proof that the supplied POE provides confirmation that:

- the activity, output, outcome actually took place;
- all reported activities, outputs, outcomes relating to the performance indicator have been included;
- the reported value of the performance activities, outputs, outcomes is correct;
- the performance information has been accurately documented;

# Auditing of the Performance Management System...continued

by Robert Klein – Action iT (Pty) Ltd

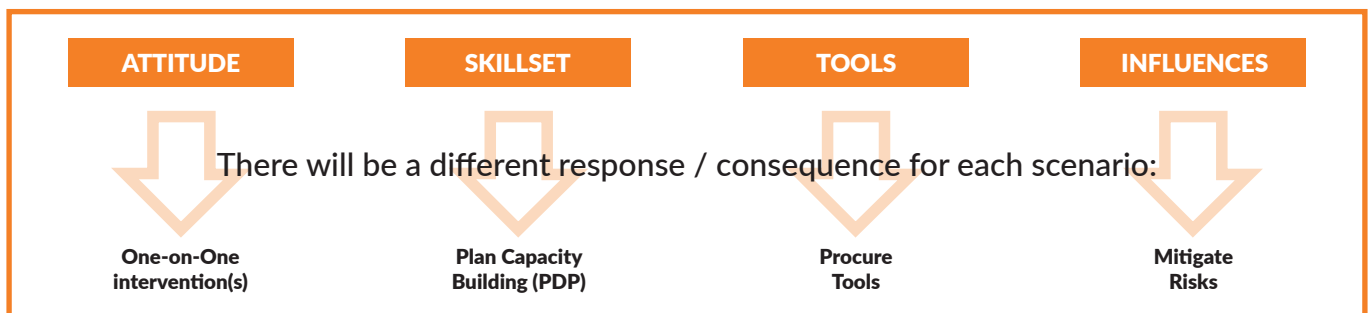
- the performance information has been correctly classified;
- the performance activities, outputs, outcomes have been reported in the actual time period in which they occurred; and
- the performance activities, outputs, outcomes have been correctly posted and summarised from supporting documentation / systems etc.

## 5. CONSEQUENCE MANAGEMENT

A performance management system can only be successful if it is supported by the appropriate level of Consequence Management. Municipalities should self-inspect and actively consider the impact of poor / no consequence management and how the barrier(s) to performance can be addressed.

This can be explained best with the use of an example:

*Assume that an official responsible for gardening and landscaping did not plant their allocated number of trees in a specific week. The reason(s) for this could include one or more of the following:*




- an **Attitude** barrier which may require one of many human resource interventions which will depend on the specific situation;
- a **Skillset** barrier that can be addressed by implementing the appropriate capacity building initiatives. These may include formal training courses, workshops, seminars, mentoring, coaching, and / or on the job training. From a career development perspective all the learning interventions should be managed through the official's PDP (Personal Development Plan);
- a **Tool** barrier if the official(s) does not have the required tools / implements to enable them to carry out the actions assigned to them. In this example, if the officials have not been provided with spades to allow them to dig the holes required to plant the trees;
- an **Influences** barrier. These are those official uncontrollable factors that can prevent the official from performing their required functions. Examples of such factors include natural disasters, power outages, political interference etc. The municipality should mitigate these risks through their normal operational risk management processes.

## 6. SUGGESTED WAY FORWARD

Municipalities in South Africa are currently faced with many operational issues, with the auditing of performance management systems being one of the challenges. The industry stakeholders and knowledge experts can play a valuable role by introducing a centralised template KPI Library that could provide guidance to municipalities when they develop their IDPs and SBBIPs.

The proposed KPI Library should:

- be a single (one) centralised repository (KPI Library) of best practice Municipal Indicators;
- be grouped and aligned to the mSCOA sub-functions;
- not be consultant / service provider dependant;
- be populated and maintained with SMART performance indicators;
- include all relevant information such as baselines, technical indicator descriptions, standard operating procedures, guidelines, required POE etc.; and
- include the active involvement, guidance and support of Internal Audit, the Auditor General, SALGA, COGTA, National Treasury, CIGFARO, etc.

The benefits of such a KPI Library would include the consistent application of KPIs which can be customised for individual municipalities, the sharing of Best Practice, and the possibility of comparable ("like" with "like") reporting. 





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## INTRODUCTION

At this year's very successful CIGFARO Audit and Risk Indaba held in East London on 10 and 11 April 2019 one of the topics for a panel discussion was "The Relevance of King IV in the Public Sector". Delegates were made aware that unlike previous King Codes, the King IV Code now applies to all private sector companies and public sector institutions including Local Government Institutions (Municipalities). The disclosure on the application of the King IV Code was effective in respect of the financial year starting on or after 1 April 2017. This would mean that municipalities should have reported on the application of the King IV Code as from the 2017/2018 financial year. However by a show of hands of the 445 delegates present at the Indaba, it was evident that only a few municipalities were aware of the King IV Code and its application of the 16 principles. Professor Mervyn King Chairperson of the King Committee emphasizes, that the application of the King IV Code reinforces good corporate governance as a lever for value creation.

## SO WHAT IS GOOD GOVERNANCE?

Good governance is not just about a quantitative check list exercise. Practitioners should strive to achieve principles which will result in four Good Governance Outcomes of ethical and effective leadership required by the King IV Code:

- Adequate and effective controls and oversight;
- Value creation in a sustainable manner;
- Trust and confidence in the entity; and
- Legitimacy of operation.

Any municipality achieving these outcomes must have been practicing quality governance.

Corporate governance for the purpose of the King IV Code, is therefore defined as the exercise of ethical and effective leadership by the governing body (includes the Municipal Council, Board of Directors, etc.) towards the achievement of the following governance outcomes:

- Ethical culture;
- Good performance;
- Effective control; and
- Legitimacy.

### PRIMARY OBJECTIVE OF THE KING IV CODE

The King IV Code moves away from a compliance mindset about governance to being a value add business model moving from “apply or explain” to “apply and explain”.

King IV Code has reduced the 75 Principles to 16 principles which are applied to municipalities. Municipalities are therefore required to establish whether or not they are achieving the four good governance outcomes of ethical and effective leadership.

The common feature is that municipalities are accountable to the communities they serve. In terms of section 152 of the Constitution, the objects of local government are:

- to provide democratic and accountable government for local communities;

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

These objectives are promoted within a framework of very detailed Local Government Legislation, Regulations as well as Municipal By-Laws and Policies. During the panel discussions it was argued that municipalities operate in a very structured and legislated environment and that most of the King IV principles are being applied by complying with the local government legislation. An attempt has therefore been made below to align the King IV Code to the Local Government Legislation.

### KING IV PRINCIPLES

The following are the King IV key principles that will apply to all the municipalities and the legislation that can be linked to each principle.

King IV Principles	Some of the Relevant LG Legislation
<b>Principle 1:</b> The Council should lead ethically and effectively (set the tone at the top).	Municipal Systems Act 32 of 2000 (MSA) -Code of Conduct for Councillors Schedule 1.
<b>Principle 2:</b> The Council should govern the ethics of the municipality in a way that supports the establishment of an ethical culture (set the tone at the top).	MSA -Council should oversee Code of Conduct for Officials Schedule 2 –Council.
<b>Principle 3:</b> The Council should ensure that the municipality is and seen to be a responsible corporate citizen (set the tone at the top).	MSA -Code of Conduct for Councillors Schedule 1. Council should set the example through own conduct.
<b>Principle 4:</b> The Council should appreciate that the municipality's core purpose is risks and opportunities, strategy, business model, which are all inseparable elements of the value creation process performance and sustainable development.	Section 152 of the Constitution of SA -Chapter 7: 151-164 Local Government. MSA- Chapter 3 Municipal Functions and Powers- Chapter 5 Integrated Development Planning (IDP)- Chapter 8 Municipal Services. Municipal Finance Management Act 56 of 2003 (MFMA) - Chapter 4 Municipal Budgets.
<b>Principle 5:</b> The Council should ensure that reports issued by the municipality enable stakeholders to make informed assessments of the municipality's performance and its short, medium and long-term prospects.	MFMA Reports and Financial Statements including in Year Reporting- Chapter 12 of the MFMA. MSA -Chapter 6 Performance Management.
<b>Principle 6:</b> The Council should serve as the focal point and custodian of corporate governance in the municipality.	MFMA-Chapter 7 Responsibilities of the Mayor. MSA-Chapter 2 Legal Nature Rights and Duties of Municipalities Local Government Municipal Structures ACT 117 of 1998-Chapter 3 Municipal Councils.



# Impact of King IV Corporate Governance Code on Municipalities...continued

by Daniel J de Lange - REVENEXT


King IV Principles	Some of the Relevant LG Legislation
<b>Principle 7:</b> The Council should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively	Local Government Municipal Structures ACT. 117 OF 1998- Chapter 3- Municipal Councils. Appointments are done through a Political Process however continuous councilor training should be undertaken.
<b>Principle 8:</b> The Council should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.	MSA - section 59 Delegations. MSA -Chapter 3 -Municipal Functions and Powers. Chapter 4 -Internal Structures and Functionaries.
<b>Principle 9:</b> The council should ensure that the evaluation of its own performance and that of its committees, its speaker and its individual councillors , support continued improvement in its performance and effectiveness.	MSA -Chapter 6 Performance Management. MSA - Regulations: Appointment and conditions of employment of senior managers. MSA - section 59 Delegations –
<b>Principle 10:</b> The Council should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities duties.	MSA- Chapter 7-Local Public Administration and Human Resources
<b>Principle 11:</b> The Council should govern risk in a way that supports the municipality in setting and achieving its strategic objectives.	MFMA -section165 Internal Audit and 166 Audit Committees.
<b>Principle 12:</b> The Council should govern technology and information in a way that supports the municipality.	Internal Audit Plans and Risk Management Policies. Business Continuity Plans.
<b>Principle 13:</b> The Council should govern compliance with applicable laws and adopted nonbinding rules, codes and standards in a way that supports the municipality being ethical and a good corporate citizen.	MFMA -section 165 Internal Audit Unit.
<b>Principle 14:</b> The Council should ensure that the municipality remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	MSA -Chapter 4 Staff Matters. MFMA-section 167 Councilor's Remuneration Remuneration of Public Office Bearers Act 20 of 1998-determines the Remuneration of Councilors. Section 72 of MSA and Regulation 35 of the Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers, issued in terms of Government Notice No. 21 as published under Government Gazette No. 37245 of 17 January 2014, empower the Minister to, annually by notice in the gazette to determine the total remuneration packages of senior managers according to different categories of municipalities (Upper Limits).
<b>Principle 15:</b> The Council should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the municipality external reports (Risk Management and Internal Audit Plan).	MFMA -section165 Internal Audit and 166 Audit Committees. Municipal Public Accounts Committee-National Treasury Circulars and Guidelines- Municipal Public Accounts Committees (MPAC) – Guide and Toolkit.
<b>Principle 16:</b> In the execution of its governance role and responsibilities the Council should adopt a stakeholder inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the municipality over time.	MSA -Chapter 4 Community Participation. MFMA -Chapter 11 Goods and Services and Supply Chain Management Regulations and Municipal Policies.

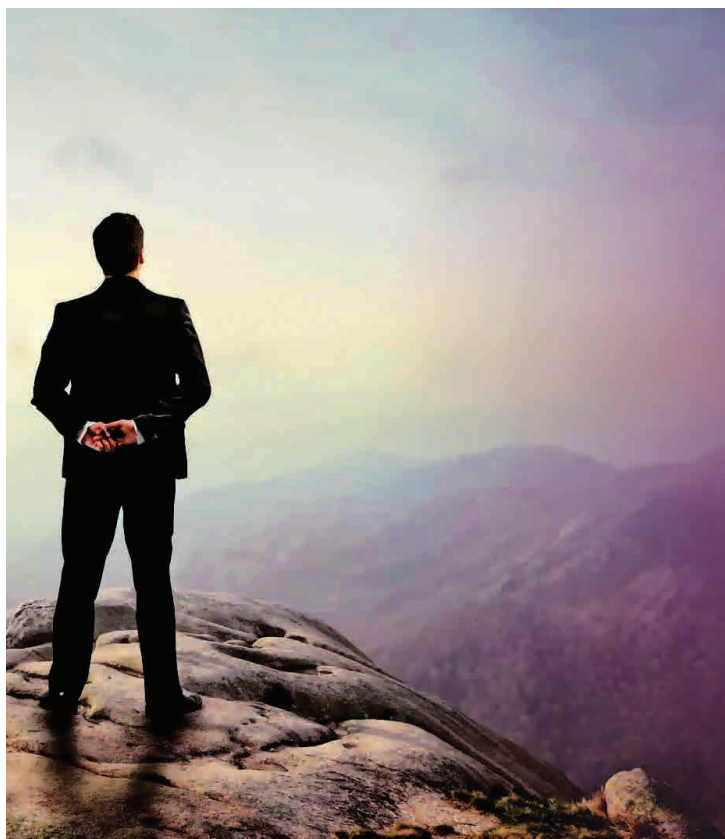
## CONCLUSION

The table alongside is not meant to be a complete record of all legislation, regulations and policies that relate to the 16 King IV Principles as detailed above. The exercise however does illustrate the fact that municipalities operate in a highly legislated environment unlike companies in the private sector.

South African legislation has embarked upon setting out the minimum governance requirements. King IV is an enhancement of legislative governance requirements. Should a conflict exist between King IV and any applicable legislation, the legislation shall always prevail. Where there is no conflict but King IV sets a higher standard, then King IV should be applied.

In our South African courts, there has been significant recognition to the application of the practice of good corporate governance and the King Code.

The application of the 16 Principles of the King Code by municipalities will greatly enhance their corporate governance environment resulting in four Good Governance Outcomes of ethical and effective leadership. 



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# AUDIT PERSPECTIVES

## AUDIT ACT AMENDMENTS AIM TO FOSTER CLEAN GOVERNANCE IN THE PUBLIC SECTOR



by Kimi Makwetu

Parliament's unanimous vote to give our office extended powers has recently assumed centre stage in our public discourse. This debate reached a crescendo last November when President Cyril Ramaphosa signed into law and endorsed these changes that will expand our public sector audit mandate. Subsequently, the President proclaimed 1 April 2019 as the commencement date of Public Audit Amendment Act.

As is the nature of our country's robust, free speech disposition, South Africans have boldly ventured their views on the signed amendments to the Public Audit Act (PAA), the legislation that determines not only the nature and scope of our audits, but also the internal operations of our organisation – the Auditor-General of South Africa (AGSA).

These strong opinions ranged from ordinary citizens flooding social and traditional media platforms with messages overwhelmingly hailing the new powers as a long-awaited answer to their persistent calls for the Auditor-General to be given what many referred to as "more teeth" or "more bite instead of a bark". This being their reference to and a comparison of our earlier audit mandate before the amendments – where we only audited and reported the audit outcomes to Parliament, the provincial legisla-

tures and municipal councils, and relied on the executive to address our findings and implement our recommendations.

There have also been some, chiefly public servants and academics, who welcomed the revisions but also raised their concerns that the amendments might result in us "over-reaching" our key constitutional mandate, thus infringing on the work of those charged with public sector administration such as accounting officers and accounting authorities. During the extensive parliamentary deliberations on and the president's scrutiny of the amendments, these concerns were thoroughly dealt with and related fears allayed.

My office has mostly opted to wait for the signing of these changes into law before we could authoritatively and widely share the intended aim and meaning of these amendments, thus further allaying the concerns that some may still have on this historic development.

This article, one of many planned educational initiatives on this matter, aims to briefly outline the essence of the key changes that the parliamentarians from all the political persuasions collectively voted for, with the president ratifying them into law.

### Our mandate to audit with integrity, without fear or favour

At the outset, it is worth restating that as the country's supreme audit institution, ours is the only institution that, by law, has to audit and report on how government is spending taxpayers' money. It does this by examining the accounting records and related transactions to support financial statements and report on the manner in which finances are man-

aged, handled and reported on by institutions funded from the public purse. This has been the broad focus of the AGSA since its inception in 1911.

### Rationale for the extension of our audit mandate

In 2016, concerned by the growing extent of irregular, unauthorised, fruitless and wasteful expenditure reported by my office every year at all government tiers, the multi-party parliamentary committee that oversees the AGSA, the standing committee on the auditor-general (Scoag), initiated the process to expand our mandate beyond just auditing and reporting.

In their collective wisdom, the members of this committee, later fully backed by the National Assembly, the National Council of Provinces and the President of the Republic felt that expanding our mandate would go a long way to further support other existing pieces of legislation that are aimed at ensuring good governance and clean administration in the public sector. These legislative instruments include the Public Finance Management Act (PFMA) and the Municipal Finance Management Act (MFMA). Both the PFMA and MFMA contain extensive guidance on what the law requires accounting officers and accounting authorities to do, and even outline the consequences that must be assigned in the event of financial misconduct. This includes the responsibility to quantify and recover money due to the State.

Therefore, the latest amendments to the PAA should be seen as further reinforcements to these and other extant, good governance legislative tools. Also, this amendment will serve to elevate the existing responsibility of line managers as they were envisaged when the PFMA and MFMA were promulgated around 20 years ago.



## How will these amendments work?

The AGSA's audit activities are much the same as they had been before the latest amendments, except for three key additional steps that we can now take – beyond our traditional mandate of auditing and reporting.

The Public Audit Amendment Act introduces the concept of a material irregularity (MI) – which is the central feature of this amendment. The introduction of a focus on material irregularity is so that other common errors or deficiencies are isolated and those activities putting the public purse at risk of financial loss are identified and pursued.

A material irregularity (MI) means any fraud, theft, breach of a fiduciary duty or non-compliance with or contravention of the law that could result in a material loss, the misuse or loss of a material public resource or substantial harm to a public sector institution or the general public.

This means that the focus of an audit will have to thoroughly assess the existence or otherwise of material irregularities in transactions or balances. This is important as it eliminates any speculation or doubt about the nature and substance of matters leading to, say, irregular expenditure or lack of proper accounting rigour.

Once a material irregularity during an audit performed under the PAA has been identified or suspected, the AG may now take the following actions (extended powers):

(i) Refer a suspected MI to a public body with a mandate and powers that are suitable for the nature of the specific suspected material irregularity. Authorities with requisite investigative capacity and skills include the public protector, special investigations unit and the South African Police Service. The public body would deal with the

matter within its own legal mandate and take appropriate action where necessary

OR

(ii) Make recommendations in the audit report on how an MI should be addressed, within a stipulated period of time. If these recommendations have not been implemented by the stipulated date, the AG must take binding remedial action; and if the MI involves a financial loss, issue a directive to the accounting officer or accounting authority to quantify and recover the loss from the responsible person.

(iii) If the accounting officer or accounting authority fails to implement the remedial action, including a directive to quantify and recover a financial loss, the AG must issue a certificate of debt in the name of the relevant accounting officer or accounting authority. It is the responsibility of the relevant executive authority such as a minister, a member of the executive council (MEC) or a municipal council, to recover the loss from the accounting officer or authority.

These three steps come with many checks and balances, giving the public entity or department concerned enough opportunity to fix the flagged problem before it gets to the issuing of a certificate of debt. That action would only be taken if and when those charged with governance fail to act.

In essence, the primary responsibility to identify and action material irregularities still remains with the line management of the audited institution. No part of their statutory responsibilities is transferred to the auditor-general. The auditor-general, through these amendments, provides a transparent and reliable source of evidence and monitors the proper restoration of an accountable system of financial management.

It is worth noting that our audit teams will note these breaches as they come to our attention during our annual audits. This means there will be no need for us to increase the audit scope to identify an MI. This will be factored in as part of our normal audit work.

Some might rightfully ask what will happen to those who had in the past incurred irregularities that could be deemed as MIs by the new amendments? The amendment act does not apply retrospectively. However, in the case of long-term contracts that are still operative when the MI is detected, the AG's right to refer or take remedial action will apply. This means that if an MI that occurred in the past is detected during an audit that results in an audit report issued after the commencement of the amendment act, it can still attract the extended powers of the AG. The test is therefore the date of the audit report.

We recognise and appreciate the immense responsibility that comes with these powers. We undertake to use these responsibly and for the betterment of our country and the lives of her people. For decades now, our office has been part of a national drive towards wholesale good governance in our public sector. These amendments therefore are not meant to be punitive, but are just a gear shift in this critical developmental journey. And we are buoyed that the majority of South Africans are fully behind us as we embark on this phase of the drive to further bolster our democracy through clean governance.

*Makwetu is the auditor-general of South Africa*



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## Possible impact of the unbundling of Eskom

by Krish Kumar – eThekweni Municipality



In his State of the Nation Address (SONA) in February 2019, President Cyril Ramaphosa announced the splitting of Eskom due to the financial distress it is experiencing, especially in terms of financial losses and growing debt, as well as ongoing load shedding. It is envisaged that Eskom will be remodeled into generation, distribution and transmission business entities under a state holding company (Eskom). The finer details are unclear at this stage, but will be clarified in due course.

From a municipal perspective, we appreciate the need to take such action as the independent power provider/s (IPP's) will bring in equity. Debt will be unbundled and turned into equity. It will also make Eskom's cost structure more transparent, especially in terms of more clearly allocated revenue.

One of the key challenges for South Africa and our cities currently, is growth in the economy. It is in this regard, that Moody's have already unofficially indicated that, financial support to Es-

kom together with measures that sustainably stabilize its finances would be credit neutral, whereas financial support without savings measures or cost cutting measures would be credit negative for South Africa. Accordingly, this could potentially have an impact on our sovereign credit rating and the growth of our national and local economies, as well as job creation. However, this must be weighed against the impact of rolling load shedding on the economy.

As regards transmission, there will be additional capital costs. It is not clear at this stage how this will be funded. Hopefully this does not impact significantly on future tariff increases. The trend is that as the cost of electricity increases, more consumers move off the grid. This in itself requires all distributors to relook at their funding models to ensure financial sustainability.

However, the biggest impact on municipalities relates to distribution. In terms of the constitutional powers and functions, national government is responsible for ensuring the generation of electricity and its transmission across the country, however, municipalities (local government) are responsible for the distribution of electricity to consumers (Schedule 4 of the Constitution).

Accordingly, it is possible to take the distribution licenses away from municipalities, but they should remain the authority over the service. We hope that when the licenses are being retracted that this is done on an elective and voluntary basis and this is only taken away from those municipalities that choose to no longer distribute electricity due to capacity problems. To do this unilaterally will undermine the ability of municipalities to fulfil their constitutional mandate with regard to the provision of the basket of basic services, as well as their developmental role.

The main risk of taking this function away from municipalities, and there is no service delivery agreement in place as envisaged in the Act, is that they will no longer have a sanction against non-payment and there will be a lack of integration with the IDP (integrated development plan). Subsequently, this will have a significant impact on revenue collection, cash flow, financial viability and sustainability of municipalities, especially in terms of the impact on their credit ratings and their ability to access cost effective loans. Therefore, the billing and collections related to electricity must stay with municipalities and the wires (engineering business) could be provided by IPP's and or any other services provider.

For municipalities that provide electricity to households and businesses, it is also a major source of revenue and can generate surpluses that can be used to fund other municipal functions. Most municipalities get between 30% and 40% of their total revenue from electricity, however, some of the smaller municipalities earn nearly half of their total income from electricity sales. This could impact negatively on municipalities, especially reducing the value of municipal balance sheets, their ability to raise revenue and managing outstanding debtors.

The issue of tariff parity is a key issue and NERSA as the regulatory body is playing a major role in ensuring that both, bulk tariff increases by Eskom, as well as the tariffs charged to consumers, are fair and equitable, and that there are no unreasonable surpluses being generated.

The implementation of the national policy regarding the provision of free electricity could be a further issue. The policy has been left to each municipality to implement as they see fit. This brings about inconsistency within local government as a whole. Some provide it to all households (universal approach), whilst some only to households that fall below a poverty line or indigence measure determined by the municipality concerned (targeted approach). This will have to be rationalized and managed at a national level. In addition, municipal ratepayers that lose out may be disgruntled.


The possible issues of tariff rationalization, indigent support and maintenance would then have to be dealt with at a national level. If so, the role of the National Energy Regulator of South Africa (NERSA) will have to be reviewed to ensure consistency and fairness. However, it is appreciated that we are moving towards a more deregulated energy sector to attract more private sector IPP's. This may help create more competition and drive energy prices down. International experience has shown that competition in electricity retail can deliver benefits to consumers.

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**There could be some serious issues for municipal staff that would have to be considered. Some key issues would include: transfers, retrenchments, relocations, common condition of service, pay rationalization, etc. These issues will have to be addressed with labour.**

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The role of the regulator in this process is paramount in ensuring that the unbundling will not increase the tariffs for end users and ensuring that they allow for IPP's to take up the gap currently in the market to generate renewable energy. The regulator should also ensure that the distribution network for each municipality is ring-fenced according to the jurisdictional boundaries of the municipality concerned. This is to ensure the authority over the service by the relevant municipality remains in place.

From the foregoing, it is clear that there could be serious consequences for local government emanating from the proposed unbundling of Eskom. Accordingly, we hope that SALGA will represent the interests of local government in this matter. Whilst we always see the bigger picture and support national and macro-economic issues that are in the best interests of the country and economy, the interests of local government must also be represented and taken into consideration. We are firmly committed to improving the reliability and continuity of electricity supply in the country as a priority and growing the economy, but we strongly believe that electricity distribution, billing and collections should not be taken away from municipalities that elect to still undertake this function in terms of their constitutional mandate. 





# Newly approved Standards of GRAP

At the ASB Board meeting in March 2019 a number of new pronouncements were issued by the Board that affect local government. These are discussed below. The documents are available on the ASB's website on [www.asb.co.za](http://www.asb.co.za).

#### **GUIDELINE ON ACCOUNTING FOR LANDFILL SITES**

The Guideline provides guidance on how to account for landfill sites using the principles in GRAP 17 on *Property, Plant and Equipment* and GRAP 19 on *Provisions, Contingent Liabilities and Contingent Assets*. Guidance is provided on accounting for land used in landfill, the recognition and measurement of the landfill site asset, and the rehabilitation provision. The key features of the guidance are as follows:

- Land and the landfill site assets should be accounted for as separate assets.
- Land used in a landfill is not depreciated.
- When costs to develop and/or construct a landfill site should be capitalised.
- Landfill site assets should be depreciated over the period that it is available for use. This is from the date that the landfill site asset is capable of operating in the manner intended by management, while it receives waste, during rehabilitation and while it stores waste pending an alternative use (during the post-closure and monitoring period, which could be up to thirty years).
- An entity's obligations in relation to landfill sites could be two-fold: (1) to dismantle any construction on the site, and/or (2) to restore the landfill site related to the deposition of waste. Whether both obligations exist would depend on the type of landfill site.

The Board agreed that to reduce the divergent accounting practices, the Guideline should be included in the GRAP Reporting Framework. The application of the Guideline will be linked to proposed amendments to GRAP 17. The date is likely to be 1 April 2021.

#### **GUIDELINE ON THE APPLICATION OF MATERIALITY IN FINANCIAL STATEMENTS**

Many of the issues raised about the Standards of GRAP - e.g. that the Standards are complex, the Standards deal with topics that are not relevant to some entities, and that the information in the financial statements is voluminous and often not used by users - relate to the fact that entities do not consider and apply materiality in preparing financial statements.

In accordance with GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*, the Standards only apply to material transactions and events. Materiality should be considered in deciding whether to apply the requirements of the Standards of GRAP for recognition, measurement, presentation and disclosure.

As materiality is aimed at ensuring that the most relevant information is provided to users of the financial statements, it is important to understand who the users are of an entity's financial statements and their information needs. The Guideline outlines a process that entities could follow in identifying users, their information needs, and how this affects the application of the Standards of GRAP.

To promote the use of the Guideline and to ensure practice develops in the sector, the application of the Guideline is voluntary. The Board may reconsider the status at a future date.

#### **AMENDMENTS TO GRAP 104 ON FINANCIAL INSTRUMENTS**

Amendments were approved to GRAP 104 to align it with the most recent thinking in the private sector. The key changes relate to:

- The treatment of financial guarantees issued by an entity, i.e. those arrangements where one entity guarantees the debt between a specific lender and borrower. They are now in the scope of GRAP 104. They were previously in the scope of GRAP 19 on *Provisions, Contingent Liabilities and Contingent Assets*. These arrangements are commonly found in group entities where the controlling entity guarantees specific lending arrangements in place at its controlled entities. This may be of relevant to municipalities with municipal entities.
- The classification of financial assets. The classification is based on (1) management's intention in holding financial assets, i.e. to sell them or to hold them to collect the contractual cash flows, and (2) understanding the characteristics of the underlying cash flows and whether they are consistent with a basic lending arrangement. The classification is likely to affect the classification of investments and loans granted by a municipality.
- The impairment of financial assets. The principles of the impairment model are modified so that an entity focuses on expected credit losses. The expected credit losses are based on a probability weighted assessment of various outcomes, using past, present and current data about customers. At a basic level, municipalities will need to reconsider their policies for impairing debtors.

The Board will be consulting on the proposed transitional provisions and an effective date for GRAP 104 during the second half of 2019. **C**

# Municipal Cost Containment Regulations

by Fathima Khan – eThekweni Municipality



It seems that Municipalities and Municipal Entities have been on a free ride for a number of years using public money on consultants they don't need, fancy vehicles, business class flight tickets and five star accommodation, catering, alcohol and conferences.

All of this should come to a grinding halt with this week's publication of the Municipal Cost Containment Regulations 2019 which come into effect on 1 July 2019. The Regulations are directed at municipalities and their entities and impose measures, on both officials as well as political office bearers, to curtail spending to ensure that the resources are used efficiently, effectively and economically.

As with all pieces of legislation, there has to be a collective will to comply. The regulations spell out the enforcement procedures should an official fail to comply, however, the very first step in holding anyone accountable is the drafting of a cost containment policy. This Policy must, amongst other things, set out monitoring measures for ensuring implementation of the Policy and consequences for non-adherence. The Regulations also mandate municipalities to adopt a remuneration framework for consultants. If the Municipality or its entities fail to adopt and implement the Policy or the framework, the regulations unfortunately become toothless.

**It is nevertheless a step in the right direction and covers much of the holes in the expenditure sieve.**

## USE OF CONSULTANTS

The use of consultants has been a sore point for many years. Municipalities seek out and employ highly skilled and trained staff who become administrative pen pushers once they join the ranks of government employee. Consultants are then appointed at a huge and largely unabated cost to do the work that municipal employees are paid to do. This has become an open tap as the work is very often technical in nature and the time and cost is not quite understood by the municipality. The regulations now seek to manage the use of consultants.

Regulation 5 (1) asserts that the municipality may only appoint consultants if an assessment of the needs and requirements confirms that the affected municipality does not have the requisite skills or resources in its full time employ to perform the function. So, for example, if the municipality has employed full time, fully capacitated valuers capable of carrying out the valuation function of the City's valuation roll, there would be no need to appoint consultant firms to carry out the valuations of the city after each valuation cycle. However, if the assessment of the needs and requirements finds that the compliment of valuers employed by the city are unable to carry out the valuation of the city or of certain types of specialized properties, then consultants may be appointed. However, the municipality has to develop consultancy reduction plans to reduce its reliance on the consultants and the contract must include a fee retention or penalty clause for poor performance. The consultants' fees are negotiated in accordance with the rates determined by the South African council for the Property Valuers Profession, as the prescribed body regulating the valuers profession, in this scenario.

The regulation goes further to stipulate that if consultants are appointed, it must be on a time and cost basis with specific start and end dates. The consultants are also required to ensure the transfer of skills to the relevant officials.

## VEHICLES USED FOR POLITICAL OFFICE-BEARERS

The purchase of luxury vehicles used by political office bearers has hit the news headlines on a few occasions with the public lamenting over rate payers footing the bill. This lavish spending was unfortunately also seen in Municipalities that struggled to provide basic services to its ratepayers. The regulations now impose a threshold limit of R700,000 or 70% of the total annual remuneration package for the different grades of municipalities and the procurement must be undertaken using the national government transversal contract mechanism or through other procurement mechanisms if the cost is lower.



Before the municipality decides to procure a vehicle, it has to assess the state of its current vehicles. Vehicles will mainly be replaced after completion of 120,000 kilometres. It will also have to assess the extent of its service delivery backlogs, affordability, terrain for effective use of the vehicle and condition of the current vehicles. Again, the Accounting Officer has to introduce a policy that addresses the use of municipal vehicles for official purposes. Without this Policy, the status quo will remain.

### TRAVEL, SUBSISTENCE AND ACCOMMODATION

These regulations are all about respect for the public purse. At a time when service delivery protests are at an all-time high, it is unconscionable that officials and political office bearers jet around in business class. While we don't expect the humility of Mahatma Gandhi, we do expect the conscious realization that our rate payers are paying for those trips. A good example is eThekweni's CFO, Dr. Krish Kumar who is the longest serving CFO in the country having held this position for over 20 years and awarded Best CFO in the Public Sector in 2018. Dr. Kumar insists on travelling Economy class even on international trips.

The regulations sanction the purchase of business class tickets only for flights exceeding 5 hours. It also limits international travel to meetings or events that are considered critical and limited to officials or political office bearers directly involved in the subject matter related to the event.

Accommodation and flight costs are limited to an amount and negotiated rates determined by National Treasury from time to time. Overnight accommodation may only be booked where the return trip exceeds 500 kilometres. The available municipal fleet, shuttle services and public transport, where available, must be used instead of car hire. Where it is absolutely necessary to hire a vehicle, such cannot exceed a category higher than group B unless approved by the Accounting Officer.

### SPONSORSHIPS, EVENTS AND CATERING

The regulations proclaim that the municipality may not incur catering expenses for meetings which are only intended for persons in the employ of the municipality unless prior written approval of the Accounting Officer is obtained. However, the Accounting Officers hands are slightly bound as he can only approve the catering expense for meetings that exceed 5 hours.

As for the team building exercises, social events, year-end functions, sporting events and budget vote dinners, all of these must be paid for by the staff themselves and not the municipality nor any sponsors or suppliers. While I do feel that it is good to get the staff together for team building or a social, to boost morale, show appreciation for hard work and to foster better work ethic, the antics of a few rotten eggs who have taken advantage of the system to funnel money into their own pockets have forced these regulations to clamp down on any sort of social event. Even the free T-shirts that we have gotten used to have come to a withering end unless paid for by the officials.

Fortunately, the farewells are safe. Officials who have worked for 10 years or longer are allowed to have their farewells paid for through petty cash (or the boss's entertainment allowance, which may not exceed R2000 per person per financial year).

The municipality may not incur expenses on alcoholic beverages unless the municipality recovers the cost from the sale of such beverages. This clause seems so open ended that it gives the municipality carte blanche capacity to sell and distribute alcohol. Now here's an idea to supplement the rates base!

### CONFERENCES, MEETINGS AND STUDY TOURS

I have witnessed a host of officials attending conferences for which they have no interest in. They don't participate in the conferences and the wealth of knowledge imparted. Instead they behave like teenage school children and bunk the conference to tour the City they're in.

I have no issues with touring the host city. In fact the very reason why conferences are rotated to different cities is so that delegates are able to explore the cities, learn how they function and grow the tourism. However, the purpose of the conference must not be overlooked. That is the reason why the regulations have mandated the accounting officer to consider the officials or political bearers role and responsibilities and the benefits of the conference and limits the number attending such conferences to three persons.


### OTHER RELATED EXPENDITURE ITEMS

National Treasury is taking charge and where they have concluded a transversal contract for commodities, services and products, the municipalities are bound to consider these before approaching the market to benefit from savings where lower prices or rates have been negotiated.

Expenditure for tablets, laptops and the like for political office bearers are also limited as is expenditure on elaborate and expensive office furniture. Credit cards are a definite NO! No credit card or debit card linked to a municipal bank account is permitted. With overtime persistently exceeding budgets, the municipality is urged to consider providing additional time off in lieu of payment for overtime worked.

A municipality is also compelled to ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

The disclosure of cost containment measures applied by the municipality must be included in the municipal in-year budget reports and the annual cost savings disclosed in the annual report.

It's a good start to curb and contain the ever increasing wasteful costs and now similar regulations are necessary under the Public Finance Management Act so that all public sector officials and government/ political office bearers work within the cost containment environment. 

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AGSA - Alice Muller



SALGA – Mohammed Lorgat



Similo Mbongwe – eThekweni Municipality



Gauteng Treasury – Xolani Ndlovana



IEMSA – Terry Tselane



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Prize Winner – Modimolle Mookgopong Municipality, Khomotso Phelane



CCG – Walter Muwandi



REVENEXT – Daniel de Lange



Department of Arts - Betty Spencer



Action I.T - Robert Klein



Motivational Speaker – Alex Granger



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# NEW MEMBERS

ASSOCIATE MEMBERS				
Province	Organisation	Surname	Name	Join Date
Northern Cape	ZF Mgcawu District Municipality	Beukes	Petrus	2019/03/13
Limpopo	Fetakgomo/ Tubatse Municipality	Magoma	Dannies	2019/03/13
Kwa Zulu Natal	Ethekwini Municipality	Makhoba	Sibusiso	2019/03/13
Kwa Zulu Natal	Nquthu Local Municipality	Mbongwa	Nombuso	2019/05/14
Kwa Zulu Natal	Nkandla Municipality	Mkhize	Mbusiseni	2019/03/13
Gauteng	SASSA - South African Social Security Agency	Mongalo	Masenya	2019/04/29
Limpopo	Ba-Phalaborwa Municipality	Mosungwa	Believe	2019/03/26
Northern Cape	Pixley ka Seme District Municipality	Mqhum	Desmond	2019/04/08
Kwa Zulu Natal	Ray Nkonyeni Municipality	Mtintso	Nwabisa	2019/04/04
Free State	COGTA - FS	Sefako	Lisebo	2019/04/24
Kwa Zulu Natal	Ethekwini Municipality	Haripershad	Neerasha	2019/03/07
Western Cape	Provincial Treasury - WC	Ncangayi	Thembaletu	2019/02/27
Kwa Zulu Natal	Ethekwini Municipality	Nondabula	Phumelele	2019/02/12
Kwa Zulu Natal	Msinga Municipality	Shangase	Zonke	2019/04/08
JUNIOR MEMBERS				
Province	Organisation	Surname	Name	Join Date
Gauteng	mSCOA Solutions	Ncube	Dumisani	2019/04/26
Gauteng	Johannesburg Roads Agency	Smith	Deidre	2019/04/04
LICENTIATE MEMBERS				
Province	Organisation	Surname	Name	Join Date
Eastern Cape	Nelson Mandela Bay Metropolitan Municipality	Blaauw	Nkuthazo	2019/02/21
Kwa Zulu Natal	Ethekwini Municipality	Ferguson	Roxanne	2019/03/13
Eastern Cape	Nelson Mandela Bay Metropolitan Municipality	Matolengwe	Nombasa	2019/02/12
Gauteng	Johannesburg Roads Agency	Molapo	Tlalan	2019/03/18
Kwa Zulu Natal	Umshwathi Municipality	Ntinga	Bongisiwe	2019/03/13
Mpumulanga	Emakhazeni Municipality	Ntshwane	Duduzile	2019/04/30
SENIOR ASSOCIATE				
Province	Organisation	Surname	Name	Join Date
North West	Department of Social Development	Legoale	Phando	2019/03/18
Eastern Cape	Sarah Baartman District Municipality	Lorgat	Riaaz	2019/02/19
Kwa Zulu Natal	Umlalazi Municipality	Mhlongo	Zakhele	2019/03/20
Eastern Cape	Matatiele Municipality	Ndzelu	Lihle	2019/03/26
Gauteng	National School of Government	Raphela	Lucas	2019/03/18
Eastern Cape	Buffalo City Metropolitan Municipality	Sigcau	Ntsikelelo	2019/03/27
Eastern Cape	Nelson Mandela Bay Metropolitan Municipality	Terblanche	Hayley	2019/06/05
Kwa Zulu Natal	Umshwathi Municipality	Vilakazi	Ayanda	2019/05/29





The modern accounting landscape is more than just a number crunching game. It transcends traditional career boundaries and expands into all facets of the South African financial context and beyond. Today, a Professional Accountant (SA) aims for value creation for businesses, wealth creation for investors/owners and of course, the ultimate goal of sustainable economic growth. SAIPA encompasses those objectives across private practices, corporate, public and education sectors. The South African Institute of Professional Accountants has more than 35 years of experience to make meaningful contributions to your career, as well as the accountancy profession as a whole.

# The future of Accounting



### DISCLOSURE OF NEWLY EFFECTIVE STANDARDS OF GRAP

(as per the Accounting Standards Board Newsletter 74 of June 2019)

GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors requires entities to make certain disclosures related to Standards of GRAP that are issued but not yet effective.

Two issues have arisen recently regarding these disclosures.

#### Issue #1 – Quality of the required disclosures

GRAP 3 requires entities to disclose (a) the existence of issued but not yet effective Standards of GRAP, and (b) known or reasonably estimable information relevant to assessing the possible impact of the application of the new Standard of GRAP on the entity's financial statements in the period of application (Note: "Standards of GRAP" includes all pronouncements issued by the Board).

It has been observed that entities generally only comply with part (a). A list of issued but not yet effective Standards is provided in the financial statements, but the impact of the requirements is not often provided. It is insufficient to merely list the Standards. Entities should consider what the potential impact of the new Standard would be. This means both qualitative (e.g. what transactions might be affected, how different the old and new accounting policies could be regarding recognition, measurement etc.) and quantitative information (e.g. if determinable, an estimate of the potential Rand-value of the impact).

The provision of this information in the financial statements serves two purposes:

- Preparers are able to assess the implications of new Standards early. This helps to ensure that accounting policies, systems and processes are changed in time to accommodate new accounting requirements.
- Users are provided with predictive information that is useful for planning and making decisions. It also ensures users can adequately understand the new requirements and assess entities' readiness.

#### Issue #2 – Extent of the required disclosures

Directive 5 Determining the GRAP Reporting Framework is issued in September each year. The Annexures outline the Standards issued but not yet effective. It is possible that the Board issues new Standards of GRAP after the update of Directive 5, i.e. there may be more issued but not yet effective Standards compared to the list included in the Annexures to the Directive when an entity prepares its financial statements.

Questions have been raised about whether only the list in Directive 5 should be applied, or whether the disclosure applies to all issued but not yet effective Standards. As Directive 5 is formally approved by the Board, the list included in the Annexures is authoritative and outlines the minimum disclosures required in the financial statements.

Entities may voluntarily provide information on other issued but not yet effective Standards not yet included in the Annexures to Directive 5. Entities should however provide the disclosures outlined in (a) and (b) above.

#### MUNICIPAL COST CONTAINMENT REGULATIONS, 2019 – issued in terms of the LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003 - (Notice 317 of 2019 42514 Government Gazette, 7 June 2019)

The object of these Regulations, in line with sections 62(1)(a), 78(1)(b), 95(a) and 105(1)(b) of the MFMA, is to ensure that resources of a municipality and municipal entity are used effectively, efficiently and economically by implementing cost containment measures. These Regulations, which are effective as from 1 July 2019, apply to all officials and political office bearers in municipalities and municipal entities.

Among other things, the new regulations cover the use of consultants; conferences and study tours; vehicles used by political office bearers; travel and subsistence allowances; 'domestic accommodation'; meal and entertainment allowances; mobile communication services; and newspaper and magazine subscriptions. They are especially rigorous on the issue of municipal 'events' and related catering expenses.

Each municipality or municipal entity must develop or revise and implement a cost containment policy which must be in writing and placed on the website. It must, in the case of a municipality, be adopted by the municipal council, and in the case of a municipal entity, by the board of directors as part of its budget related policies (in the future – this time around it is too late if the Budget for 2019/20 was approved in accordance with the MFMA timelines). The Policy must define a municipality's (or municipal entity's) objectives for the use of consultants; and be consistent with the Act and the Cost Containment Regulations. The cost containment policy must set out monitoring measures for ensuring implementation of the policy; procedures for the annual review of the policy; and consequences for non-adherence to the measures contained therein.

#### CARBON TAX

Both the Carbon Tax Act, 2019 and the amendments to the Customs and Excise Act, 1964, which makes provision for the administration and collection of carbon tax, came into operation on 1 June 2019. Carbon tax (CT) on fuel, which became effective from 5 June 2019, amounts to 9c/l on petrol and 10c/l on diesel. Carbon tax on all other greenhouse gas emissions became effective on 1 June 2019. It is likely that the different effective dates for the carbon tax on fuel and on other greenhouse gas emissions could lead to technical difficulties. This is because the formula in the Carbon Tax Act provides for a deduction of carbon tax on fuel from 1 June 2019.

Section 15(2) of the Carbon Tax Act read with sections 1 and 54A of the Customs Act provides that carbon tax will be administered as an environmental levy under Chapter VA of the Customs Act. This means that administrative actions, requirements and procedures concerning the submission and verification of accounts, collection and payment of carbon tax as well as taxpayers' rights and remedies will be regulated by the complex and cryptic provisions of the Customs Act and the rules to the Customs Act (the Rules). In order to facilitate the carbon tax, the DEA has implemented a mandatory GHG reporting system. The National Greenhouse Gas (GHG) Emission Reporting Regulations, 2016 introduce a single na-

tional reporting system for the transparent reporting of GHG emissions emanating from identified affected sectors which contribute to the nation's GHG emissions. The GHG Reporting Regulations are one of the implementation tools which will be used to regulate the reporting of data and information from identified point, non-point and mobile sources of atmospheric emissions to the National Air Emission Inventory System (NAEIS) with a view to compiling atmospheric emission inventories to inform the carbon tax.

Experts say the carbon tax introduced this week is so low it will have almost no effect in curbing South Africa's greenhouse gas emissions that are increasing at a rate faster than the world average. Companies will pay as little as 42 US cents per ton of carbon emissions, whereas an international study says a carbon tax should be between \$50 to \$100 a ton if it is to be effective in bringing down emissions. However, this does not mean that South Africa's new carbon tax is a waste of time.

The reporting obligations imposed on Category A data providers are more stringent and comprehensive than for those in Category B, as they are based on operational control and must cover all process, fugitive and combustion emissions from all GHG emission sources and source streams belonging to listed activities. A data provider is classified as –

- Category A: any person in control of or conducting an activity marked in the Category A column above the capacity given in the threshold column of the table in Annexure 1 to the GHG Reporting Regulations (Category A data providers thus include persons/companies controlling or conducting activities at a specified capacity which emit GHGs); or
- Category B: **any organ of state**, research institution or academic institution, which holds GHG emission data or activity data relevant for calculating GHG emissions relating to a category identified in the table in Annexure 1 to the GHG Reporting Regulations.

The Regulations came into effect on 3 April 2017. Under the Regulations, a person conducting an activity above the specified threshold must report the GHG emissions and activity data for all the facilities

in the prescribed format for the preceding calendar year by 31 March each year. The deadline for reporting GHG emissions and activity data for the 2018 calendar year has been extended to 30 April 2019.

The scope 1 GHG emissions reported to the Department of Environmental Affairs ("DEA") as provided for in the Regulations would in effect be the tax base for purposes of determining CT.

The reporting thresholds under the GHG Reporting Regulations, as well as the emission sources identified in Annexure 1, are informed by the IPCC Guidelines for National Greenhouse Gas Inventories (2006) (IPCC Guidelines), which Guidelines stipulate the reporting methods recommended for each IPCC emission source and relevant GHGs. In this regard, the DEA published the "Technical Guidelines for Monitoring, Reporting and Verification of Greenhouse Gas Emissions by Industry" (Technical Guidelines) as a companion to the GHG Reporting Regulations in April 2017, which aims to provide guidance to reporting companies on methodologies to apply when quantifying GHG emissions from activities listed in Annexure 1 for reporting on the NAEIS.

Section 17(1) of the Carbon Tax Act provides that a taxpayer must submit an environmental levy account and make payments in accordance with the Rules every six months for each tax period.

A tax period is defined as a period commencing on 1 June 2019 and ending on 31 December 2019; and subsequent to this period, the period commencing on 1 January of each year and ending on 31 December of that year. As the Carbon Tax Act was signed by the President on 23 May 2019 and will come into effect on 1 June 2019, the first environmental levy account and first provisional payment is due in July 2020.

SARS recently published the draft amendments to the rules and schedules as well as the forms relating to the registration requirements, collection and administration of the CT. CT will be levied at a tax rate of R120/tCO<sub>2</sub>e. Tax-free allowances are available to reduce the CT liability to a maximum of 95% of taxable emissions. Taking into account the allowances, the effective tax rate is much lower and ranges

between R6 and R48/tCO<sub>2</sub>e. CT must be levied in respect of the sum of the scope 1 GHG emissions of a taxpayer in respect of a tax period expressed as the CO<sub>2</sub>e of those greenhouse gas ("GHG") emissions resulting from fuel combustion, industrial processes and fugitive emissions.

GHG Emissions are determined by way of direct observation or by way of estimation. The methods that allow for direct emissions monitoring and the estimation of emissions are set out in the National Environmental Management Air Quality Act, 2004 (Act No. 39 of 2004), read with the National Greenhouse and Energy Reporting ("NGER") Regulations and the Technical Guidelines for Monitoring, Reporting and Verification of GHG emissions by industry and is based on the 2006 Intergovernmental Panel on Climate Change ("IPCC") Guidelines (the "Regulations").

## IMPLEMENTATION OF THE AARTO ACT

The National Assembly passed the controversial Administrative Adjudication of Road Traffic Offences Bill (AARTO Bill) on Thursday 5 March 2019. The Bill was forwarded to the President for signature into law.

Transport Minister Blade Nzimande has high expectations of the 1998 Administrative Adjudication of Road Traffic Offences (Aarto) Act, and the related key amendments, to which have finally been passed by Parliament and are now waiting to be signed into law. The Minister's reference to 'the rollout of ... Aarto service outlets at selected driving licence testing centres' nationwide would possibly indicate that the points demerit system will be delayed and is still a long way off. The 2015 Aarto Amendment Bill's 'D' version provides for rehabilitation programmes for habitual infringers; establishes an appeals tribunal; addresses 'challenges and inefficiencies' identified during a 'pilot phase' in Tshwane and Johannesburg when the points demerit system was presumably tested; and facilitates financial sustainability on the part of the road traffic infringement authority and its issuing authorities so they can proceed with 'proper implementation'.

The following are very important implications of the Bill on Municipalities, once it is signed by the President:

1. **Municipal Courts:** Those Municipalities that have established Municipal Courts will have very little further use for the Courts, other than utilising the Courts to enforce Municipal By-laws and Building Control Regulations. The Bill has completely removed the involvement of the courts from the AARTO process. One of the objects of the act is "to alleviate the burden on the courts of trying offenders for infringements". This provision may well be in contravention of Section 34 of the Constitution.

In terms of Section 17(1) of the Bill, an infringement notice must be served by an authorised officer on alleged traffic offenders, instead of a notice contemplated in sections 56 or 341 of the Criminal Procedures Act, 1977. Service of documents will be either personal, by post or by means of electronic service. A document which is sent to an infringer is deemed to have been served on the infringer on the tenth day after posting of the document or of the electronic service.

An offender may no longer elect to be tried in a court on a charge of having committed an alleged traffic offence. The process will therefore mostly be an administrative process as described in the Bill. Those Municipalities who are in the process of establishing a municipal court or who are considering establishing a municipal court, should therefore reconsider until such time as the Bill is signed into law.

2. **Discounts On Penalties:** The Road Traffic Infringement Authority (the Authority) will take over all administrative functions after an infringement notice has been served on an alleged offender. The penalty amounts in terms of the infringement notice will still accrue to the issuing authority under whose jurisdiction the infringement was committed, but any discounts given to an offender if the penalty is paid after 32 days of issuing, will accrue to the Authority. It is believed that this discount may be as high as 50% of the penalty amount. If the infringer fails to pay within 32 days, he must pay 100% of the fine. Half of that 100% payment will go to the municipality and the rest will accrue to the RTIA. This may have a major impact on

the income of a municipality, especially with regards to camera offences.

3. **Camera Offences (Speeding):** Most municipalities have outsourced this function to service providers in terms of tender processes. These service providers are normally paid a fixed rate on all notices which are paid by offenders, or where summonses are issued and the admission of guilt fines are either paid by the offender or where he/she is fined in court.

As the Bill provides for infringement notices which will be served on offenders, instead of notices contemplated in sections 56 and 341 of the Criminal Procedures Act, it therefore follows that the service providers will not be able to issue camera notices and summonses if the offender does not pay the fine imposed. Infringement notices will have to be served. The problem which is foreseen, is that penalties reduced by the Authority, may result in a loss for the Municipality if the reduced amount is below the amount to be paid over to the service provider. For example: In terms of the service level agreement with the service provider, an amount of R80 must be paid to the service provider for every successful payment of a notice issued by the service provider. Should the amount of the notice be R100.00 and the Authority reduces the amount by 50%, the Municipality will be R30.00 short on the transaction.

It is therefore important to structure any tender for the outsourcing of this service very carefully. It is reported that Cape Town will not be impacted by the last point as the service provider will be paid a small fee for every fine that is successfully captured or uploaded into the NCR – not only when the infringement is paid.

### **AMENDMENTS TO THE AMENDED GENERIC CODES OF GOOD PRACTICE ON B-BBEE: AMENDED GENERIC B-BBEE CODES OF 2013 (CODES)**

On 9 April 2019, the then Minister of Trade and Industry, Rob Davies, signed four amendments to the Amended Generic B-BBEE Codes of 2013 (Codes). These amendments were gazetted at the end of May 2019 and will come into effect on

31 November 2019. Some of the amendments to be aware of are:

### **Amendments to Amended Codes Series 000: General Principles**

The deemed Level Two Contributor status, available to 51% Black owned exempted micro-enterprises (EME) or qualifying small enterprises (QSE) will only be available to such entities if they are at least 51% Black owned on a flow-through basis. Similarly, the deemed Level One Contributor status, available to 100% Black owned EMEs or QSEs will only be available to such entities if they are 100% Black owned on a flow-through basis. Unincorporated joint ventures will be measured by providing for the compilation of a consolidated verification certificate using the compliance data of the joint venture partners in proportion to their shares in the joint venture.

### **Amendments to Amended Code Series 300: Skills Development**

The 6% target for skills development expenditure on learning programmes for Black People has now been reduced to 3.5%. The weighting has been reduced from 8 to 6 points. A new sub-element for skills development expenditure on bursaries for Black students has now been introduced. The target for this sub-element is 2.5% for 4 points. The target for the number of Black People participating in learnerships, apprenticeships and internships as a percentage of total employees no longer includes a specific target for Black unemployed people. It is now set at 5% for a total of 6 points. The 5 bonus points for absorption by a measured or industry entity at the end of a learnership is clarified to also pertain to internships and apprenticeships. The calculation of the 40% minimum threshold to avoid discounting by one BEE level is calculated by excluding bonus points. Recognition for skills development expenditure arising from informal and workplace learning programmes was previously limited to 15% of the total value of skills development expenditure. It has been increased to 25%.

### **Amendments to Amended Code Series 400: Enterprise and Supplier Development (including Preferential Procurement)**

As noted above, clarity has been provided that, for an entity to meet the 40% minimum threshold to avoid discounting by one BEE level for this element, the



calculation of the 40% cannot include bonus points. In other words, in order to achieve the minimum threshold of this priority element, an entity must achieve at least 10 points for procurement, 4 points for supplier development and 2 points for Enterprise Development. The target for procurement from 51% Black owned companies has increased from 40% of total procurement spend to 50% of total procurement spend, and the number of points awarded for such procurement has increased from 9 points to 11 points. The criteria to receive the multiplying factor of 1.2, for procurement from a recipient of supplier development contributions, is no longer limited to QSEs or EMEs. It may now also be claimed for procurement from large entities which are 51% Black owned on a flow-through basis.

Beneficiaries of enterprise development or supplier development initiatives which are currently limited to EMEs and QSEs that are 51% Black owned, now also include large entities (which are 51% Black owned on a flow-through basis) provided that

when the entity first received assistance from the measured entity, the Beneficiary was an EME or QSE. Recognition for assistance to 51% Black owned large entities will be limited to five years from the time when the beneficiary first received assistance from the measured entity. A Supplier Development Beneficiary is a part of the Measured Entity's supply chain, whereas an Enterprise Development Beneficiary is not. The 3% of the amount of any guarantee provided, that could be recognised as supplier or enterprise development contributions, has now increased to 50%. This should act as a major catalyst for companies providing guarantees rather than having to actually spend money. This has both positive and negative consequences. The amendments to this element of the generic scorecard are likely to act as a catalyst for the implementation of 51% Black ownership transactions.

**Amendments to the Schedule 1 to the Codes which contains the interpretation and definitions sections**

Some more noteworthy changes include:

- The term "Absorption" for purposes of the Y.E.S B-BBEE recognition targets and the Skills Development bonus points are no longer confined to Learners and includes employees, interns and apprentices.
- The new defined term, "Designated Group Supplier", has been introduced. It refers to a supplier that is not only 51% Black owned but also owned by unemployed Black people, Black youth, Black people with disabilities; black people living in rural and underdeveloped areas and/or Black military veterans. This term was not previously defined. Its introduction provides clarity on how to earn the 2 points on the preferential procurement scorecard to procure from a Designated Group Supplier.
- The fifth criteria to qualify as an "Empowering Supplier" which was introduced in May 2015 has been deleted. This read "at least 85% of labour costs should be paid to South African employees by service industry entities". Now large enterprises must comply

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with three out of the four remaining elements to qualify as an Empowering Supplier.

- The term “long-term contract of employment”, defined as “a legal agreement between an individual and an entity that this individual would work for until his or her mandatory date of retirement”, has been introduced. This relates to the definition of the term “Absorption”.
- The introduction of a definition of “Current Equity Interest Date” clarifies the determination of the graduation factor calculation for “Net Value”.

Reference: Webber Wentzel/News/ Amendments to the Amended Generic Codes of Good Practice on B-BBEE/

### **DIVISION OF REVENUE ACT 1 OF 2018**

(Notice 256, Government Gazette 42258 of 1 March 2019 and notice 292, Government Gazette No. 42277 of 4 March 2019 and notice 430 of Government Gazette 42318 of 18 March 2019)

The Division of Revenue Act, the amendments, the stopping and re-allocation of funds in terms of the Act and various schedules have all been published.

Allocations to municipalities must be incorporated into the budget of the municipality. If this was not done in the annual approval process, then there must be an adjustment approved to bring in the grant funds allocated and the related expenditure on the projects to be funded.

### **ALLOCATIONS OF THE SHARING OF THE GENERAL FUEL LEVY TO METROPOLITAN MUNICIPALITIES FOR THE 2019/20 FINANCIAL YEAR**

(Notice 694, Government Gazette 42474 of 24 May 2019)

The allocations of the fuel levy to the eight metropolitan municipalities were published. This contribution is in lieu of the old Regional Services Council (RSC) Levies that were abolished.

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

(GN 525, 526 and 527 in Government Gazette 42368 of 1 April 2019)

Investigations and Special Audits Regulations were published, (pg. 4), together with the Material Irregularity Regulations (pg. 14) and Regulations on Audits by Auditors in Private Practice published.

### **PUBLIC AUDIT AMENDMENT ACT 5 OF 2018**

(Proclamation 13 in Government Gazette 42317 of 18 March 2019)

These amendments commence on 1 April 2019. It substitutes the expression ‘Auditing Profession Act’ for the expression ‘Public Accountants’ and Auditors’ Act’, wherever it occurs, and the expression ‘executive authority’ for the expression ‘executive authority within the meaning of the Public Finance Management Act’, wherever it occurs in the Public Audit Act 25 of 2004

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

(Board Notice 33 Government Gazette, 42323 of 22 March 2019)

The Independent Regulatory Board for Auditors (IRBA) has published a notice of adoption of international quality control, auditing, review, other assurance and related services pronouncements. The Independent Regulatory Board for Auditors (the IRBA) hereby resolved to adopt, issue and prescribe the following publications known as the:

1. Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2018 Edition Volume I, ISBN 978-1-60815-389-3.
2. Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2018 Edition Volume II, ISBN 978-1-60815-389-3.
3. Supplement to the Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2018 Edition Volume III, ISBN 978-1-60815-389-3.

References to the IESBA Code of Ethics for Professional Accountants must be read in conjunction with the IRBA Code of Professional Conduct for Registered Auditors (the Code). The Code has additional requirements for registered auditors in South Africa.

The Board deems these to have been prescribed without the publication of the entire books. As such, it communicates their adoption to registered auditors as well as makes them available on the IRBA’s website. The Code and subsequent amend-

ments are also available on the IRBA website.

### **PUBLIC PROTECTOR AND TAX OMBUD SIGN MOU**

The Public Protector and Tax Ombud have signed a memorandum of understanding aimed at cultivating ‘sound principles of public administration, good governance and public accountability’ at SARS. The two institutions will co-operate on investigations into procedural or administrative matters arising from the application of tax laws and the alleged or suspected unfair treatment of taxpayers by SARS. They will also collaborate on public awareness programmes.

### **4<sup>TH</sup> INDUSTRIAL REVOLUTION COMMISSION APPOINTED**

The names of members of a presidential commission on the 4th industrial revolution were gazetted along with the commission’s terms of reference. Tasked with identifying the policies, strategies and plans required to ‘position’ SA as a leader in ‘the evolution and development of the 4th industrial revolution’, among other things the commission will advise government on ways of ‘enhancing’ global competitiveness. It will also make recommendations on research and skills development, ways of ‘enabling relevant infrastructure’ and interventions to promote and support entrepreneurship in key fields of endeavour.

### **NATIONAL QUALIFICATIONS FRAMEWORK ACT 67 OF 2008**

(GN 431 and 432 in Government Gazette 42319 of 18 March 2019)

The Addendum on the Recognition of Qualifications of Refugees and Asylum Seekers has been published - GN 431.

Amendments to the National Policy and Criteria for the Implementation of Recognition of Prior Learning have also been published - GN 432.

### **DEPARTMENT OF HIGHER EDUCATION AND TRAINING**

(GN 437 in Government Gazette 42323 of 22 March 2019 - pg 158)

Fees for Services Rendered at the Institute for the National Development of Learnerships, Employment Skills and Labour Assessments (INDLELA) were published and are effective from 1 April 2019. **G**

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# REPORTING REQUIREMENTS - LOCAL GOVERNMENT

## MAY

NO	REPORTING REQUIREMENT	LEGISLATION	LEGISLATION DEADLINE	RESPONSIBLE PERSON	TO WHOM
1	Change of Primary Bank account details	MFMA 8(5)	30 Days before effecting	Accounting Officer	Nat Treas, Prov Treas, AG
2	Details of a new bank accounts	MFMA 9(a)	90 Days after opening	Accounting Officer	Prov Treas, AG
3	Banking details of all mun bank accounts	MFMA 9(b)	Annually, May/June	Accounting Officer	Prov Treas, AG
4	Exceedance of the Capital Budget	MFMA 31	Promptly	Mun Manager	Prov Treas, AG
5	Unauthorised, irregular, wasteful or fruitless expenditure	MFMA 32(4)	Promptly	Accounting Officer	Mayor, MEC (Loc Govt), AG
6	Advertise/advise new long-term debt	MFMA 46(3)(a)(ii)	Promptly	Accounting Officer	Nat Treas, Prov Treas, Public
7	Serious financial problems	MFMA 54(2)	Promptly	Mayor	Mun Counc, MEC (Loc Govt)
8	Impending shortfalls in budgeted revenue & over-spending & steps taken to prevent / rectify	MFMA 70(1)	Promptly	Accounting Officer	Municipal Council
9	Overdrawn bank accs, reasons, rectifying	MFMA 70(2)	Promptly	Accounting Officer	Nat Treas
10	Statement: Budget etc per requirements	MFMA 71(1)	1-10 Days after month-end	Accounting Officer	Mayor, Prov Treas
11	Failure to adopt / implement budget related policies	MFMA 73	Promptly	Accounting Officer	Prov Treas
12	Returns, documents, information, explanations & motivations as prescribed	MFMA 74(1)	As prescribed	Accounting Officer	Nat Treas, Prov Treas, AG, Lgovt
13	Entity - details of a new bank account	MFMA 86(1)(a)	90 Days after opening	Entity Acc Officer	Acc Officer of parent Mun
14	Entity - details of a all bank accounts	MFMA 86(1)(b)	Annually, May/June	Entity Acc Officer	Acc Officer of parent Mun
15	Submit info re entity banking details	MFMA 86(2)	Upon Receipt	Accounting Officer	Nat Treas, Prov Treas, AG
16	Entity - Stmtnt: budget etc per requirements	MFMA 87(11)	1-10 Days after month-end	Entity Acc Officer	Acc Officer of parent Mun
17	Entity - Impending shortfalls & steps	MFMA 101(1)	Next meeting	Entity Acc Officer	BOD of entity, Parent Mun & Counc
18	Table report above	MFMA 101(2)	Next Council meeting	Accounting Officer	Municipal Council
19	Entity - Unauthorised, irregular, wasteful or fruitless expenditure	MFMA 102(1)	Promptly	BOD of entity	Mayor, Mun Mngr of parent mun
20	Entity - Returns, documents, information, explanations & motivations as prescribed	MFMA 101(1)(b)	As prescribed	Entity Acc Officer	Nat Treas, Prov Treas, AG, Lgovt
21	Entity - Improper interference by Cllrs	MFMA 103	Promptly	Entity Acc Officer	Speaker of parent mun Council
22	Deviations from a recommended tender	MFMA 114(1)	Promptly	Accounting Officer	Nat Treas, Prov Treas, AG
23	Entity - Deviations from a recom. tender	MFMA 114(1)	Promptly	Entity Acc Officer	Nat Treas, Prov Treas, AG
24	All monthly returns (MFMA, DORA, etc)		10 Days after month-end	Acc Officer etc	Nat Treas
25	Non-Financial Census of Municipalities	Stats Act (1999/16)	End May	Acc Officer etc	Statistics SA

# JUNE

(4<sup>TH</sup> QUARTER OF FINANCIAL YEAR)

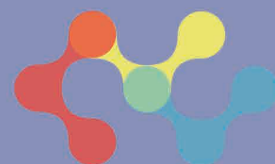
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1	Change of Primary Bank account details	MFMA 8(5)	30 Days before effecting	Accounting Officer	Nat Treas, Prov Treas, AG
2	Details of a new bank accounts	MFMA 9(a)	90 Days after opening	Accounting Officer	Prov Treas, AG
3	Banking details of all mun bank accounts	MFMA 9(b)	Annually, May/June	Accounting Officer	Prov Treas, AG
4	Exceedance of the Capital Budget	MFMA 31	Promptly	Mun Manager	Prov Treas, AG
5	Unauthorised, irregular, wasteful or fruitless expenditure	MFMA 32(4)	Promptly	Accounting Officer	Mayor, MEC (Loc Govt), AG
6	Advertise/advise new long-term debt	MFMA 46(3)(a)(ii)	Promptly	Accounting Officer	Nat Treas, Prov Treas, Public
7	Serious financial problems	MFMA 54(2)	Promptly	Mayor	Mun Council, MEC (Loc Govt)
8	Impending shortfalls in budgeted revenue & over-spending & steps taken to prevent / rectify	MFMA 70(1)	Promptly	Accounting Officer	Municipal Council
9	Overdrawn bank accs, reasons, rectifying	MFMA 70(2)	Promptly	Accounting Officer	Nat Treas
10	Statement: Budget etc per requirements	MFMA 71(1)	1-10 Days after month-end	Accounting Officer	Mayor, Prov Treas
11	Failure to adopt / implement budget related policies	MFMA 73	Promptly	Accounting Officer	Prov Treas
12	Returns, documents, information, explanations & motivations as prescribed	MFMA 74(1)	As prescribed	Accounting Officer	Nat Treas, Prov Treas, AG, Lgovt
13	Entity - details of a new bank account	MFMA 86(1)(a)	90 Days after opening	Entity Acc Officer	Acc Officer of parent Mun
14	Entity - details of a all bank accounts	MFMA 86(1)(b)	Annually, May/June	Entity Acc Officer	Acc Officer of parent Mun
15	Submit info re entity banking details	MFMA 86(2)	Upon Receipt	Accounting Officer	Nat Treas, Prov Treas, AG
16	Entity - Stmtnt: budget etc per requirements	MFMA 87(11)	1-10 Days after month-end	Entity Acc Officer	Acc Officer of parent Mun
17	Entity - Impending shortfalls & steps	MFMA 101(1)	Next meeting	Entity Acc Officer	BOD of entity, Parent Mun & Council
18	Table report above	MFMA 101(2)	Next Council meeting	Accounting Officer	Municipal Council
19	Entity - Unauthorised, irregular, wasteful or fruitless expenditure	MFMA 102(1)	Promptly	BOD of entity	Mayor, Mun Mngr of parent mun
20	Entity - Returns, documents, information, explanations & motivations as prescribed	MFMA 101(1)(b)	As prescribed	Entity Acc Officer	Nat Treas, Prov Treas, AG, Lgovt
21	Entity - Improper interference by Cllrs	MFMA 103	Promptly	Entity Acc Officer	Speaker of parent mun Council
22	Deviations from a recommended tender	MFMA 114(1)	Promptly	Accounting Officer	Nat Treas, Prov Treas, AG
23	Entity - Deviations from a recom. tender	MFMA 114(1)	Promptly	Entity Acc Officer	Nat Treas, Prov Treas, AG
24	All monthly returns (MFMA, DORA, etc)		10 Days after month-end	Acc Officer etc	Nat Treas

# REPORTING REQUIREMENTS - LOCAL GOVERNMENT

## JULY

NO	REPORTING REQUIREMENT	LEGISLATION	LEGISLATION DEADLINE	RESPONSIBLE PERSON	TO WHOM
1	Change of Primary Bank account details	MFMA 8(5)	30 Days before effecting	Accounting Officer	Nat Treas, Prov Treas, AG
2	Details of a new bank accounts	MFMA 9(a)	90 Days after opening	Accounting Officer	Prov Treas, AG
3	Cons report - all withdrawels each quarter	MFMA (11(4)	Within 30 days	Accounting Officer	Prov Treas, AG
4	Unauthorised, irregular, wasteful or fruitless expenditure	MFMA 32(4)	Promptly	Accounting Officer	Mayor, MEC (Loc Govt), AG
5	Advertise/advise new long-term debt	MFMA 46(3)(a)(ii)	Promptly	Accounting Officer	Nat Treas, Prov Treas, Public
6	Implementation of the budget & financial state of affairs	MFMA 52(d)	Within 30 days of each quarter	Mayor	Municipal Council
7	Serious financial problems	MFMA 54(2)	Promptly	Mayor	Mun Counc, MEC (Loc Govt)
8	Annual Budget not approved yet	MFMA 55	Promptly	Mayor	MEC (Loc Govt)
9	Impending shortfalls in budgeted revenue & over-spending & steps taken to prevent / rectify	MFMA 70(1)	Promptly	Accounting Officer	Municipal Council
10	Overdrawn bank accs, reasons, rectifying	MFMA 70(2)	Promptly	Accounting Officer	Nat Treas
11	Statement: Budget etc per requirements	MFMA 71(1)	1-10 Days after month-end	Accounting Officer	Mayor, Prov Treas
12	Failure to adopt / implement budget related policies	MFMA 73	Promptly	Accounting Officer	Prov Treas
13	Returns, documents, information, explanations & motivations as prescribed	MFMA 74(1)	As prescribed	Accounting Officer	Nat Treas, Prov Treas, AG, Lgovt
14	Entity - details of a new bank account	MFMA 86(1)(a)	90 Days after opening	Entity Acc Officer	Acc Officer of parent Mun
15	Entity - Stmnt: budget etc per requirements	MFMA 87(11)	1-10 Days after month-end	Entity Acc Officer	Acc Officer of parent Mun
16	Entity - Impending shortfalls & steps	MFMA 101(1)	Next meeting	Entity Acc Officer	BOD of entity, Parent Mun & Counc
17	Table report above	MFMA 101(2)	Next Council meeting	Accounting Officer	Municipal Council
18	Entity - Unauthorised, irregular, wasteful or fruitless expenditure	MFMA 102(1)	Promptly	BOD of entity	Mayor, Mun Mngr of parent mun
19	Entity - Returns, documents, information, explanations & motivations as prescribed	MFMA 101(1)(b)	As prescribed	Entity Acc Officer	Nat Treas, Prov Treas, AG, Lgovt
20	Entity - Improper interference by Cllrs	MFMA 103	Promptly	Entity Acc Officer	Speaker of parent mun Council
21	Deviations from a recommended tender	MFMA 114(1)	Promptly	Accounting Officer	Nat Treas, Prov Treas, AG
22	Entity - Deviations from a recom. tender	MFMA 114(1)	Promptly	Entity Acc Officer	Nat Treas, Prov Treas, AG
23	Prepare & submit Financial Statements	MFMA 126(1)(a)	1-2 months after Fin Y-end	Accounting Officer	AG
24	Entity - Prep & submit Fin Statements	MFMA 126(2)	1-2 months after Fin Y-end	Entity Acc Officer	Parent Municipality
25	Prep & submit Consolidated Fin Stmnts	MFMA 126(1)(b)	1-3 months after Fin Y-end	Accounting Officer	AG
26	Entity - Submit annual report	MFMA 127(1)	1-6 months after Fin Y-end	Entity Acc Officer	Municipal Manager
27	Table mun & entity annual report	MFMA 127(2)	1-7 months after Fin Y-end	Mayor	Municipal Council
28	Reasons for delay of tabling annual report	MFMA 127(3)(a)	Promptly	Mayor	Municipal Council
29	Submit Annual report	MFMA 127(5)	Immediately after report is tabled in Council	Accounting Officer	AG, Prov Treas, Prov Lgovt
30	Non-compliance & reasons of non-complia	MFMA 128©	Promptly	Accounting Officer	Mun Council, Prov Treas, AG
31	Submit copies of Council mtngs (annual report discussions)	MFMA 129(2)	Promptly	Accounting Officer	AG, Prov Treas, Prov Lgovt
32	All annual returns		Middle July	Acc Officer etc	Nat Treas
33	All monthly returns (MFMA, DORA, etc)		10 Days after month-end	Acc Officer etc	Nat Treas
34	All Quarterly returns (MFMA, DORA, etc)		20 Days after end of Qtr	Acc Officer etc	Nat Treas
35	Quarterly statistics of Local Government	Stats Act (1999/16)	3 Weeks after qtrr end	Acc Officer etc	Statistics SA
36	Actual & expected Cap Exp	Stats Act (1999/16)	3 Weeks after qtrr end	Acc Officer etc	Statistics SA





**mSCOA Solutions**  
Perfecting your mSCOA Compliance and Audit Preparation

## Services

### 1. mSCOA System Implementation Review

*(CISA Certified Systems Auditors)*

### 2. Business Process Review and Alignment

### 3. Project Management

### 4. Change Management

- Audit File/Circular/Legislative Compliance Review

### 6. Data Analysis & Transaction Review

- Segment Combination
- GL Review
- Transaction Review
- Audit Preparation
- mSCOA Business Intelligence
- Data String Testing & Analysis

### 8. mSCOA Training

- Accredited Trainers
- Non Accredited Training/Workshops mainly tailor-made per municipality to facilitate awareness and change management especially to non finance staff

### 10. Audit Preparation

- Review and or Preparation of Project Management (Documentation) File inline with mSCOA Regulations and Circular
- Review and or Preparation of IT Audit File (Documentation) in terms of the mSCOA Implementation

### 5. mSCOA Budgeting Support & Revenue

- mSCOA Budgeting Tool/System (Buy or Lease)
- Budget Breakdown Support
- Budget Adjustments Support
- A, B & C Schedules (Preparation, Review/Reconciliation)

### 7. mSCOA Reconciliations

- Bank Recon – Tool (Buy/Lease)
- Bank Recon – As a Service
- Supplier Reconciliations

### 9. Reporting

- Review and correction of all monthly and quarterly returns



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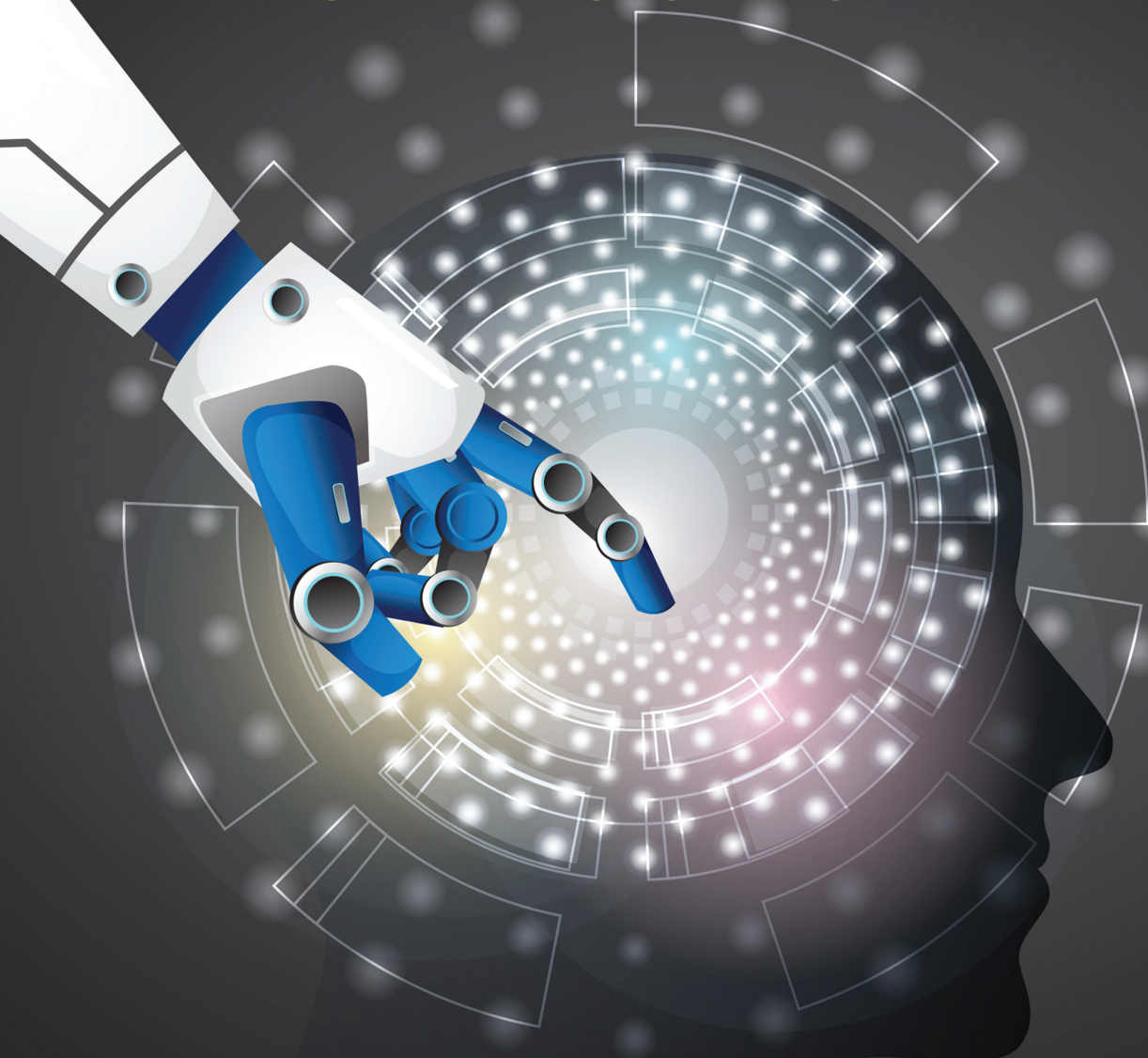
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