

# IMFO2016

## ANNUAL CONFERENCE

Sustaining Municipal Viability amidst  
the economic distress

3 - 5 OCTOBER 2016 • DURBAN ICC

**IMFO**  
INSTITUTE OF MUNICIPAL FINANCE OFFICERS



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# "The New Journey"

On the 9th of September 2016 it was my honour and privilege as President of IMFO to welcome honoured invitees to the Grand Opening Ceremony where we celebrated the attainment of yet another milestone in the journey of the Institute of Municipal Finance Officers.

This milestone is one of many such achievements in the 87 year history of this Institute. We celebrated the breaking of New Frontiers and Breaking New Ground and at this time it was befitting to reflect on our History, the Journey and the Future of the Institute. This was made more significant as we talk about the transformation of the Institute, in its membership composition, of its leadership composition, in its practices, its operations and related processes.

### The Formative Years of IMTA now IMFO

The records of the Institute of Municipal Treasurers and Accountants (now CIPFA), in England shows that in 1902, some of IMTA (CIPFA) members were in service in South Africa. In September 1913 one of the members working in South Africa, being Mr E B Scott the Town Treasurer of Ladysmith (now Emnambithi), wrote to the Institute in London about a proposal to establish a local branch of the CIPFA. At that time there were five (5) members in South Africa. The launch of the institute was however delayed due to the advent of World War 1.

In 1924 parliament in South Africa introduced the Society of Accountants (private) Bill which entailed the compulsory registration of accountants throughout the country. This meant that by default, accountants involved in Local Government were unqualified to practice as such. This became a key turning point in Local Government and a historic first significant milestone for IMFO. Local Government officials driven by common purpose came together to oppose the bill before parliament. In Local Government, the opposition was driven and coordinated by the South African Municipal Employees Association (SAAME), now called IMATU.

The Municipal Accountants were represented by Mr Arthur Collins of the English Institute (IMTA). Arthur was one of the students who qualified in the first IMTA examination held in England in 1903. He had a number of memberships including IMTA and the Society for Incorporated Accountants and Auditors. As they say the rest is history.

### The Role of Trade Unions in the establishment of IMFO (SAAME) now IMATU

This role although recorded in history was never highlighted and spoken about extensively. From what was mentioned earlier, it stands to reason that professional bodies in Local Government have been instrumental in fostering the professionalization agenda in Local Government.

### The Beginning

IMFO's journey is a long one. While the journey started in 1927, the preliminary conference was convened by the South African Municipal Employees Association (SAAME) and was held on the 13th of September 1927, wherein on the 14th of September 1927 the preliminary council was elected.

The Council in 1928 issued invitations to Municipal Treasurers to attend the Inaugural Conference on July 28 1928, which was held in Bloemfontein; the same place where the (ANC) was founded in 1912.

In 1929 the Institute was incorporated with its first developed and approved constitution and by-laws of the Institute. For the past 87 years there have been constitutional changes as the Institute grew with education for the profession, the setting of standards and examination of treasurers.

In 1930 the first curriculum was developed setting out eligibility, exemptions and special examinations, membership upliftment as well as special conferences and seminars.

### The Transformation

In 1988, the Municipal Accountants Profession Act was promulgated and later repealed due to the transformation requirement and the advent of the new democratic dispensation.

Despite the repeal of its statutory recognition the Institute continued to grow in leaps and bounds to support its members. The first Black President was Bethwell Jwili, the first female President was Marelize Fourie, the second female President was Louise Muller and the third

## Conference Program: Monday 03 October 2016

**Program Directors: Sidwell Mofokeng & Nelisiwe Ntlhola**

07:30 – 09:00	Late Registration	Conference Centre Foyer
09:00 – 09:10	National Anthem	Durban Music School
09:10 – 09:30 <b>S1</b>	Opening of the Conference	<b>Jane Masite</b> <i>IMFO President</i>
09:30 – 10:00 <b>S2</b>	Welcoming Address by the Executive Mayor	<b>Her Worship, Cllr Zandile Gumede</b> <i>Mayor of eThekweni Municipality</i>
10:00 – 10:30 <b>S3</b>	IMFO Presidential Address	<b>Jane Masite</b> <i>IMFO President</i>
<b>10:30 – 11:15</b>	<b>Refreshments And Viewing of Exhibition Stands</b>	<b>Exhibition Hall</b>
11:15 – 12:00 <b>S4</b>	Keynote Address: Integration of Traditional leadership governance with local authorities	<b>Deputy Minister Obed Bapela</b> <i>Cooperative Governance and Traditional Affairs</i>
12:00 – 12:30 <b>S5</b>	Towards implementation of a local government integrity framework: Municipalities putting in place measures to fight fraud, theft & corruption	<b>Sonwabo Gqegqe</b> <i>SALGA</i>
12:30 – 13:00 <b>S6</b>	State of economic growth and the impact on job creation	<b>Ajiv Maharaj</b> <i>eThekweni Metropolitan Municipality</i>
13:00 – 13:30 <b>S7</b>	Doing Business in South Africa	<b>Carli Venter</b> <i>World Bank</i>
<b>13:30 – 14:45</b>	<b>Lunch And Viewing of Exhibition Stands</b>	<b>Exhibition Hall 2</b>
14:45 – 15:15 <b>S8</b>	The revised draft raw water pricing strategy and the Norms and Standards for tariff setting	<b>Sizani Moshidi</b> <i>Dept. of Water Affairs &amp; Sanitation S.A</i>
15:15 – 16:00 <b>S9</b>	<b>Program Director: Peter Ndoro</b> <b>Panel discussion</b> Salaries of s56 employees and other employees. Are they justified considering the economic distress? Impact of Municipal remuneration on budget	Krish Kumar, eThekweni Municipality Eduard Le Roux, National Treasury Muthotho Sigidi and Tebogo Motlashuping, COGTA Sidwell Mofokeng and Jane Masite, IMFO
16:00 – 16:10	Closure	
16:10 – 17:00	<b>IMFO AGM</b>	
<b>16:10 – 18:00</b>	<b>Viewing of the Exhibitors stands</b>	
<b><i>CIGFARO Mayoral Reception &amp; Awards Ceremony Dinner</i></b>		
<b>Time: 18h00 to late</b>	<b>Venue: Durban ICC</b>	<b>Theme: Rainbow Nation</b>
		<b>Dress code: Traditional Attire</b>

**IMPORTANT: VENUE THIS EVENING IS DURBAN ICC**

### PROGRAMME DIRECTORS



Nelisiwe Ntlhola



Sidwell Mofokeng



Peter Ndoro

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and first Black female President after 85 years was Jane Masite. Each of these key milestones in the transformation journey has helped focus and refocus the Institute's direction.

Since its inception, IMFO has been undergoing various transitions and transformations, both informed by the changes in the country [socio-economic and political], as well as particular changes that were taking place in local government. Just to reflect on the extract of the message from the former president Honourable Mr Thabo Mbeki, when the Institute celebrated its 75th anniversary in 2004, I quote, **“The manner in which IMFO responds to the new democratic imperatives and to the MFMA will determine how relevant and influential it will be in the changing landscape of local government”** unquote.

Organisations that are responsive demonstrate the ability of foresight, agility, flexibility and adaptability. The journey travelled thus far by the Institute has been characterised by the challenges that require this type of responsiveness. The focal point of the Institute in the early years of inception was the creation of a professional body which would establish and maintain high standards of professionalism among municipal practitioners.

**Unveiling of New Name, New Building and Our Future Vision**

As we are breaking new ground and continue to push frontiers, like the leaders and builders before us, the project that we are celebrating has required leadership, foresight, careful planning and tenacity and this step has in fact been years in the making!

Our new name Chartered Institute of Government Finance Audit and Risk officers (CIGFARO), bears testimony to that. Our scope of membership has long extended beyond Local Government and hence the requirement in our name to be inclusive. Today we have members across government including public entities. Whilst we embark on the change of name, our symbols are enhanced and aligned to a new meaning of our journey.

**Appointment of New CEO**

I am also proud to announce the recent arrival of the newly appointed Chief Executive Officer, Mr Abbey Tlaetsi, whom joined us in August 2016, seven weeks before the Annual Conference. He has landed at the right time with the launch of the new name for IMFO and re-opening of the new building.

**On behalf of the leadership of the Institute, I want to extend our gratitude to all who played a role in our journey from the formative years to this day. We look forward to collaborating going forward.**



**CUTTING THE RIBBON TOWARD THE FUTURE**

As noted in the previous article, on 9 September 2016 CIGFARO, previously IMFO, took a huge step forward. In cutting the ribbon of the new office complex, which will in future house the Institute, a new era was entered. At last the new building could be occupied.

The auspicious occasion was attended by approximately hundred and fifty distinguished guests and staff members. CIGFARO President, Jane Masite, welcomed Vice President Sidwell Mofokeng, who was also the Chairman of the building committee. He had obviously done a great job in turning an AGM decision, into a reality.

She then welcomed all the Past Presidents, Board and ordinary members who could attend. The new CEO, Abbey Tlatetsi and all staff members were also welcomed. Jane referred to the ground breaking and sod turning ceremony which took place on 14 August 2015. Since then a huge amount of work and the grand sum of R17 million had gone into creating this new CIGFARO home. Furthermore, many people had made inputs into the conceptualisation, planning and execution of the project. A vision had been turned into reality.

This new building was a very clear symbol of progress. Now the Institute was ready to face a rapidly changing and very competitive world. BREXIT a few months earlier and a very robust political landscape in South Africa, was indicative of democracy in operation. The project just completed had required leadership, foresight, careful planning and tenacity. IMFO had over 87 years made a positive contribution towards the professional development of its members. CIGFARO will in future take up the baton.

Finally the President thanked everyone that had the foresight, courage and perseverance to turn an AGM decision into reality.

She concluded in the words of the great leader, Tata Madiba: **“It’s in our hands”** before cutting the ribbon of the gate, thereby declaring the building officially opened.





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# South African municipalities face twin challenges of low growth, infrastructure backlog

## Daniel Mazibuko

South African municipalities' credit quality is closely linked to that of the sovereign, reflecting the financial and institutional ties between them, as well as their shared dependence on national economic conditions. While some rated entities, in particular metropolitan municipalities (metros), continue to perform strongly, almost all currently carry a negative outlook, mirroring the negative outlook on the South African sovereign rating of Baa2.

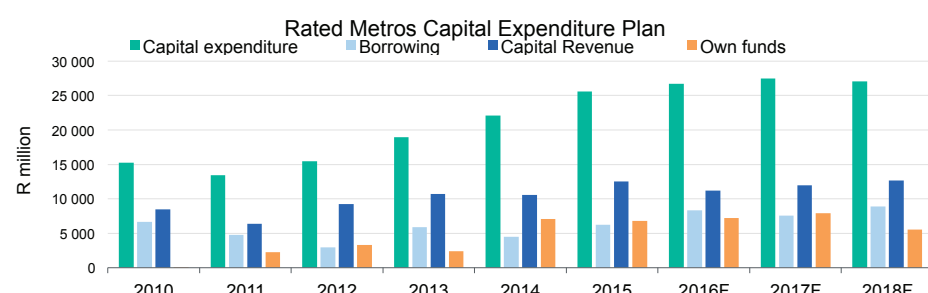
This is partly because the South African economy, and therefore the financial prospects of the country's sovereign and sub-sovereign governments alike, is at present characterized by low GDP growth, high unemployment, and high levels of consumer debt.

Although unlikely in the medium term, prolonged low GDP growth and high inflation could force the national government to cut transfers to municipalities. Smaller, local and district municipalities, which are largely dependent on central government funding, would be worst affected; while the impact on metros and other local municipalities that have diversified economies and who generate 70-80% of revenues from their own sources, would be more moderate. Local municipalities, which generate a similar proportion of own-source revenues but have smaller economies, would also be relatively unscathed.

The negative outlook on most rated municipalities also reflects their limited financial autonomy. Municipalities' role as utility service providers is a constraint on metros and local municipalities. This is due to a high proportion of their operating revenue stemming from electricity sales, which are heavily influenced by tariff adjustments decided at national level by the National Energy Regulator of South Africa (NERSA). Electricity revenues accounted for about 40% of the municipal sector's own source revenues in 2015. Municipalities also have limited influence when it comes to bulk purchases (including purchases of electricity and water), and salary costs.

Despite the weak economic environment, South African rated metros' financial performance remains strong. Their operating revenues have grown by 12% on average over the past five years and they have generally maintained a strong liquidity position. This has enabled them to diversify their funding sources and finance a larger proportion of their capital expenditure from own sources (see Exhibit 1 below).

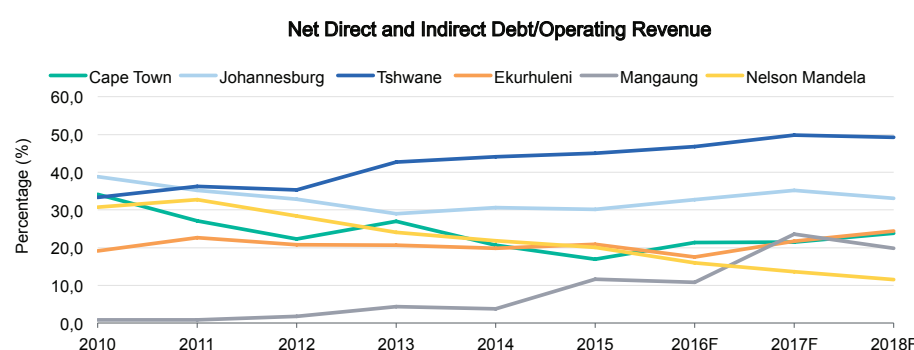
Exhibit 1



Source: Moody's calculations on metros financial statements and Budget

The six rated metros (Cape Town, Ekurhuleni, Johannesburg, Nelson Mandela Bay, Tshwane and Mangaung) are able to attract and retain highly skilled personnel, and therefore have generally sound financial management. Consistently strong operating balances have allowed them to maintain moderate debt levels over the past three years, despite a substantial increase in capital expenditure (see Exhibit 2). The rated metros are largely rated at or close to the sovereign rating of Baa2. This makes it more likely that their rating would change in the event of a change in the sovereign rating

Exhibit 2



Source: Moody's calculations on metros financial statements and Budget

South African municipalities also face a growing infrastructure investment backlog. According to the national government, the sector's existing sources of finance - internally generated funds and central government transfers - are insufficient to meet its high infrastructure investment needs.

South Africa's national government sees expanding and deepening the sub-sovereign credit market as critical to providing municipalities with more long-term infrastructure funding. So far, four of the eight metropolitan municipalities (City of Johannesburg, City of Cape Town, Ekurhuleni Metropolitan Municipality and City of Tshwane) have entered the debt capital market, and we believe other metros will follow suit in the medium term.

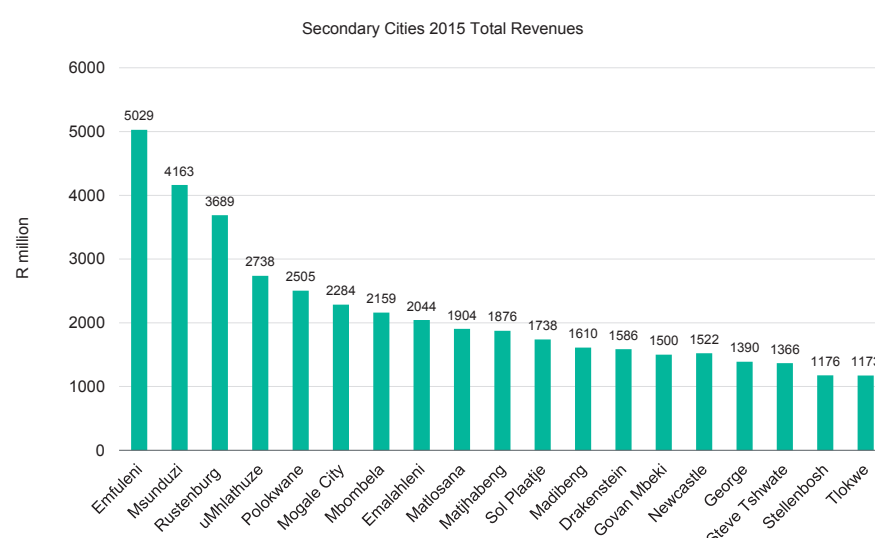
The rated metros are planning to spend a sizable R81 billion on capital infrastructure as part of their 2016-18 expenditure framework. This should result in a moderate increase in their debt-to-operating revenue ratio in the medium-term. An increased focus on capital expenditure will result in a marginal financing deficit.

Over the 2016-18 period, these metros aim to fund 45% of their capital expenditure from government transfers and 30% by borrowing, with own funds covering a further 25%. The proportion of capital investment financed from metros' own funds has increased substantially over the past six years, in a sign that they are able to maintain high revenue collection rates and strong liquidity positions.

Local municipalities, in particular secondary cities, have also experienced an increase in population and now face infrastructure backlogs of their own, although these are smaller than the metros'. Local municipalities' debt as a proportion of operating revenues ranges from low to moderate, with some outliers. Ratings Agency, Moody's believes most of them have the capacity to increase their borrowing to fund their capital infrastructure requirements without jeopardising their financial profiles. Potential challenges include low revenue collection rates and under-spending of the capital budget. This would hold back the elimination of their infrastructure backlogs, consequently delaying the provision of basic services to communities. Revenue collection remains a challenge for most local municipalities, and effort is required in this area if they are to improve their cash and liquidity.

### Secondary Cities have a growing revenue base

Exhibit 4



Source: Moody's calculations on metros financial statements and Budget

### Quote of the Day

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Steve Jobs





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# THE STATE OF THE ECONOMY

Yusuf Aboojee – Senior Manager: Strategy & Special Projects – MBD

South Africa's Economy in Crisis. This was headline news and featured on all the large news networks around the world earlier this year. This came after Finance Minister, Pravin Gordhan had cut South Africa's growth forecast for 2016 to 0.9% from the expected 1.7%, as well as continuous threats about downgrades from international rating agencies. With municipalities owed more than R113 billion in debt and the gross debtor's book from credit providers growing to R1.7 trillion as of the first quarter of 2016, the coming months could see a difficult year ahead for consumers, companies and the public sector alike. This opinion piece will show some of the economic factors that are currently impacting the economy and consumers alike, their ability to service their debt, as well as the impact on municipal revenue management.

Although the second quarter has seen a 3.3% growth from the previous quarter, Minister Gordhan still predicted that growth will not be above 1%. The Finance Minister further indicated that the country faces a challenging two months as government, business and labour work towards avoiding a downgrade, but he was confident that the end result would be in favour of the South African economy.

However, South Africa is in a flux with economists arguing about whether a recession is going to occur or whether the country is already in a recession. Both the private and public sectors are experiencing a number of financial and revenue management challenges that hamper their ability to provide effective business solutions and service delivery. The consumers that they service either cannot pay for the services that they utilize or will not pay their outstanding arrears thus prompting companies and public sector entities alike to reemphasize the importance of revenue collection processes.

This financial strain on the economy is due primarily to a volatile currency, political instability and a drop in international investor confidence in the country. Nationally rising unemployment, increases in the price of electricity and food and an increase in the bank repo rate, has added to the pressure on an already financially constrained consumer, leading to a decrease in customer spending. Although there has been an improvement in inflation and a drop in fuel costs, these are not combatting the effects of the increases mentioned. Consumer's disposable income is dropping and consumer confidence is down as they try to find ways in order to battle the crisis. Furthermore, research from MBD shows that the number of individuals unable to service their debt has increased with unemployment and financial strain is used as the biggest reason for non-payment.

Municipal environments should therefore brace themselves for an increase in outstanding arrears as rising unemployment leads to consumers defaulting on service payments. There will also be an increase in discontentment as individuals start to blame government and government policies for the state of the economy. This is already being seen with the national #FeesMustFall strike.

However, it's not all doom and gloom. South Africa has just gone through a free and fair municipal elections process which saw changes occur in some of the major South African economic hubs. There is currently a feel good factor and expectation from the population to see what benefits arise out of this change. There has also been an improvement in investor confidence and tourism is up. The South African rand is also showing signs of improvement, while inflation has dropped to 5.9% after months of being higher. These factors could see South Africa come out of the slump and if Minister Gordhan's prediction about the downgrade is correct, then we are definitely on our way to growth in the next year. Watch this space.

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# IMFO engaged with the newly elected SALGA Gauteng Chairperson, Councillor Busi Modisakeng, the Executive Mayor of Sedibeng District Municipality



## Tell us about the 2016/17 SALGA Gauteng Provincial Conference

The SALGA constitution make provision for the convening of the provincial and national conference. In line with the SALGA constitution, the National Conference and the Provincial Conference shall be held within 90 days and 60 days respectively, after the general local government election. The SALGA-Gauteng

conference was held on the 29th to the 30th of September 2016 at Emperors Palace in Kempton Park, subsequent to the local government election which took place on the 3rd of August 2016.

## Kindly outline the key priorities which would be rolled out within the term of office in SALGA-Gauteng

### Priority One (1)- Training for Councillors serving in the Finance Committees

A comprehensive and integrated provincial induction programme for the newly elected Councillors was convened on the 5th to 9th of September 2016, post the local government election, with the objective of paving a way for member municipalities in preparation for their roles and responsibilities in respective portfolios. However as the newly elected Chair, I would ensure that the province roll out the specific focused training on municipal financial management, covering the following aspects amongst others, namely:

- Local Government Equitable Share Formula (LGES)
- Intergovernmental Debt Project and
- Billing Project.

### Priority Two (2)- Pooled Financing Mechanisms

Post the City of Johannesburg and FMDV Seminar on Innovating Financing for South African Cities, which was held on the 28-30 January 2015, the then SALGA-Gauteng Provincial Executive (PEC) established a Pooled Financing Task Team under the leadership of Councillor Makhubo from the City of Johannesburg. The latter team was tasked to facilitate the development of a detailed business case to consider the opportunities, relevance and benefits of a pooled financing mechanism for Gauteng municipalities. Therefore as the new PEC, we will ensure that opportunities with regard to pooled financing mechanisms are shared or provided across member municipalities in Gauteng, despite the respective categories, and taking into consideration that the province has managed to get a buy in from various sectors such as National Treasury and Development Bank of South Africa (DBSA).

### Priority Three (3)- Municipal Standard Chard Of Accounts (MSCOA)

The mSCOA Regulation stipulates that the prescriptive classification framework as determined by the seven segments and associated detail as contained in the Schedule, must be embedded within the posting level in the mSCOA general ledger i.e. master data tables, with the aim of mapping a uniformity across municipalities in ensuring standardized reporting. Therefore it is imperative for SALGA Gauteng to partner with Provincial Treasury and ensure continuous trainings on the latter, with the objective of ensuring that member municipalities meet the set implementation target of 2017.

### Priority Four (4) Devolution of Functions

The Constitution promotes a system of cooperative governance amongst the three spheres of government. Chapter 3 of the Constitution establishes such a system with national, provincial and local government being distinctive, interdependent and interrelated.

This system aimed to ensure effective and efficient service delivery as per the principles of fiscal decentralisation while promoting a government of national unity. Within this cooperative governance framework, the Constitution and supporting legislation, such as the Municipal Systems Act (MSA), makes provision for the assignment of national and provincial functions to local government. This arrangement is stipulated in Section 156(4) and Section 126 of the Constitution and emphasizes that such assignments should be undertaken: (1) with the agreement of local government (2) if such a function is more efficiently delivered locally and (3) that the municipality (or municipalities) in question has sufficient capacity to undertake the service responsibility. As per this arrangement or otherwise, important provincial competencies currently carried out by some municipalities include the provision of library services, primary health care and museums.

In addition, services such as housing, transport and roads are concurrent in nature, with various aspects of these functions being undertaken by all three spheres of government. The provision of these services is undertaken in the spirit of cooperative governance, with each sphere responsible for certain aspects of services. Whilst promoting the devolution of service delivery powers and functions, the Constitution also ensures that each sphere have revenue instruments (a combination of own revenue and grants) to support the delivery of such services, under the principle of funding following the function devolution. However, in cases where provinces have assigned specific provincial functions to local government as part of the legislation described above, municipalities deliver the service to communities, hence incurring the expenditure responsibility, while the revenue instruments stays with the province. Therefore as the newly elected Gauteng PEC, will continue to lobby and advocate on behalf of member municipalities in addressing the aforementioned challenges.

### Priority Five (5) Municipal Infrastructure

The South African Local Government Association (SALGA), proposed a review of a Local Government Infrastructure grant, taking into account that the Municipal Infrastructure Grant would complement the equitable share for local government, although it would not be provided unconditionally to municipalities. Further to that there are a number of other grants to municipalities which need to be considered in an integrated way by municipalities.

Decisions relating to the prioritisation of municipal infrastructure spending, such as the identification, selection, repairs, maintenance and approval of projects, are best undertaken at municipal level, with the operating finance and management arrangements should be in place; a degree of national and provincial influence over capital spending, expressed through clear norms, standards and spending conditions must be retained; and unintended consequences should be limited and the grant must promote sound management practices, not the reverse. It is therefore in this background that SALGA at the provincial level will lobby for the review of allocation of infrastructure grant at the municipal level.





In many respects the penny has dropped during the past year. South Africans have come to realise that we are generally living way above our means. Debt levels in both government and the private sector have increased significantly and the economic slowdown has led to job losses. We are in deep trouble!

The theme for this year's Conference is, therefore, very appropriate. We will all have to work harder as well as smarter.

On a more positive note, South Africa has a multitude of opportunities to grow our economy, if only we can grab the baton and run with it. We have wildlife game parks, a wonderful topography with mountains, rivers and beaches and infrastructure which makes scenic places accessible. Foreign tourism keeps growing. We have minerals that should be beneficiated and industries that can be grown in order to earn

Starting with the inner circle which deals with the political processes that steer any municipality. The recently held municipal elections put thousands of new councillors in seats in the eight metros and more than 250 municipalities. It is their task to determine how their municipalities must be run. Their duties include planning of the budget via the IDP processes. During the various processes, negotiations must ensure that the limited resources are allocated according to the needs of communities, businesses, ratepayers and property owners. This is an intricate balancing act which has an influence on the long run viability and success of a municipality. Investment, job and wealth creation are tied into the decisions made in councils.

As the elected representatives of residents and communities, councillors must ensure that managers and officials are held fully accountable for the expenditure of the annual budget and that the necessary governance

Likewise other managers must ensure compliance to different acts, whilst at the same time ensuring continuous innovation within, and development of the municipality so that it stays relevant to rapidly changing economic, social, technological and ecological environments.

Likewise, leaders within the municipality must be aware of the needs of residents, the business and the industrial sectors, in order to remain competitive. A municipality must be forward thinking in its approach if it wants to attract investment and ensure economic prosperity for all its residents.

To conclude this first article, bear in mind Winston Churchill's wise words:  
I contend that for a nation to try to tax itself into prosperity, is like a man standing in a bucket and trying to lift himself up by the handle.

As the first level of government, municipalities would be wise to remember that the finances of most households are already stretched to the limit.

(For comments, questions or further information, please send an e-mail to: andevill@mweb.co.za)

# Sustaining Municipal Viability amidst the Economic Distress

Professor André de Villiers, Project Support Group

foreign currency. In spite of generally high debt levels, many large corporate organisations are sitting with huge cash stockpiles that can be invested in creating new industrial capacity. Our economic cake could be growing, not shrinking, if uncertainty were less.

Furthermore, our metros and larger municipalities can make a huge contribution in attracting foreign investment into the country. In trying to briefly indicate what needs to be done, the following 7M-Model can act as a guide.

measures apply so that the quality of life of citizens is continuously improved. This obviously requires that pollution is limited and that the urban, town and rural environment is kept liveable and sustainable.

The blue circle, called municipal systems, takes us outside the realm of politics. Here only administrative, management, engineering and technical processes should apply. Consequently the managers and officials of a municipality should undertake their tasks without prejudice or political or corruptive influences. Unfortunately recent years have seen far too many of these cases being reported in the media. Hopefully a new realisation that everyone will have to work more frugally with limited resources, will kick in.

A municipality needs to meet its responsibilities as set out by the Municipal Systems Act 23 of 2000. Basic municipal services necessary to ensure an acceptable and reasonable quality of life, which if not provided will endanger public health, safety or the environment, are required.

The second blue circle refers to managers and leaders. In the MFMA the budgeting process is described in detail. The accounting officer of a municipality must act with fidelity, honesty, integrity and in the best interests of the municipality and disclose all material facts known. Words such as effective, efficient and economical, generally apply to this function.



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For R1000: Answer the following question From Today's Newspaper:

***"What model (indicated by a number and a letter) is used to explain municipal management?"***

Answer: .....

Name .....

Municipality .....

Please place entry in Box 1 at the CIGFARO Stand in the Exhibition Hall before 10 am on 5 October 2016

## Sudoku Puzzle

5	3			7				
6			1	9	5			
	9	8					6	
8				6				3
4			8		3			1
7				2				6
	6					2	8	
			4	1	9			5
				8			7	9

# What does it take to be a great municipal CFO?

KPMG has conducted a global study, **View from the Top** that highlights the necessary acumen required for municipal CFOs to meet sector and industry requirements and standards.

[kpmg.com/za/industries/government-public-sector](http://kpmg.com/za/industries/government-public-sector)

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# Are Gated Estates promoting Unfair Discrimination?

Fathima Khan EtheKwini Municipality

My old High School was a melting pot and a celebration of religious and cultural diversity. The Muslim girls wore scarves on their heads and pants to cover their legs if they so chose; the Hindu girls wore a red string around their wrists and pierced their noses; the Christian girls wore their cross around their necks and the Black girls braided their hair in pretty formations. We wore our school uniform with pride while still embracing our diversity.

Somehow, we have forgotten our diversity and in a haste to move up in society we have become trapped into adopting the cultural standards imposed on us by Gated Estates, Bodies Corporate and Home Owners Associations.

The courts have ruled in the Niemesh Singh as well as Abrahams v The Mount Edgecombe Country Club matters that there exists a contractual relationship between the parties and the rules of the Gated Estates must be adhered to. However, these cases dealt with speeding on the Estate roads and the keeping of dogs. Neither of which impacts on the freedom of religion and culture which is protected by section 9 of the South African Constitution.

The Constitution of the Republic of South Africa, 1996 affirms that the State or any private individual or institution may not unfairly discriminate against anyone on the basis of race, gender, sex, pregnancy, marital status, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language and birth. The Equality Act (Promotion of Equality and Prevention of Unfair Discrimination Act 4 of 2000) was adopted to give effect to this clause. Section 5(1) of the equality Act binds the State and all persons, which includes our Gated Estates, Bodies Corporate and Home Owners Associations.

"Discrimination" is defined as "any act or omission, including a policy, law, rule, practice, condition or situation which directly or indirectly: (a) imposes burdens, obligations or disadvantage on; or (b) withholds benefits, opportunities or advantages from, any person on one or more of the prohibited grounds."

The "prohibited grounds" include "any other ground where discrimination based on that other ground, causes or perpetuates systematic disadvantage, undermines human dignity, or adversely affects the equal enjoyment of a person's rights and freedoms in a serious manner that is comparable to discrimination". The prohibition on discrimination applies to both direct and indirect discrimination.

So, when a Gated Estate imposes rules and policies that limit your right to practice your religion or culture, this would constitute indirect discrimination.

For example, when a child is born in a Hindu home, the Kateri prayer is performed at the home where a hen or rooster is slaughtered on the third day of the birth. A rule banning the sacrifice of animals within an Estate would constitute indirect discrimination and would be unlawful. The same applies to the ritual slaughter in the African culture where it is tradition to slaughter animals to give thanks, for healing and to communicate with the ancestors.

In MEC for Education: Kwazulu-Natal and others v Pillay, the Constitutional Court found that a school code of conduct that

prohibited all school children from wearing nose studs indirectly discriminated against a Hindu learner who wore the nose stud as part of her culture.

The school argued that if it allowed Sonali to wear a nose stud then other children would also be encouraged to come forward and claim exceptions for their own cultural practices and we will be stuck with a "parade of horrors".

Justice Langa answered "if there are other learners who hitherto were afraid to express their religions or cultures and who will now be encouraged to do so, that is something to be celebrated, not feared. As a general rule, the more learners feel free to express their religions and cultures in school, the closer we will come to the society envisaged in the constitution. The display of religion and culture in public is not a "parade of horrors" but a pageant of diversity which will enrich our schools and in turn our country."

Developers of the gated communities have been quick to adopt western standards and culture into the Rules of the Estates locking the residents out of their cultural and religious practices and forcing them to abide by and adopt the new and "acceptable" code of conduct using "contractual obligation" – (You knew the rules before you bought in here.) These culturally biased rules are subject to the protection afforded by the Constitution and are of no force or effect.

Another trick that developers use is the concept of a "conservancy". While a conservancy has many conservation benefits in that residents voluntarily take care of flora and fauna, developers use the opportunity of prohibiting the use of fireworks. Whilst this prohibition may look neutral on the surface, it discriminates against the Hindu who lights fireworks during the festival of Diwali.

The Estates are quick to place exorbitant fines on non-complying residents (in itself questionable), thereby forcing compliance. However, Section 13 of the Equality Act places the burden of proof squarely on the Estate that wishes to defend the lawfulness of its rules that permeate unfair discrimination. In other words, if a resident in a Gated Estate feels that he/she is being discriminated against on the basis of religion or culture, the Estate will have to prove that the resident is not being deprived based on his/her religion or culture and that reasonable provision has been made to accommodate the cultural/religious practice.

The Pillay case placed a heavy burden on all institutions to accommodate those who do not form part of the majority and whose beliefs and practices are not protected in the rules.

The African, Muslim and Hindu ritual slaughters as well as the right to light fireworks during Diwali must be accommodated otherwise the Gated Estates are in danger of becoming enclaves of intolerance espousing cultural arrogance.

## Quote of the Day

**"Your income is determined primarily by your own philosophy not by the economy."**

Jim Rohn



# *Advancing municipalities and the communities they serve*

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## Joke

### How not to manage:

A new manager spends a week at his new municipal office with the manager he is replacing. On the last day the departing manager tells him, "I have left three numbered envelopes in the desk drawer. Open an envelope if you encounter a crisis you can't solve."

Three months down the track there is a major drama, everything goes wrong - the usual stuff - and the manager feels very threatened by it all. He remembers the parting words of his predecessor and opens the first envelope. The message inside says "Blame your predecessor!" He does this and gets off the hook.

About half a year later, the municipality is experiencing serious billing and customer complaint problems. The manager quickly opens the second envelope. The message reads: "Reorganize!" This he does, and the municipal system is soon back to normal.

Three months later, at his next crisis, he opens the third envelope. The message inside says "Prepare three envelopes."

## Quote of the Day

***"Change will not come if we wait for some other person or some other time. We are the ones we've been waiting for. We are the change that we seek!"***

Barak Obama

# CHOPPER TECH

Chopper Technologies (Chopper Tech) is a South African based company providing customized electronic solutions which include the following:

- **Product Design**
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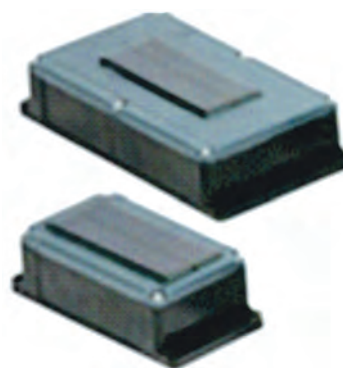
Our success comes from our vast knowledge and ability to fully immerse ourselves in our client's unique electronic and/or data supply needs.

Chopper Tech is proud to hold a prestigious Level 2 BBEEE status.

### Our Service Portfolio includes but isn't limited to:

- Research & Development of electronic monitoring equipment to facilitate real time data transfer for the Department of Water Affairs for the past 12 years.
- Development of complicated power supply systems.
- Several projects for South African National Defence Force (SANDF)

## Product Profile



### Level Quality Camera

LQC's (Level Quality Cameras or bulk meters) are able to monitor water flow/ level and quality from

#### Dam to Reservoir to Domestic Meters

These LQC'S will report anomalies to a control center via GSM/ Satellite/ Radio (i.e. water loss, water theft, burst pipes). This is ideally suited to save costs where measuring stations are out of reach of the LQC unit, but within the radio range.

## Smart Water Meter

Smart Water Meter which is able to monitor flow of water as well control water flow from a central location using GSM/ Satellite / Radio networks. The meter allows for two way communication ensuring complete control and management in the following ways:

- Accurate Billing in real time.
- Dispenses Government allocation of 6 kilo liters (South African allocation) per customer thereafter moving to trickle flow and is prepaid ready.
- Customer can choose to purchase further allocation.
- Can change daily allocation during crises and has the ability to carry over.
- Battery powered,
- Extended battery life,
- Easily replaceable battery,
- Water tight,
- Controls the restrictor valve,
- Performs real time water metering,
- Two way communication with the Control Centre,
- Any tampering of the valve system will result in the valve shutting off access.
- IP65 and IP68 compliant.
- NRCS Type approved No. 1527 and tested in terms of SANS 10378:2012.
- Radio system has ACASA approval.

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# Special Presidential Award

## Peet du Plessis

In recognition of your continuous esteemed, contribution to IMFO, diligently tendering professional advice on accounting practices and interpretation of applicable Accounting Standards and contributing in the Revenue Management Reforms

## Nelisiwe Ntlhola

In recognition of your outstanding contribution and dedicated support to IMFO

## David Garegae

In recognition of your outstanding contribution and dedicated support to IMFO

## Nonhlanhla Shongwe

In recognition of your valuable contribution and unwavering dedication to IMFO

## Gertrude Nkhoma

In recognition of your valuable contribution and unwavering dedication to IMFO

## Ocean Makalima

In recognition of your valuable contribution and unwavering dedication to IMFO

## Lehlohonolo Tseke

In recognition of your valuable contribution and unwavering dedication to IMFO

## Archford Rwazemba

In recognition of your valuable contribution and unwavering dedication to IMFO

## Seba Ngwana

In recognition of your valuable contribution and unwavering dedication to IMFO

## Lindi Nolte

In recognition of your valuable contribution and unwavering dedication to IMFO

## Lindi Mbobosi

In recognition of your valuable contribution and unwavering dedication to IMFO

## IMFO Management Team

In recognition of your outstanding dedication and leadership which have been truly appreciated in the past two years. Teamwork, reaching goals, always reaching above and beyond.

## Competition



- Starts 2 Oct at 10:00
- Ends 5 Oct at 10:00

### PRIZE DRAW ON 5 OCT AT MOTIVATIONAL SPEAKER SESSION

This is yet another initiative from IMFO to improve the value IMFO delivers to its exhibitors. The objective is to attract delegates to participating stands, plenary sessions and to read the daily IMFO Newspaper.

The ultimate vision is to offer an opportunity for all exhibitors to participate in the competition. This competition is run as a pilot in 2016, with only the major sponsors and stakeholders.

#### Organisations participating this year



#### In summary the process will be as follows:

1. Visit and enter the competition with your mobile number at any of the stands of the participating Exhibitors (IMFO, AGSA, CCG, RUMAS and SEBATA).
2. Each participating Exhibitor's questionnaire will have about five questions with possible answers – please note that it has either a single or multiple correct answers. You are encouraged to enter into a discussion with the exhibitor representatives for the correct answers.
3. Upon completion of the questionnaire, contestants will receive a SMS informing them to which stand to proceed to next. This will continue until the contestants have completed the questionnaires of all 5 participating Exhibitors. You will receive a sms confirming your completion of the questionnaires. (You should complete these 5 questionnaires by 17:00 on 3 Oct 2016 (day 2) of the conference.
4. On day 3 of the Conference contestants must visit any one of the participating Exhibitor's stands to complete the final questionnaire (focused on IMFO related matters). You will receive a sms reminding you to complete the final questionnaire.
5. Once all these questionnaires are completed, eligible contestants will be considered for the prize.
6. Final price draw will be at the Motivational Speaker session on 5 Oct 2016 by the IMFO President.

#### Further details about the competition rules

1. The competition is open to all IMFO registered delegates
2. No director, employee, agent or consultant of participating Exhibitors, their spouses, life partners, business partners or immediate family members, or the supplier of goods and services in connection with this competition may participate.
3. By entering this competition each entrant acknowledges that he/she has read the rules applicable to this competition and agrees to be bound thereby.
4. The entrant is reminded that their submissions may be used by participating Exhibitors in contacting the entrants subsequent to the IMFO Conference.
5. Eligible winners are contestants who visited all stands, completed all the questions on all the questionnaires correctly and did so within the allowed time.
6. Multiple entries will be disqualified.
7. IMFO is not liable for the failure of any technical element relating to this competition that may result in an entry not being successfully submitted.
8. The winner must collect his/her prize in person. Should he/she not be present, a runner up will be drawn from eligible winners by the organisers.
9. Winners must identify themselves by means of an ID document or other acceptable identification means and confirm receipt of their prize.
10. The judges' decision will be final and binding and no correspondence will be entered into.