The compelling case for Municipal SCOA

Municipal SCOA (mSCOA) stands for “standard chart of accounts” and provides a uniform and standardised financial transaction classification framework. Essentially this means that mSCOA prescribes the method (the how) and format (the look) that municipalities and their entities should use to record and classify all expenditure (capital and operating), revenue, assets, liabilities, equity, policy outcomes and legislative reporting. mSCOA is a "proudly South African" project researched by the National Treasury based on municipal practices, reporting outcomes, policy implementation and review, etc.

The compelling case for mSCOA -

"Municipal information is not about numbers it is about people"

mSCOA strengthens council oversight and decision making:

• Through a seamless link in reporting since all reports across the accountability cycle will be compiled from the same mSCOA information;
• By adequately populating the 'mSCOA Project Segment' the municipality will improve its reporting on service delivery;
• SDBIP information will be available to ward councillors through the use of the ‘mSCOA Regional Segment’;
• Municipal and “functional” information is made available to improve oversight over the overall performance of the municipality;
• Budget versus actual information easily available; and
• By providing a level of comfort to Council on the quality of information used for decision making;
• Implementing mSCOA means there will be more time in municipalities for managing versus the current practice of prioritising the compilation of reports. The seven (7) segments force proper planning and budgeting and supervisory and management checks and balances throughout municipal operations.

By enforcing mSCOA from transaction inception to data extraction in a municipality’s systems ensures a credible, reliable and timely database of municipal information at a very detailed level. This information can be used in multi-dimensional reporting. mSCOA therefore focus on data extraction making reporting possibilities endless which will eliminate current excessive user requests to municipalities, resulting in endless templates asking for the same information in different formats. As a result, going forward, mSCOA will reduce the reporting burden on municipalities and the cost of reporting. mSCOA does however not fix historic information but going forward it forces credible information through its validation principles;

• Through the mSCOA project segment the municipality’s annual deliverables as promised in the IDP are linked throughout its Budget, SDBIP, in-year reporting, annual report and annual financial statements, thereby enabling better public consultation;

• mSCOA modernise financial management through updated systems and technology. There is a general improvement of systems offerings since vendors are upgrading systems to align with mSCOA, including the automation of the municipality’s reporting. This will assist to improve audit outcomes;

• mSCOA brings about evidence based financial management. Thereby providing the basis for higher levels of efficiency and effectiveness within the systems of financial management and internal control. This will improve municipal benchmarking, policy making and interventions;

For more information on mSCOA and other benefits of the reform:
visit: http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx
Back to Basics
Walking the talk through Effective Governance
Earn 6 CPD Points for attending the conference

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
<th>Speaker &amp; Venue</th>
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<tbody>
<tr>
<td>07:30 – 09:00</td>
<td>Final viewing of exhibitors stands</td>
<td>Exhibition Hall</td>
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<tr>
<td>09:00 – 09:30</td>
<td>mSCOA : IMFO/NT MOC signing</td>
<td>Carl Stroud National Treasury</td>
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<tr>
<td>09:30 – 10:00</td>
<td>Risk Intelligence</td>
<td>Jenny Reid iFacts</td>
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<tr>
<td>10:00 – 10:30</td>
<td>Refreshments</td>
<td>Exhibition Hall</td>
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<tr>
<td>10:30 – 11:00</td>
<td>Results of the post-implementation review of GRAP 16 and GRAP 17</td>
<td>Jeanine Poggiolini Accounting Standards Board</td>
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<tr>
<td>11:00 – 11:30</td>
<td>Public Finance, Audit and Risk Management Institute/Body</td>
<td>Danie de Lange Vice President Technical</td>
</tr>
<tr>
<td>11:00 – 11:40</td>
<td>Message of support and Signing of MOU</td>
<td>Dan Mashitisho &amp; Ronny Moloi ISAMAO</td>
</tr>
<tr>
<td>11:40 – 12:40</td>
<td>Closing of Conference&lt;br&gt;• Thanking of overseas visitors&lt;br&gt;• Awards&lt;br&gt;• Handing over exhibitors Award&lt;br&gt;• Most Delegates Registered Municipality &lt;br&gt;• Merit Awards</td>
<td>Jane Masite IMFO President</td>
</tr>
<tr>
<td>12:40 – 13:20</td>
<td>Catch your winnings from Exhibitors Announcement – BIG Prize Give Away from Exhibitors</td>
<td>Gavin Sharples Motivational Speaker proudly sponsored by ABSA</td>
</tr>
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</table>

**HAPPYOLOGY - BREAKING NEWS FOR**
• ALL STAFF MEMBERS: Your Company and your bosses are not responsible for your happiness!!
• COMPANY MANAGERS: Your staff’s happiness may not be your responsibility but it is your problem.

13:20 – 13:30  Refreshments and conference hand-outs   Exhibition Hall

**Thank you for attending the 86th IMFO Annual Conference**
  **We wish you a safe journey home**

**Motivational Quotes**
- Do something today that your future self will thank you for.
- The greatest pleasure in life is doing what people say you cannot do.
- When you feel like quitting think about why you started.
- There is no elevator to success. You have to take the stairs.

**Women Seminar**
**Durban** 7 - 8 March 2016

**Audit & Risk Indada**
**Cape Town** 25 - 27 April 2016
The South African Local Government Association in Gauteng recently held a Revenue Management Symposium on the 29 September 2015 at Turffontein Race Course, the objective was to discuss and find best approaches to deal with the following challenges facing Municipalities in the Province:

- The rising levels of household debt in municipalities;
- Challenges around implementation of revenue policies and by-laws;
- The impact of consumer financial vulnerability and affordability to pay for services;
- Data integrity, tariff modelling and indigent management in municipalities;
- Compliance with Debt Collectors Act and Code of Conduct where municipalities

According to Leseane, the growth of the debtors list is of a special concern as it impacts negatively on a municipality's ability to deliver services and its credit worthiness as a going concern.

GROWTH OF THE OVER 90 DAY DEBT BULGE

WHAT ARE THE REASONS FOR THE GROWTH IN HOUSEHOLD DEBT

NEXT ACTIONS

The SALGA GP Provincial Executive Officer (PEO) Mr Lucky Leseane reports that the symposium was attended by all key stakeholders such as municipalities, Council for Debt Collectors, Eskom, Gauteng Treasury and COGTA.

A report back on progress made will be tabled at the next Symposium to be held in 2016 to track if there have been improvements. In the interim Municipalities will be encouraged to share the best practices which were presented at the 2015 symposium.

The SALGA GP Provincial Executive Officer (PEO) Mr Lucky Leseane reports that the symposium was attended by all key stakeholders such as municipalities, Council for Debt Collectors, Eskom, Gauteng Treasury, COGTA, Debt Collectors, and SARS etc. The symposium also provided a platform for all the stakeholders to share their best practices in addressing these key challenges.
Sage X3 and HRM is also available depending on specific requirements.

For more information please contact:-
Lorge Consulting Services (Pty) Ltd  (010) 594 9800
ESCAPE (0861) 111 951
**FINANCING MUNICIPALITIES FOR A GREENER FUTURE**

by Professor André de Villiers, Associate Crest Advisory Africa.

“The earth with its diverse life forms is a functioning whole. We have a pressing obligation to respect all strands of this web of life and to preserve them for future generations. (Formulated at a World Conference on Sustainability in Paris, 1991)

Nowhere is this more applicable than in South African municipalities today. How many of our country’s leaders and more specifically the executives in our municipalities understand their huge responsibility in this regard?

A Time Magazine special report in October 2011 stated that it is estimated that our planet had just reached seven billion people and the population was still increasing by 10 000 people per hour. A billion people — that’s 1 in 7 — go hungry around the world today, but that’s not because the planet is incapable of producing enough food to feed them. After all, as much as half the food produced worldwide ends up wasted, either rotting in the fields, the markets or in our refrigerator.

We could feed 7 billion, 8 billion, 9 billion and probably more. But, three major factors are in strong contradiction to this. Firstly most of the one billion just can’t afford to buy food and yet they multiply fastest. Secondly, available land is diminishing and pollution of water, soil and air are negatively affecting food yields. Increasingly innovative technology needs to come to our aid. Thirdly, on average, 52 species of mammals, birds and amphibians move one category closer to extinction every year due to humans invading their habitat. As pollution increases, climate change takes its toll and diversity declines, we move closer to a risk area where unexpected natural disasters can easily overtake us.

Two events of the past week have highlighted the challenges faced by municipalities. Firstly the anti corruption marches held in Pretoria and Cape Town. The public has clearly indicated that it is ‘gatvol of corruption’. On television municipalities were singled out to be the main culprits. Many posters at the march indicated that ‘the poor were being robbed’. What they are mostly robbed of is a better education and this in turn is the only way to implement birth control.

Secondly the official launch, by the City of Johannesburg’s mayor, of the Ecomobility World Festival. It aims to create awareness around reducing South Africa’s carbon footprint and encourage road users to choose alternative modes of transport. No vehicles are allowed in the Sandton CBD.

South African cities suffer from urban spread and this increases the use of private vehicles and makes public transport less economic. Municipalities need to supply, and even worse maintain, road infrastructure as well as water, electricity and sewerage reticulation systems. This pushes up cost.

It is often said that World War III will be about water. Yet our municipalities and their residents waste huge amounts of water. Leaking pipes are responsible for a loss of nearly a third of the water of some municipalities. Our gardens, parks and golf courses are water guzzlers. We need to design our towns and cities for the water scarcity in future.

The One Earth Community has formulated twelve principles which need to be implemented if we want to save our planet. These relate closely to UN declarations on ecological sustainability such as the Millennium Development Goals and the 2030 Agenda for Sustainable Development. Briefly, these twelve principles are:

- **What we do to the earth we do to ourselves in the long term.**
- **Ecological justice and social justice are indivisible.**
- **For people to develop fully and understand their role in the total system they need proper education.**
- **The right of future generations to a clean, healthy and aesthetically pleasing environment, must be recognised by the people of today.**
- **Governments and institutions need to communicate with their communities and come to shared decisions.**
- **Bearing in mind the issue of climate change, it is essential to establish procedures and measures permitting a transnational approach to environmental issues.**
- **The principle and preventative action should be based on environmental, social and cultural impact assessments.**
- **The polluter pays principle must be affirmed, especially in industrialised nations.**
- **Bio-diversity must be protected at all costs; especially important is the prevention of destruction of forests and natural habitats through cities and towns.**
- **The unjust distribution of wealth must be addressed. To a great degree smaller families assist in this.**
- **Military conflicts impact negatively on the environment; the weapons trade must be stemmed; nuclear risks must be minimised.**
- **Materialistic life styles and the possession of goods as indicators of personal well being should be changed towards more sustainable life styles.**

In leaving this Conference we remind you not to forget your governance, social and ecological responsibilities. Hopefully you will heed the call by promoting attempts to make your municipality a healthier, pleasanter and greener place for people to live in. Hamba kahle!!
Proper property administration opens the door for greater municipal revenue optimisation.

Ducharme can assist with a full suite of property administration services, which include GRAP Fixed Asset Register compilation, Infrastructure unbundling, Verification & Valuations, GIS data, mobile moveable asset verification App, Property dataset recons & Revenue optimisation support (Cadastral data vs Town Planning data vs Valuation Roll data vs Billing/Tariff data vs Tentant type).
UNALLOCATED INCOME AND VAT CONSEQUENCES
by JP Nortje from Maxprof

There has been a lot of confusion when payments are received but simply cannot be allocated to an income stream of a municipality because of various factors such as wrong or no reference numbers, no bank reconciliations etc.

It has been noted that there is confusion as to what the VAT treatment of this income should be. Many municipalities simply rectify it on an annual basis or do not rectify or declare any VAT on this income at all.

Municipalities have often referred to section 8(27) of the VAT Act to account for the VAT on additional income, which has led to confusion regarding the application of Section 8(27) of the VAT Act.

Section 8(27) reads as follows:

“For the purposes of this Act, where any amount received in respect of a taxable supply of goods or services at the rate of 14 per cent exceeds the consideration charged for that supply, and such excess has not been refunded within four months of receipt thereof, that excess amount shall be deemed to be a consideration for a supply of services performed by the vendor in the course or furtherance of that vendor’s enterprise on the last day of the tax period during which that four month period ends...”

Section 8(27) is therefore in respect of double payments received in respect of one supply or an overpayment received in respect of one supply. Whereas in the case with municipalities the income received in not necessarily in respect of a supply but rather income that cannot be allocated to a specific supply at the time of receipt of the amount, due to numerous reconciling complications.

This section should therefore not cause any confusion as it is not applicable at all to unallocated payments. Section 8(27) will only be applicable where an amount was received and that amount was in excess of the amount which was actually billed to the client. It can therefore not be argued that an unallocated payment will be subject to section 8(27), until and unless the municipality can prove that the amount received was in excess of the amount which was billed. Most local authorities that are in default simply state that they do not know whether the money was for a standard rated, zero rated or exempt supply e.g. rates or taxes grants etc which either attracts VAT at zero rate or not at all so it is ignored for tax purposes, this is in contravention of the VAT Act as Section 7(1) applies and reads as follows:

...Subject to the exemptions, exceptions, deductions and adjustments provided for in this Act, there shall be levied and paid for the benefit of the National Revenue Fund a tax to be known as the Value added tax –

(a) On the supply by any vendor of goods or services supplied by him on or after the commencement date in the course or furtherance of any enterprise carried on by him...

Further to this as most Municipalities are in a position to account for VAT on the payment basis as per Section 15(2), this should be read together with Section 16(4)(b)

...Output tax in relation to any supply made by a vendor shall be attributable to a tax period -

(b) In the case of a vendor who is in terms of section 15 required to account for tax payable on a payment basis –

(i) to the extent that payment of any consideration which has the effect of reducing or discharging any obligation (whether existing obligation or an obligation which will arise in future) relating to the purchase price has been received by the vendor during that tax period for any supply of goods or services ...

It is clear that the law does not allow for any delays for when the output VAT should be accounted for and paid over to SARS. VAT must be accounted for on all unallocated amounts received in the period in which they are received. An adjustment can be made in a later period once it can be determined what the income stream the amount was received in respect of, i.e. either a zero rated or exempt supply. However as per section 212(b) it should always be noted that any adjustment made on a VAT 201 must be referenced back to the VAT Act.

It is of the opinion that it is therefore better to rather declare VAT on all unallocated income at the standard rate on a monthly basis and account for any adjustments at a later stage once the source and income stream can be identified. SARS are aware of the fact that numerous municipalities are unable to allocate all income and since the inception of the Tax Administration Act many municipalities have been severely penalised on this basis. Which is in fact a cash flow loss as it cannot be reversed once the money has been allocated.

As stated above once the municipality is in a position to allocate the payments received to an income stream, they will be entitled to make an adjustment on the output which was overstated, for example if some of the payments relate to non-vatable income like rates or fines.
Innovating solutions for municipalities, public entities and provincial government

How can Sebata help?

- **Cloudware**: Sebata is able to deliver any application to any device using our cloud technology.
- **Meter Reading**: Guaranteeing accurate readings, enhancing customer relations and significantly reducing account queries. Sebata offers a variety of meter reading solutions from cellphone readings through to smart and prepaid water meters.
- **Enterprise Management System**: A fully integrated municipal financial management system providing comprehensive and holistic municipal financial management functionality. System workflow that guides complex user profiles from the planning phase (IDP, SDBIP, Budget & Projects) to the operational transacting environment (SCM, HR, Payroll, GL, Cashbook, SCOA segmental database) that results in comprehensive compliant reporting (AFS).
- **Electronic Document Management System**: A holistic, integrated and efficient EDMS for record-keeping, filing, retrieving, routing and tracking documents with the utmost care and security for general administration.
- **Information Management System**: Enables municipalities to improve service delivery, facilitate cross-functional management and the strategic co-ordination of information.
- **Accounting & Professional Services**: Sebata has geared its solution to meet the specific needs of municipalities requiring assistance with governance and compliance, taking into account Operation Clean Audit 2014.

Sebata has established a Skills Development Academy enabling municipalities to recover training funds from their respective SETAs. Sebata can also assist municipalities in drafting and submitting workplace skills plans and annual training reports.

**Why should municipalities use Sebata?**

For the past four decades Sebata has been providing end-to-end integrated technology solutions, enterprise management systems and multi-disciplinary professional services across the full spectrum of municipalities and associated institutions.

Sebata has developed solutions which primarily seek to help municipalities offer the best possible service delivery to their constituents.

Sebata is completely committed to the SCOA pilot process.
International collaboration keeps IMFO relevant

Professor André de Villiers, Associate Crest Advisory Africa

IMFO Board has been giving serious thought to international collaboration to enhance its profile as an institution for public finance professionals. One such area is a potential closer relationship with CIPFA, the Chartered Institute of Public Finance and Accountancy in the United Kingdom.

Doctor Adrian Pulham, Executive Director Learning and Membership of CIPFA in the UK, has specially flown out to South Africa for this Conference. His commitment to IMFO showed very clearly by the fact that he made the arduous journey here with a broken leg.

He is responsible for developing the strategic direction of the Institute’s education and membership services. He liaises with the UK government as well as with public services in Europe and globally. The focus is on public financial management or PFM and more specifically the good governance challenges faced by public sector institutions. This requires a ‘whole systems approach’.

Currently CIPFA and IMFO are in discussions to formulate a MoU (memorandum of understanding). If concluded this holds great promise for members of IMFO. They will for instance gain access to international standards setting approaches and best practices. There is also the potential to build the capacity of members through webinars and a database called Management Direct. The total approach is much like becoming part of a university’s faculty. Members will gain access to international meetings and conferences.

He ended his presentation by stating that all government and municipal reforms start in finance. Public sector financing is becoming a very exciting field.

Governance: How is Africa faring?

Professor André de Villiers, Associate Crest Advisory Africa

The gurus from business schools say: What can be measured, can be managed. On Monday the latest Mo Ibrahim Index on governance in African countries was published and reported on by the Economist.

It shows stagnation in the overall index. South Africa is still fourth, while Mauritius is now tops and Botswana is now number three. Cape Verde is at number two.

The four sub-indices, which contribute to the total index, are performing as follows:
- Human Development is gradually improving
- Safety and rule of law is also improving
- Participation (democracy) and human rights is declining, and
- Sustainable economic opportunity is also gradually declining.

The last one is of great concern. Does it indicate that entrepreneurship is not doing that well in Africa?

#AGSABackToBasics

PUZZLE ANSWER

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3 7 1 5 9 4 8 6 2
5 2 8 3 7 6 1 9 4
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8 4 5 1 3 9 2 7 6
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1 6 7 8 4 2 3 5 9
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Gala Evening...

Merit Awards...

Three members of IMFO will be acknowledged for their outstanding contribution to the development of both the Institute and the profession of municipal finance officers in South Africa. The citations of the three merit awards have been summarised below.

**MS SANTIE REYNEKE-NAUDE:**
Is acknowledged for her passionate and outstanding contribution as a Board Member and Chairperson of the Western Cape Branch of the Institute.
Her excellent leadership during the four years as the Chairperson of the Western Cape Branch of IMFO achieving four consecutive Branch of the Year Awards.
Her motivation to the other IMFO branches culminating in the increased activities in other provinces.
Her commitment to empower colleagues. Being a role model in empowering women to take their rightful place in senior management through being the CFO of a municipality with two consecutive clean audits and her dedication to enhance IMFO’s image by selflessly giving far more than ever could be expected.

**MR PEET DU PLESSIS**
Is acknowledged for his commitment to the municipal finance profession and is honoured for his significant contribution to transformation of the Institute ensuring accessibility to all municipal finance officials.
His commitment to ensuring that the Institute plays a valuable role in the development of financial and municipal property rates legislation in local government.
His outstanding leadership during the Credit control and Debt collection provincial seminars to local government and his enhancement of the image of the Institute.

**MS LOUISE MULLER**
Is acknowledged for her outstanding leadership with amending IMFO’s founding documents to align with the first Memorandum of Incorporation in terms of the Companies Act 71 of 2008.
Demonstrating unfailing attention to detail whilst compiling and reviewing IMFO’s policies for compliance.
Providing strategic leadership whilst presiding over expanding services to the Public Sector while retaining IMFO’s Local Government roots.
Enhancing IMFO’s contributions to increased service delivery in the Public Sector by her decisive leadership, energy and attention to detail in organising and lifting the standards of the 2012, 2013 and 2014 Conferences.
Advising on technical and policy issues affecting various disciplines such as electricity pricing reviews, Integrated Rapid Transport and updating members via the IMFO Journal on pertinent legal matters.
Dedicating herself to enhance IMFO’s image by selflessly giving far more than ever could be expected.

Awesome Thank You...

Thank you all for attending the IMFO Conference 2015. It has been a great joy to see new faces and those we recognise from many other Conferences. The networking amongst all delegates has been a remarkable experience to witness. Our sponsors and exhibitors have played a major role in ensuring that this conference is a success and thus I would like to take the opportunity to thank them all for their time and efforts. We trust it has been a rewarding experience for them all and we will see them again at future conferences.

This conference would not have been a success without our outstanding speakers. I hope we all have learnt something and will be going back to our municipalities with a renewed spirit to build our communities through effective service delivery.

I wish you all a safe journey home. Until we meet again continue Walking the Talk through Effective Governance.

from the President