



STANDARD OPERATING PROCEDURES

PURPOSE

The purpose of this Circular is to provide information to municipalities and municipal entities on the development and publication of standard operating procedures (SOPs) in support of the implementation of financial management reforms. These relate to a number of key disciplines that were identified through various engagements, assessments and requests for assistance.

BACKGROUND

The project to develop the SOPs was informed by the Financial Management Capability Maturity Model (FMCMM) assessments undertaken by National Treasury in 2015, the needs expressed by municipal officials for support in these areas, and audit outcomes. A copy of the FMCMM report is obtainable for your municipality by emailing MFMA helpdesk mfma@treasury.gov.za. The SOPs were concluded after extensive consultation with various stakeholders and were piloted at selected municipalities.

CONTENT

The following key financial disciplines and internal controls were developed for:

- Revenue management;
- Asset management;
- Expenditure management;
- Funding management; and
- Liability management.

IMPLEMENTATION

These SOPs provide a step-by-step process to assist finance officials perform recurring activities through execution of specific tasks relating to the above disciplines. The SOPs can also be customised and adapted to reflect different municipal types, categories, sizes, internal operating structures and system of delegations. They can be used to update current processes and practices.

Full implementation of SOPs will improve internal controls, address policy gaps and weaknesses, bring changes that result in higher financial maturity and capability levels, assist to standardise practices across the municipal sector, build stronger institutions that are able to sustain good financial practices and contribute towards operational efficiencies.

It is also expected that municipalities and municipal entities undertake regular reassessments, using the FMCMM, to benchmark progress made in implementing financial reforms. Therefore, municipalities and municipal entities may use the SOPs to address some of the shortcomings identified in these assessments to proactively improve financial management practices resulting in better audit outcomes.

These SOPs, the FMCMM assessments and other support provided by the national and provincial treasuries are also aimed at contributing to government's strategy, as outlined in the Presidential Outcome 9 which requires a responsive, accountable, effective and efficient local government system. As part of Outcome 9, both national and provincial treasuries are required to assist in improving financial management in municipalities by:

- Supporting financially distressed municipalities improve their status through better management of assets and revenues;
- Improving audit outcomes by reducing adverse and disclaimer opinions;
- Reducing unauthorised, irregular, fruitless and wasteful expenditure;
- Modernising supply chain management practices; and
- Increasing financial management maturity levels, financial competencies and assisting to mitigate risks, amongst others.

These SOPs are aligned to the Municipal Standard Chart of Accounts (MSCOA) and will be updated from time to time as may be necessary.

CONCLUSION

It is incumbent on the accounting officer of a municipality or municipal entity to ensure that this circular and the SOPs are brought to the attention of senior management, chief finance officers, internal audit units, supply chain management practitioners, planners and engineers. Moreover, it must be communicated to those officials delegated with financial management responsibilities in terms of sections 79, 82 and 106 of the MFMA.

The SOPs can be accessed or downloaded using the following link:
<http://mfma.treasury.gov.za/Guidelines/Pages/StandardOperatingProcedures.aspx>

All comments and enquiries can be directed to the email below.

CONTACT

National Treasury

Phone

Private Bag X115, Pretoria 0001

Fax

012 315 5850

Email – General

012 315 5230

Website

mfma@treasury.gov.za

www.treasury.gov.za/mfma

TV PILLAY

CHIEF DIRECTOR: MFMA IMPLEMENTATION

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