

SECTION D – LIABILITY MANAGEMENT

9. STANDARD OPERATING PROCEDURES FOR LIABILITY MANAGEMENT

Procedures for the performing of responsibilities and duties of Liability Management, provide the staff in the Finance Department with procedures and guidelines on the operational management aspects of the day to day running of finance management in a municipality.

This manual is intended to be a practical guide, assisting municipalities to maintain a management, accounting and information system that accounts for the liabilities of the municipality.

Each section of the Procedures Manual indicates the staff involved for that specific section. Municipalities can adjust the staff members involved, based on their own circumstances. In assigning different responsibilities to staff members, care must be taken that each procedure is monitored (verified) by a staff member senior to the person performing the procedure. A staff member senior to the verifier, must review the procedure/s as indicated in the time-frames. This will reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or fraud in the normal course of the person's duties. It will also ensure that management directives are carried out.

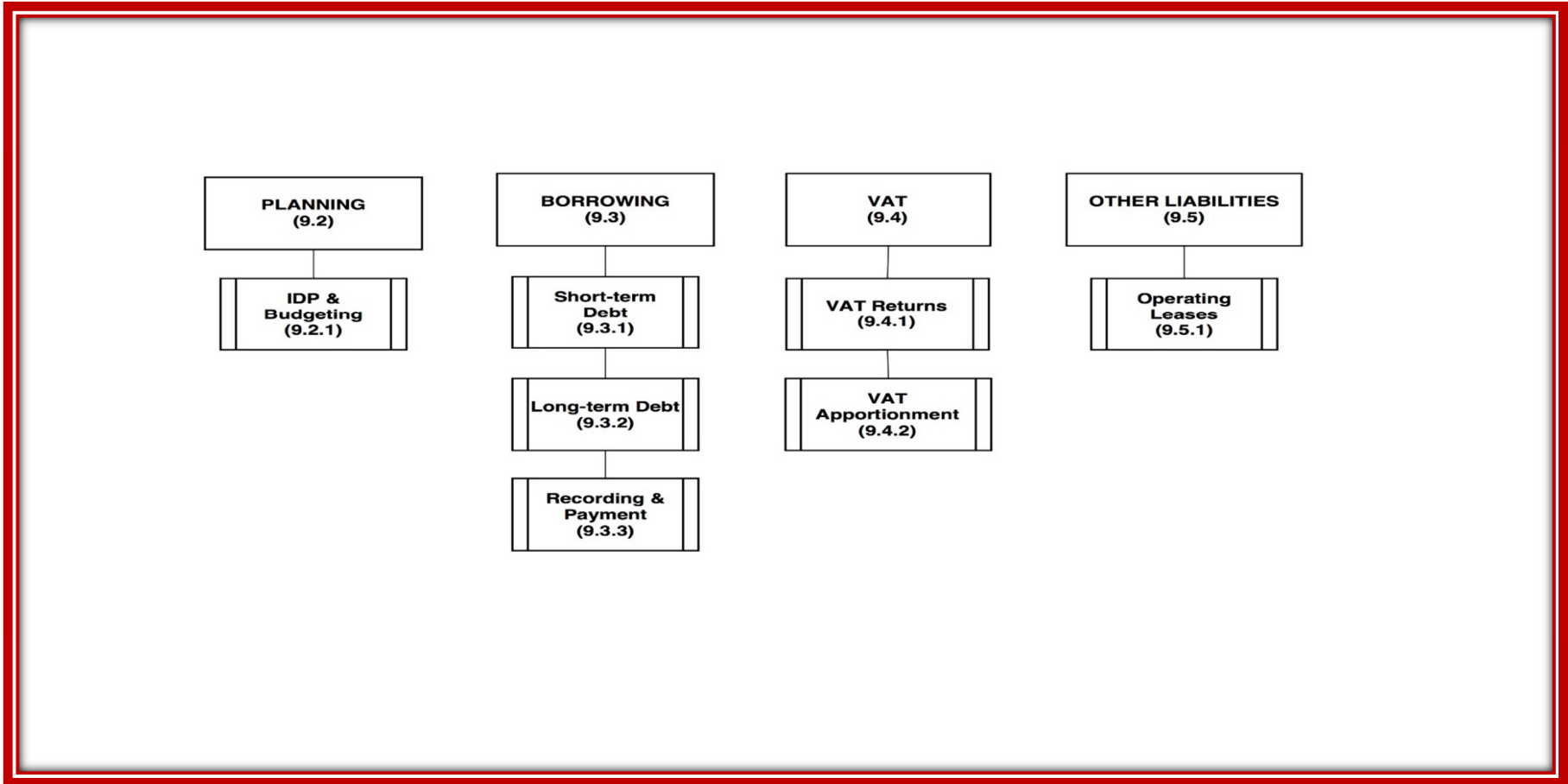
When monitoring/reviewing procedures performed by staff members, sufficient evidence must be available to confirm that specific procedure was performed. This evidence can then be used for performance monitoring of staff members.

The level of involvement of each official is indicated at each procedure and are summarised as follows:

PD	Perform Daily
PW	Perform Weekly
PM	Perform Monthly
PQ	Perform Quarterly
PBI	Perform Bi-Annually
PA	Perform Annually
VD	Verify Daily
VW	Verify Weekly
VM	Verify Monthly
VQ	Verify Quarterly
VBI	Verify Bi-Annually
VA	Verify Annually
RD	Review Daily
RW	Review Weekly
RM	Review Monthly
RQ	Review Quarterly
RBI	Review Bi-Annually
RA	Review Annually

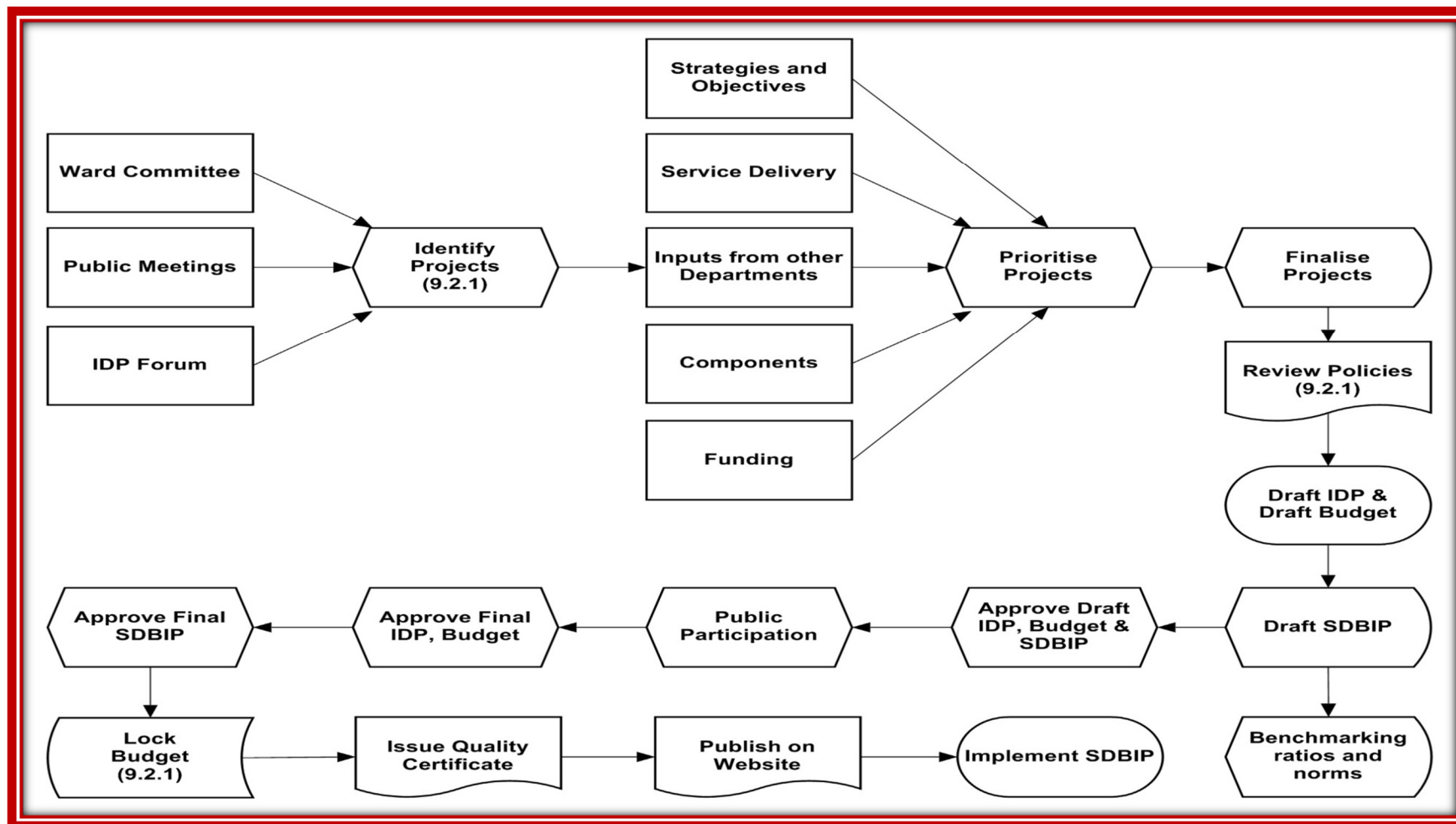
9.1 PROCESS FLOW CHARTS

High-level overview of business processes covered in this section:

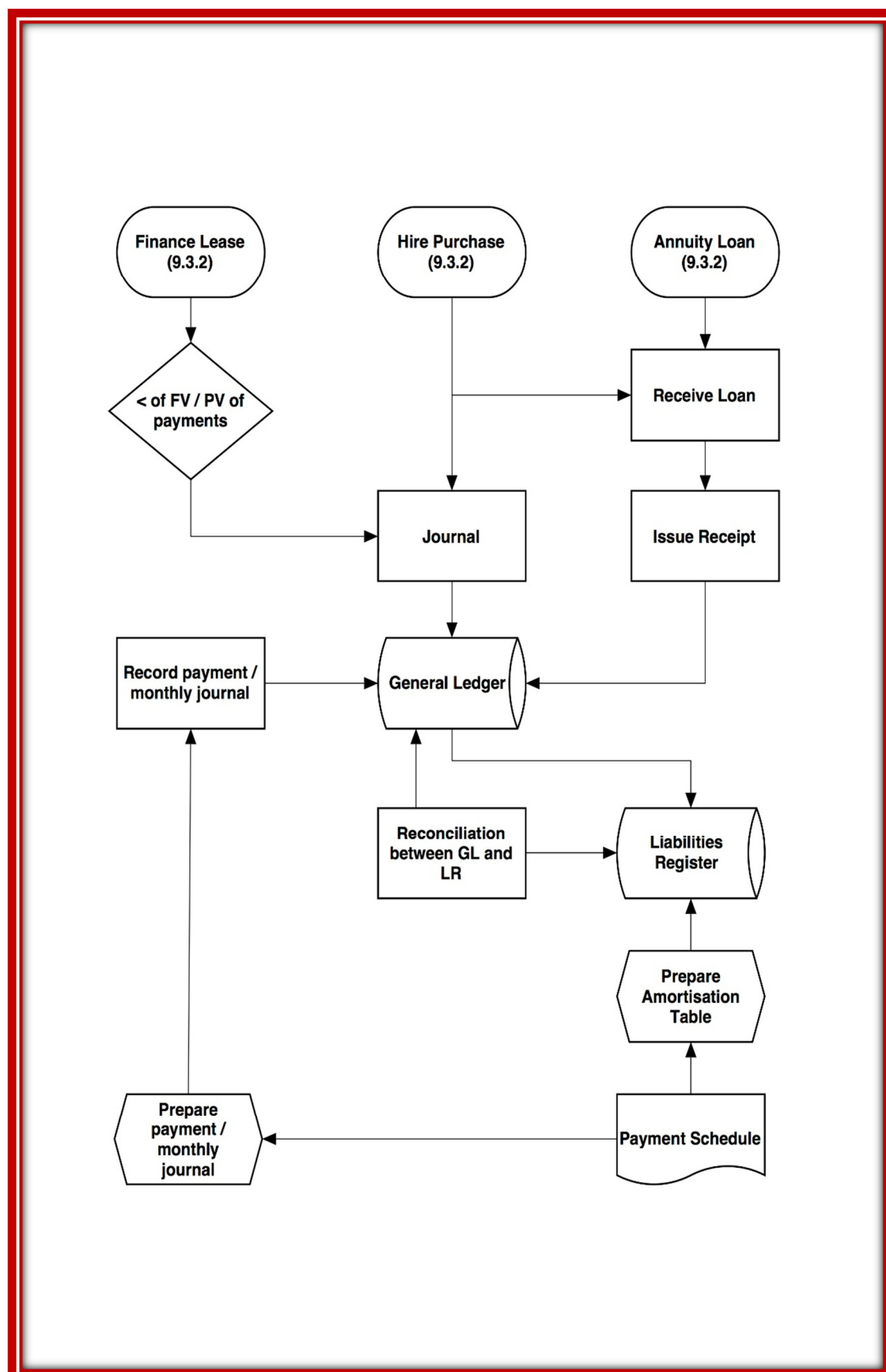


9.1.1 Planning

An overview of procedures for Planning Activities. Detailed standard operating procedures are set out in section 9.2.

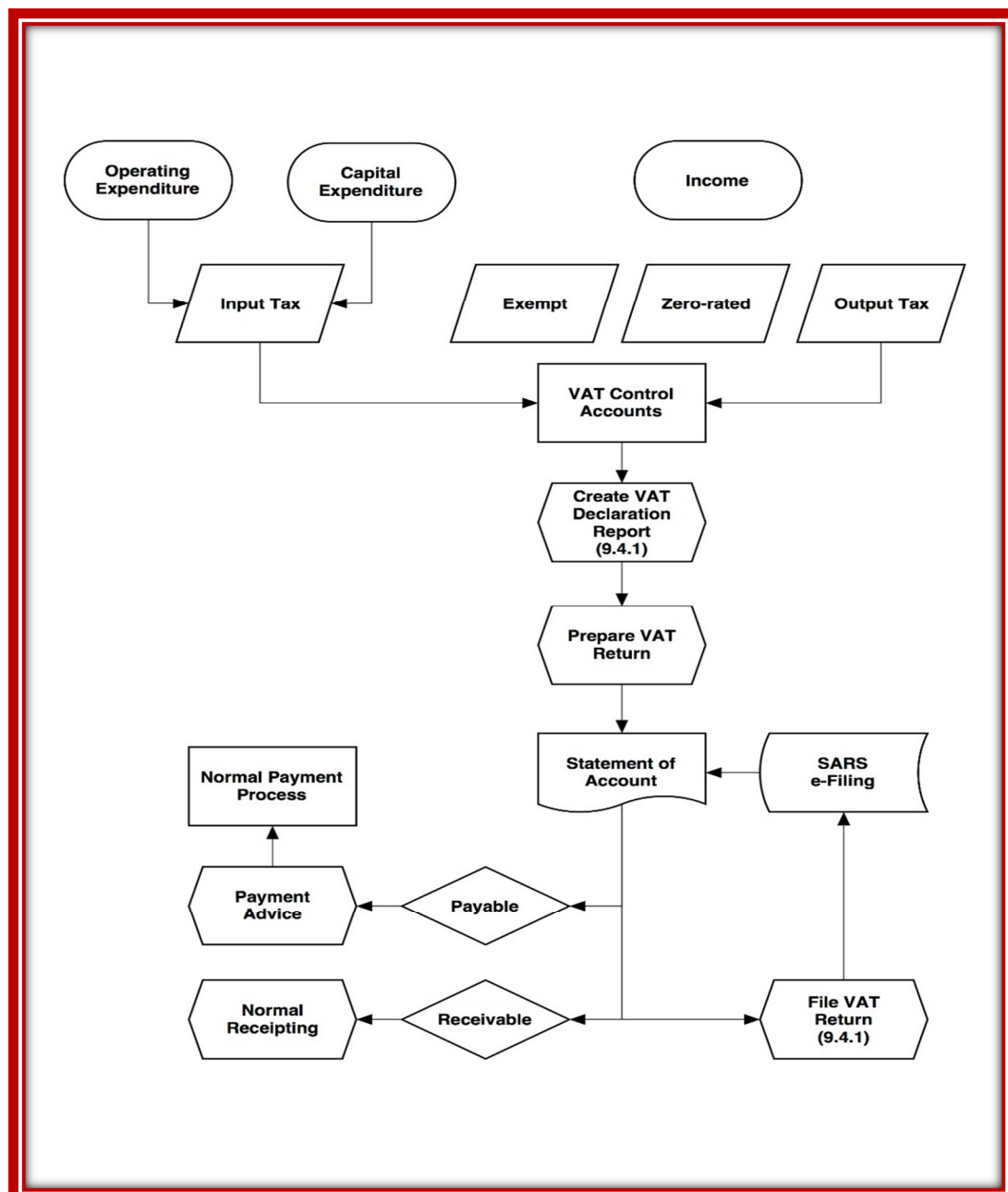






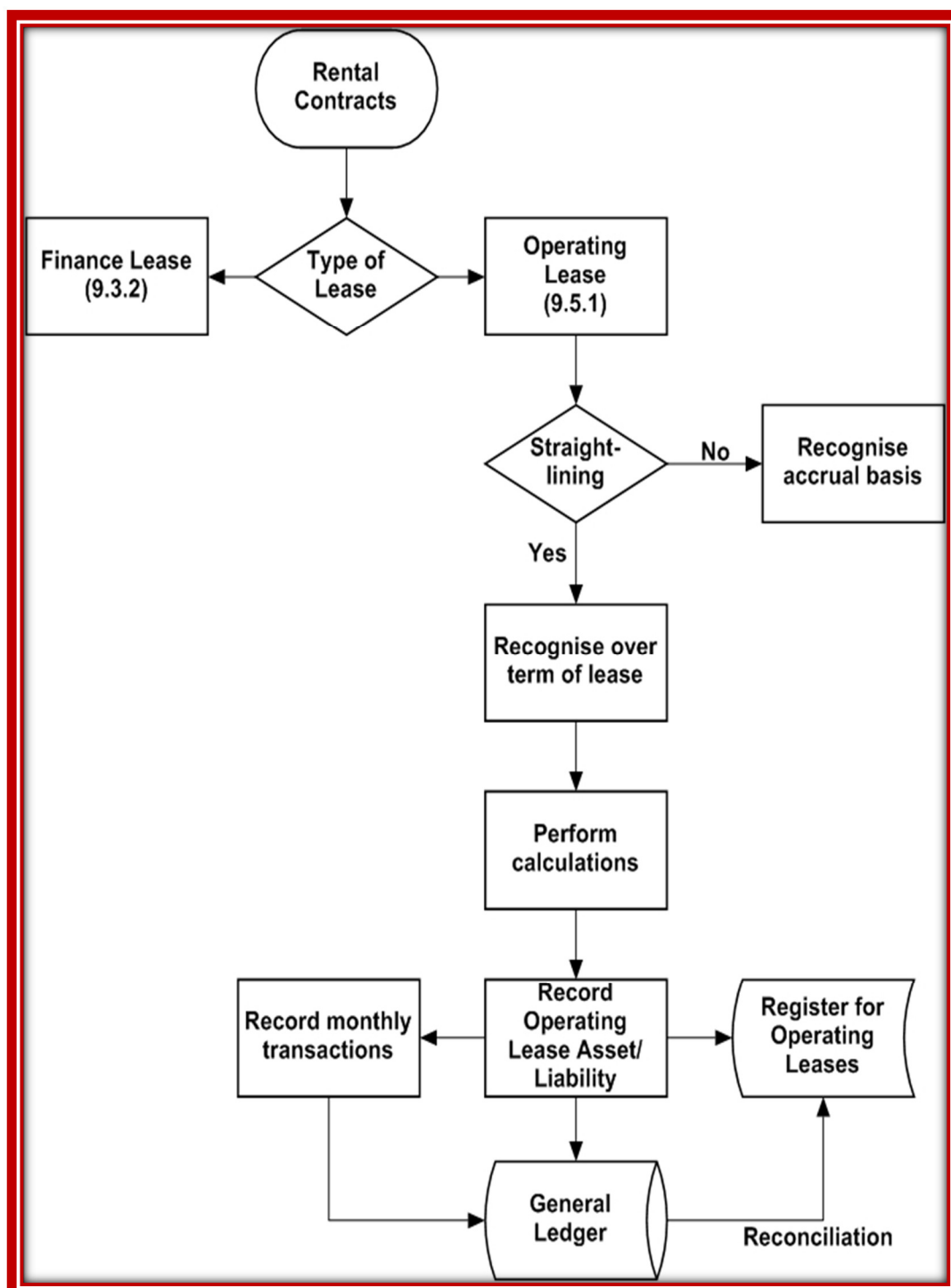
9.1.3 Value Added Tax

An overview of procedures for submission of VAT Returns. Detailed standard operating procedures are set out in section 9.4.1.



9.1.4 Operating Leases

An overview of procedures for calculating the Operating Lease Liability/ Asset. Detailed standard operating procedures are set out in section 9.5.1.



9.2 PLANNING

The accounting officer of a municipality must take all reasonable steps, in terms of section 63(2) of the Municipal Finance Management Act (Act 56 of 2003), to ensure that:

- a) The Municipality has and maintains a management, accounting and information system that accounts for the liabilities of the municipality;
- b) The Municipality's liabilities are allowed in accordance with standards of generally recognised accounting practice; and
- c) The Municipality has and maintains a system of internal control of liabilities, including a liability register, as may be prescribed.

Staff members involved in procedures

AE	Accountant: Expenditure
BSC	Budget Steering Committee
SM	Manager: Strategic Services
MSCM	Manager: Supply Chain Management
MPMU	Manager: Project Management Unit
HAE	Head: Assets and Expenditure
HBTO	Head: Budget and Treasury
HOD	Heads of other Departments within Municipality
CFO	Chief Financial Officer
MM	Municipal Manager
FC	Finance Committee (can also be Executive Committee)
C	Council

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

9.2.1 Procedures for Planning Activities (Revised IDP and Annual Budget)

No.	Procedure	Head: Assets and Expenditure	Strategic Manager	Heads of Departments	Chief Financial Officer	Municipal Manager	Finance Committee	Council	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
1	Follow the procedures, as set out in Chapter 5 of the Municipal Systems Act (Act of 2000) to develop, implement and approve an Integrated Development Plan (IDP).		PA			VA		RA			N/A	N/A	Approved IDP
2	Review the Integrated Develop Plan (IDP) and previous year's actual performance against set targets. Obtain inputs from: <ul style="list-style-type: none"> Ward Committees; Public (via Public IDP Meetings); and Public Sector (via IDP Forum). 		PA			VA		RA	MSA S 34		N/A	N/A	Attendance List and Minutes of Meetings
3	Capture projects in the Planning Module of the financial system.		PA		VA	RA					N/A	N/A	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Head: Assets and Expenditure	Strategic Manager	Heads of Departments	Chief Financial Officer	Municipal Manager	Finance Committee	Council	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
4	Send draft list of projects to Other Departments within Municipality for inputs.		PA			VA					N/A	N/A	
5	Hold meetings within Departments to prioritise projects.			PA		VA					N/A	N/A	
6	<p>Prioritise projects, based on:</p> <ul style="list-style-type: none"> • Master Plans; • Spatial Development Framework; • Asset Replacement Policy; • Housing Implementation Plans; • Service Delivery Backlogs; • Statutory Requirements; • Maintenance Plans; • Strategic Objectives; • Infrastructure Plans identified in prior years; • Duration of project; • Cost effectiveness of project; • Indicate if project is for a new/renewal asset; and • Inputs received during IDP process. <p>This procedure is performed in the Planning Module of the financial system.</p>												
				PA		VA					N/A	N/A	Departmental Strategic Meetings

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Head: Assets and Expenditure	Strategic Manager	Heads of Departments	Chief Financial Officer	Municipal Manager	Finance Committee	Council	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
7	Allocate all segments of mSCOA to all prioritised projects.			PA		VA					N/A	mSCOA Item Charts	
8	<p>Identify funding sources of prioritised projects. (Make use of Funding segment of mSCOA)</p> <p>For prioritised projects funded by SHORT-TERM DEBT, consider:</p> <ul style="list-style-type: none"> • That the Municipality has sufficient cash to meet the objectives of local government, as set out in section 152 of the Constitution (Act 108 of 1996); • If any bridging is required for cash shortfalls within a financial year, in expectation of specific and realistic anticipated income to be received within that financial year; or 								MFMA S 45				

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Head: Assets and Expenditure	Strategic Manager	Heads of Departments	Chief Financial Officer	Municipal Manager	Finance Committee	Council	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
	<ul style="list-style-type: none"> If any bridging is required for capital needs within a financial year, it should be repaid from specific funds received from enforceable allocations or long-term debt commitments; and That criteria as set out in the municipality's Borrowing Policy have been met. 								MFMA S 45				
9	<p>For prioritised projects funded by LONG-TERM DEBT, consider:</p> <ul style="list-style-type: none"> That the municipality's long term debt is consistent with its Capital Budget; That capital expenditure on Property, Plant and Equipment will be used to achieve the objectives of local government, as set out in section 152 of the Constitution (Act 108 of 1996); The provisions of section 46(5) of the MFMA for re-financing of existing long-term debt; That criteria as set out in the municipality's Borrowing Policy have been met. 								MFMA S 46				



STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Head: Assets and Expenditure	Strategic Manager	Heads of Departments	Chief Financial Officer	Municipal Manager	Finance Committee	Council	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
	<p>The Municipality may borrow money for the re-financing of existing long-term debt if:</p> <ul style="list-style-type: none"> The existing long-term debt was lawfully incurred; The re-financing does not extend the term of the debt beyond the useful life of the property, plant or equipment for which the money was originally borrowed; The net present value of projected future payments (including principal and interest payments) after re-financing is less than the net present value of projected future payments before re-financing; and The discount rate used in projecting the net present value and any assumptions in connection with the calculations are reasonable and in accordance with criteria of any prescribed framework. 												
				PA	PA	VA			Borrowing Policy		N/A	N/A	
10	Send list of prioritised projects, with aligned mSCOA segments, to the Strategic Manager.		VA	PA		RA					N/A	N/A	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Head: Assets and Expenditure	Strategic Manager	Heads of Departments	Chief Financial Officer	Municipal Manager	Finance Committee	Council	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
11	Compile list of all prioritised projects. This list should be an extract from the Planning Module of the financial system.		PA			VA					N/A	N/A	
12	Hold Executive Council Committee Meeting.					PA		VA			N/A	N/A	Minutes of Meeting
13	Finalise projects based on: <ul style="list-style-type: none"> • Available Funding; • Master Plans; • Spatial Development Framework; • Housing Implementation Plans; • Service Delivery Backlogs; • Asset Replacement Policy; • Statutory Requirements; • Maintenance Plans; • Strategic Objectives; • Future Operational Cost and Revenue of Project; • Municipal tariffs implications; • Duration of project; 					PA	VA	VA			N/A	N/A	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Head: Assets and Expenditure	Strategic Manager	Heads of Departments	Chief Financial Officer	Municipal Manager	Finance Committee	Council	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
14	Indicate on Final Project List: <ul style="list-style-type: none"> • Strategic Objectives; • Duration of project; • Future Operational Cost and Revenue of Project; • Estimate monthly expenditure of project; and • mSCOA Project Number. 					PA	VA	VA			N/A	N/A	Final Project List
15	Prepare the draft Revised IDP.		PA			VA		RA	MSA S 34		N/A	N/A	Revised IDP
16	Prepare the draft Budget, by using all segments of mSCOA. Add mSCOA Project Number to GUID of Project Segment. All budget schedules should be prepared by the financial system.				PA	RA	VA	VA			N/A	N/A	Draft Budget
17	Include all repayments and interest for short-term debt and long-term debt in the draft Budget.				PA	RA	VA	VA			N/A	N/A	Draft Budget
18	Prepare the draft Service Delivery and Budget Implementation Plan (SDBIP). Add mSCOA Project Number to each project to ensure a link between the IDP, the Budget and the SDBIP.		PA		PA	RA	VA	VA			N/A	N/A	Draft SDBIP

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Head: Assets and Expenditure	Strategic Manager	Heads of Departments	Chief Financial Officer	Municipal Manager	Finance Committee	Council	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
19	Evaluate the draft Budget against approved Benchmarking ratios and norms.		PA		PA	RA	VA	VA					Financial Ratios and Norms
20	Submit the draft IDP, the draft Budget and the draft SDBIP to Council and follow budget procedures as set out in the MFMA, Budget Regulations and Planning and Performance Management Regulations.					PA	VA	VA			N/A	N/A	Budget Process Documents
21	Council approve the IDP and the Annual Budget.							PA			N/A	N/A	IDP / Annual Budget
22	Council approve the SDBIP.							PA	MFMA S53		N/A	N/A	SDBIP
23	Upload budget on the National Treasury Local Government Database (LG Database) portal by using data extraction from the segments of mSCOA.				PA	RA					N/A	N/A	mSCOA Data String
24	Publish the IDP, the Budget and the SDBIP on the municipal website.		PA			RA			MFMA S75		N/A	N/A	
25	Implement the SDBIP.					PA	VA	VA			N/A	N/A	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Head: Assets and Expenditure	Strategic Manager	Heads of Departments	Chief Financial Officer	Municipal Manager	Finance Committee	Council	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
27	Commence with Supply Chain Management (SCM) procedures as per monthly operating and capital budget.	VW		PD		VM		VM			N/A	N/A	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

Procedures for performing Planning Activities (Revised IDP and Annual Budget) accepted by:

	Employee	Signature	Date
AE			
HAE			
SM			
CFO			
MM			

Procedures for performing Planning Activities (Revised IDP and Annual Budget) approved by:

	Signature	Date
Chief Financial Officer		
Municipal Manager		

9.3 BORROWING

The accounting officer of a municipality must take all reasonable steps, in terms of section 63(2) of the Municipal Finance Management Act (Act 56 of 2003), to ensure that:

- a) The Municipality has and maintains a management, accounting and information system that accounts for the liabilities of the municipality;
- b) The Municipality's liabilities are valued in accordance with standards of generally recognised accounting practice; and
- c) The Municipality has and maintains a system of internal control of liabilities, including a liabilities register, as may be prescribed.

Staff members involved in procedures

DC	Data Capturer
CSCM	Clerk: Supply Chain Management
ASCM	Accountant: Supply Chain Management
AE	Accountant: Expenditure
MSCM	Manager: Supply Chain Management
HAE	Head: Assets and Expenditure
HOD	Heads of other Departments within Municipality
CFO	Chief Financial Officer
MM	Municipal Manager

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

9.3.1 Procedures for incurring Short-term Debt

No.	Procedure	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
1	Identify the need for any short-term debt.					PM		VM	RM			GRAP 1	Bank Overdraft, Short-term Borrowings	Bank Overdraft, Short-term Borrowings	
2	Prepare a draft request for short-term debt with a monthly cash flow statement, indicating: <ul style="list-style-type: none"> • Reasons for short-term debt; • Type of short-term debt to be obtained; • Credit limit of short-term debt; 														



STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
	<ul style="list-style-type: none"> • Repayment terms of short-term debt within current financial year; • Interest rate of short-term debt; • Security, if any, for short-term debt; • If security for debt is to be an asset or a right of an asset, which is necessary for providing minimum level of basic municipal services; • The manner in which the availability of the asset or right for the provision of the minimum level of basic municipal services will be protected; 														



STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
	<ul style="list-style-type: none"> Funds that will be used to repay short-term debt within current financial year; and Declaration that denominated value of debt is in Rand's, and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency. 					PM	VM	RM			MFMA S 45 Borrowing Policy	GRAP 1	Bank Overdraft, Short-term Borrowings	Bank Overdraft, Short-term Borrowings	Monthly cash flow statement
3	Submit the draft request for short-term debt to the Municipal Manager.					VM	PM	RM				GRAP 1	Bank Overdraft, Short-term Borrowings	Bank Overdraft, Short-term Borrowings	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
4	Review the request for short-term debt and ensure that request meets requirements as set out in section 45 of the MFMA and the municipality's Borrowing Policy.							VM	PM		MFMA S 45	GRAP 1	Bank Overdraft, Short-term Borrowings	Bank Overdraft, Short-term Borrowings	Request for Short-term Debt
5	If a conditional grant transfer is offered as security for short-term debt, ensure that: <ul style="list-style-type: none"> • Permission is obtained from National Treasury; • The pledge/ guarantee does not extend beyond the DoRA stipulations, and • The pledge/ guarantee is limited to 75% of the indicative grant and 40% of the total project cost. 							PM	VM	RM	MFMA S 45	GRAP 1	Bank Overdraft, Short-term Borrowings	Bank Overdraft, Short-term Borrowings	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
6	Submit the request for short-term debt to the Council.							VM	PM	RM		GRAP 1	Bank Overdraft, Short-term Borrowings	Bank Overdraft, Short-term Borrowings	
7	The Council approves the short-term debt: <ul style="list-style-type: none"> Individually for capital needs repayable within financial year; Credit limit and terms of credit or bank overdraft facility 							VM	VM	PM	MFMA S 45	GRAP 1	Bank Overdraft, Short-term Borrowings	Bank Overdraft, Short-term Borrowings	Council Resolution
8	If the Council Resolution authorises the provision of security for the debt, the Council Resolution must:														

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
	<ul style="list-style-type: none">Stipulate whether the asset or right with respect of which the security is provided, is necessary for providing the minimum level of basic municipal services;If so, indicate the manner in which the availability of the asset or right for the provision of that minimum level of basic municipal services will be protected.						VM	VM	PM	MFMA S 45	GRAP 1	Bank Overdraft, Short-term Borrowings	Bank Overdraft, Short-term Borrowings		
9	The Mayor must sign the Council Resolution for approval of the short-term debt agreement.						VM	VM	PM		GRAP 1	Bank Overdraft, Short-term Borrowings	Bank Overdraft, Short-term Borrowings	Council Resolution	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
10	The Municipal Manager must sign agreement and/or documentation which creates or acknowledges the short-term debt.							VM	PM			GRAP 1	Bank Overdraft, Short-term Borrowings	Bank Overdraft, Short-term Borrowings	Short-term Debt Agreement
11	If the Council approves a credit facility that is limited to emergency use, the Municipal Manager must notify the Council in writing as soon as practical: <ul style="list-style-type: none"> • The amount; • Duration; • Cost of any debt incurred in terms of credit facility; and • Options for repayment of the debt. 							VM	PM	RM	MFMA S 45	GRAP 1	Bank Overdraft, Short-term Borrowings	Bank Overdraft, Short-term Borrowings	Notification of credit facility used

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
12	Record the short-term debt in the Liabilities Register by indicating: <ul style="list-style-type: none"> Type of debt; Name of Institution; Amount of debt; Period of debt; Security of debt; Interest rate; Type of interest (Variable or Fixed); Starting date of debt; First day of repayment, if applicable; Expiry date of debt / Last day of repayment; and All segments of mSCOA. 			PM		RM		VM			MFMA S 63	GRAP 1	Bank Overdraft, Short-term Borrowings	Bank Overdraft, Short-term Borrowings	Liabilities Register

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
13	Review the Liabilities Register to ensure that all short-term debt is repaid within the financial year.					PM			VM	RA	MFMA S 63	GRAP 1	Bank Overdraft, Short-term Borrowings	Bank Overdraft, Short-term Borrowings	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

Procedures for incurring Short-term Debt accepted by:

	Employee	Signature	Date
AE			
HAE			
CFO			
MM			

Procedures for incurring Short-term Debt approved by:

	Signature	Date
Chief Financial Officer		
Municipal Manager		

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

9.3.2 Procedures for incurring Long-term Debt

No.	Procedure	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
1	Identify the need for long-term debt during the budget process.					PA		VA	RA			GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities	Borrowings and Finance Leases	
2	Follow the procedures for Competitive Bidding as set out in the section on Competitive Bidding under Expenditure Management.	PM	PM		PM	VM		VM	RM		SCM Reg. Par 19	GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities	Borrowings and Finance Leases	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
3	<p>As part of the Competitive Bidding Process, any person involved in the borrowing of money by the municipality must, when interacting with a prospective lender or when preparing documentation for consideration by a prospective investor:</p> <ul style="list-style-type: none"> • Disclose all information within possession or knowledge that may be material to the decision of the prospective lender or investor; and • Take reasonable care to ensure the information disclosed is accurate. 	PM	PM		PM	PM		PM	RM		MFMA S 49	GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities	Borrowings and Finance Leases	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
4	Report as soon as practicable any alleged violations of procedure 3 to the Mayor and the National Treasury. The report must contain at least the following information: <ul style="list-style-type: none"> • Details of the alleged violation; • A written response from the alleged offending party; • Proof that the alleged offending party did receive the allegations in writing and had at least 7 working days to respond to the allegations; 														

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
	<ul style="list-style-type: none"> Recommendations whether the alleged offending party must be listed on the National Treasury's database of persons prohibited from doing any business with the public sector. 							VM	PM	RM	MFMA S46 SCM Reg. Par 14	GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities	Borrowings and Finance Leases	
5	As part of the Competitive Bidding Process, the advertisement with specifications must contain: <ul style="list-style-type: none"> Amount of proposed debt; Term of finance; and Asset to be financed 	PM	VM		RM		RM				SCM Reg. Par. 21	GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities	Borrowings and Finance Leases	Advertisement with specifications

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
6	Prepare a draft agreement with successful bidder, after approval by the Bid Adjudication Committee.		PM		VM	RM		RM				GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities	Borrowings and Finance Leases	
7	Prepare an advertisement for public comment, containing at least the following: <ul style="list-style-type: none"> Amount of proposed debt; Purpose for which the debt is to be incurred; Detail of any security to be provided for debt; Closing date for comments. 										MFMA S 46				

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
	The Checklist issued by the National Treasury can be used as a guideline to ensure that all the required information in the Information Statement has been included.		PM		VM	RM						GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities	Borrowings and Finance Leases	Information Statement for public comment
8	Send the draft Information Statement to the Municipal Manager for review.				PM	VM		VM	RM			GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities	Borrowings and Finance Leases	
9	Publish the Information Statement in the newspaper, containing details of proposed debt, 21 days prior to council meeting where the matter will be dealt with.				PM	VM		VM	RM		MFMA S 46	GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities	Borrowings and Finance Leases	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
10	Invite the National Treasury and the Provincial Treasury, by way of formal letters, to submit written comments or representations to the Council in respect of proposed debt.				PM	VM		VM	RM		MFMA S 46	GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities	Borrowings and Finance Leases	
11	Send a copy of the Information Statement to the Council, 21 days prior to the Council Meeting, together with particulars of the following: <ul style="list-style-type: none"> The essential repayment terms; The anticipated debt repayment schedule; 														

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
	<ul style="list-style-type: none"> The anticipated total cost in connection with the debt over the repayment period; Declaration that denominated value of debt is in Rand's, and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency; and Security for the long-term debt. 				PM	VM		VM	RM		MFMA S 46	GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities	Borrowings and Finance Leases	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
12	Receive comments from the public, the National Treasury and the Provincial Treasury.				PM	VM		VM	RM		MFMA S 46	GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities	Borrowings and Finance Leases	
13	Prepare a report with all comments received, for the Council Meeting.				PM	VM		VM	RM		MFMA S 46	GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities	Borrowings and Finance Leases	Report to Council
14	Submit report and draft agreement to the Council.							PM	VM	RM	MFMA S 46	GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities	Borrowings and Finance Leases	
15	The Council approves the long-term debt.										MFMA S 46	GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities	Borrowings and Finance Leases	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
16	The Council Resolution must include: <ul style="list-style-type: none"> Whether the asset or right of the asset, is necessary to provide the minimum level of basic municipal services; and If so, indicate the manner in which the availability of the asset or right of the asset providing the minimum level of basic municipal services will be protected. 							VM	VM	PM	MFMA S 47	GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities	Borrowings and Finance Leases	Council Resolution
17	The Mayor sign the Council Resolution for approval of the long-term debt agreement.							VM	VM	PM	MFMA S 46	GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities	Borrowings and Finance Leases	Council Resolution

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
18	The Municipal Manager sign the final loan agreement.							VM	PM		MFMA S 46	GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities	Borrowings and Finance Leases	Final loan agreement
19	Record the long-term debt in the Liabilities Register by indicating: <ul style="list-style-type: none"> Type of debt; Name of Institution; Amount of debt; Period of debt; Security of debt; Interest rate; Type of interest (Variable or Fixed); Starting date of debt; First day of repayment, if applicable; Last day of repayment; and All segments of mSCOA. 			PM		RM		VM				GRAP 1 GRAP 13 GRAP 104	Bank Overdraft, Short-term Borrowings	Bank Overdraft, Short-term Borrowings	Liabilities Register

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
20	File the signed loan agreement for future reference.		PM		VM	RM		RM			MFMA S 63	GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities	Borrowings and Finance Leases	
21	Meet with the financial institutions to discuss level of satisfaction of services provided to the municipality.							PA	RA			GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities	Borrowings and Finance Leases	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

Procedures for performing incurring Long-term Debt accepted by:

	Employee	Signature	Date
CSCM			
ASCM			
AE			
MSCM			
HAE			
CFO			
MM			

Procedures for performing incurring Long-term Debt approved by:

	Signature	Date
Chief Financial Officer		
Municipal Manager		

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

9.3.3 Procedures for recording and payment of Debt

No.	Procedure	Data Capturer	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
1	ANNUITY LOANS: <ul style="list-style-type: none"> Receive loan from the financial institution in primary bank account; Follow Cash Receipting procedures as set out in the Revenue Management section for all amounts paid into bank account. 												GRAP 1 GRAP 104	Long-term Liabilities & Short-term loans	Borrowings and Finance Leases	
2	FINANCE LEASES: <ul style="list-style-type: none"> Calculate the lowest of: <ul style="list-style-type: none"> Fair value of the leased asset; or 															



STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Data Capturer	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
	<ul style="list-style-type: none"> ○ Present value of the minimum lease payments, by using the interest rate implicit in the lease, or if impractical, the lessee's incremental borrowing rate; • Prepare journal to record Finance Lease and/ or Hire Purchase; • Capture journal to record Finance Lease and / or Hire Purchase, by using all segments of mSCOA. 	PM			PM		VM		RM				GRAP 13	Long-term Liabilities & Short-term loans	Borrowings and Finance Leases	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Data Capturer	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
3	HIRE PURCHASES <ul style="list-style-type: none"> Obtain contract schedule to record Hire Purchases; Prepare journal to record Finance Lease and/ or Hire Purchase; Capture journal to record Finance Lease and / or Hire Purchase, by using all segments of mSCOA. 	PM			PM		VM		RM				GRAP 1 GRAP 104	Long-term Liabilities & Short-term loans	Borrowings and Finance Leases	
4	Obtain payment schedules from the financial institutions.				PM		RM		VM				GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities & Short-term loans	Borrowings and Finance Leases	Payment Schedules

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Data Capturer	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
5	Prepare the amortisation tables.				PM		RM		VM				GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities & Short-term loans	Borrowings and Finance Leases	Amortisation Tables
6	Record all loans in the Liabilities Register.				PM		RM		VM			MFMA S 63	GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities & Short-term loans	Borrowings and Finance Leases	Liabilities Register
7	Record the repayment details of loans as per payment schedule obtained from the financial institution, after the accuracy thereof has been recalculated.				PM		RM		VM				GRAP 1 GRAP 13 GRAP 104	Long-term Liabilities & Short-term loans	Borrowings and Finance Leases	Liabilities Register

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Data Capturer	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
8	FOR ELECTRONIC PAYMENTS: Prepare request for payment, indicate all segments of mSCOA, on request and follow normal creditors' cycle for payment.				PM		RM		VM				GRAP 1 GRAP 104	Long-term Liabilities & Short-term loans	Borrowings	Payment request
9	FOR DEBIT ORDERS: Record monthly transactions in the Loan Register, by using all segments of mSCOA.				PM		RM		VM				GRAP 1 GRAP 104	Long-term Liabilities & Short-term loans	Borrowings	Monthly journal

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Data Capturer	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
10	FOR FINANCE LEASES: Record monthly transactions in the Loan Register, by using all segments of mSCOA.				PM		RM		VM				GRAP 13	Long-term Liabilities	Finance Leases	Monthly journal
11	Capture transactions in the General Ledger, by using all segments of mSCOA.	PM			VM		RM						GRAP 13	Long-term Liabilities	Finance Leases	
12	Perform a monthly reconciliation between the Loan Register and the General Ledger, by using all segments of mSCOA.				PM		RM		VM				GRAP 13	Long-term Liabilities	Finance Leases	Monthly reconciliation

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Data Capturer	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
13	Investigate any differences.				PM		RM		VM				GRAP 13	Long-term Liabilities	Finance Leases	
14	Correct any differences identified.				PM		RM		VM				GRAP 13	Long-term Liabilities	Finance Leases	
15	File the monthly reconciliation for future references.				PM		RM		VM				GRAP 13	Long-term Liabilities	Finance Leases	



STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Data Capturer	Clerk: Supply Chain Management	Accountant: Supply Chain Management	Accountant: Expenditure	Manager: Supply Chain Management	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Mayor	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
16	Prepare a consolidated disclosure statements of all borrowing instruments, within 90 days after the end of each financial year, and place on the borrowing disclosure depository.						PA		RA	VA				Long-term Liabilities & Short-term loans	Borrowings and Finance Leases	Consolidated Disclosure Statement

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

Procedures for recording and payment of Debt accepted by:

	Employee	Signature	Date
DC			
CSCM			
ASCM			
AE			
MSCM			
HAE			
CFO			
MM			

Procedures for performing recording and payment of Debt approved by:

	Signature	Date
Chief Financial Officer		
Municipal Manager		

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

9.3.4 Procedures for Monthly Meetings (Debt Management)

No.	Procedure	Manager: Supply Chain Management	Head: Assets and Expenditure	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
1	CFO holds monthly meeting with the Manager: Supply Chain Management and the Head: Assets and Expenditure to discuss exceptions identified during the month.	PM	PM	PM	RM			Long-term Liabilities & Short-term loans	Borrowings and Finance Leases	Number of meetings per year
2	Determine corrective action to be taken to prevent or reduce similar exceptions.	PM	PM	PM	RM			Long-term Liabilities & Short-term loans	Borrowings and Finance Leases	Number of outstanding findings and findings solved during year.
3	Submit pre-audit checklist to the CFO as proof that tasks have been performed and work performed was verified as correct by relevant officials.		PM	RM				Long-term Liabilities & Short-term loans	Borrowings and Finance Leases	Number of pre-audit checklists per year.

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

Procedures for Monthly Meetings (Debt Management) accepted by:

	Employee	Signature	Date
MSCM			
HAE			
CFO			
MM			

Procedures for Monthly Meetings (Debt Management) approved by:

	Signature	Date
Chief Financial Officer		
Municipal Manager		

9.4 VALUE ADDED TAX

The accounting officer of a municipality must take all reasonable steps, in terms of section 63(2) of the Municipal Finance Management Act (Act 56 of 2003), to ensure that:

- a) The Municipality has and maintains a management, accounting and information system that accounts for the liabilities of the municipality;
- b) The Municipality's liabilities are valued in accordance with standards of generally recognised accounting practice; and
- c) The Municipality has and maintains a system of internal control of liabilities, including a liabilities register, as may be prescribed.

Staff members involved in procedures

CE	Clerk: Expenses
CCD	Chief Clerk: Debtors
AE	Accountant: Expenditure
HAE	Head: Assets and Expenditure
CFO	Chief Financial Officer
MM	Municipal Manager

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

9.4.1 Procedures for submitting of VAT Returns

No.	Procedure	Clerk: Expenses	Chief Clerk: Debtors	Accountant: Expenditure	Head: Assets and Expenditure	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
1	Record input VAT, on the accrual basis during capturing of tax invoices, as set out in procedures on Expenditure Management.	PD		RD	VM			VAT Act S 17	GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
2	<p>Verify that all tax invoices are valid tax invoices as per the VAT Act.</p> <p><u>Valid tax invoice requirements:</u></p> <p>Where the consideration exceeds R5 000, a full tax invoice in terms of section 20(4) consisting of the following details is required:</p> <ul style="list-style-type: none"> The words "tax invoice" in a prominent place; The name, address and VAT registration number of the supplier; The name, address and where the recipient is registered, the VAT registration number of the recipient; 											



STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Expenses	Chief Clerk: Debtors	Accountant: Expenditure	Head: Assets and Expenditure	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
	<ul style="list-style-type: none"> The individual serialised number and the date of issue; An accurate description of the goods and/or services supplied; The quantity or volume of the goods or services supplied; The full consideration charged, and either – <ul style="list-style-type: none"> the VAT amount shown separately; or a statement that VAT is included, and the rate of VAT charged. <p>Where the consideration does not exceed R5 000, an abridged tax invoice in terms of section 20(5) may be issued with the requirements being the same as above with the exception of the following particulars which may be omitted:</p> <ul style="list-style-type: none"> The name, address and the VAT registration number of the recipient; 											

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Expenses	Chief Clerk: Debtors	Accountant: Expenditure	Head: Assets and Expenditure	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
	<ul style="list-style-type: none"> The quantity or volume of the goods or services supplied 	PD		RD	VM			VAT Act S 20	GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
3	Recognise output VAT during monthly levying of Service Charges and capturing of Direct Income, as set out in procedures on Revenue Management.		PD	RD	VM				GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
4	<p>Generate a VAT Declaration Report from the financial system, containing the following information:</p> <ul style="list-style-type: none"> Zero rated income to be declared; Taxable income and output tax to be declared; Operating input tax claimable; and Capital input tax claimable. 			PM	RM	VM		VAT Act S 28	GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	VAT Declaration Report

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Expenses	Chief Clerk: Debtors	Accountant: Expenditure	Head: Assets and Expenditure	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
5	Reconcile the VAT Report's total amounts to the detailed generated VAT Declaration Report.			PM	RM	VM		MFMA S 63	GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
6	Review all detailed items on the VAT Report to be declared and claimed to determine that these are valid items.			PM	RM	VM			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
7	Reconcile the detailed VAT Report to the applicable mSCOA item segments in the general ledger.			PM	RM	VM		MFMA S 63	GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
8	Investigate and correct any differences.			PM	RM	VM			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
9	Run the final VAT Declaration Report.			PM	RM	VM		VAT Act S 28	GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	VAT Declaration Report

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Expenses	Chief Clerk: Debtors	Accountant: Expenditure	Head: Assets and Expenditure	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
10	Prepare the VAT 201 return by using the VAT Declaration Report.			PM	RM	VM		VAT Act S 28	GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	VAT 201 Return
11	Prepare payment advice for net VAT payable.			PM	RM	VM		VAT Act S 28	GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
12	Request a VAT Statement of Account via SARS e-filing.			PM	RM	VM			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
13	Prepare payment advice for any outstanding VAT payable. Indicate any penalties and/or interest separately.			PM	RM	VM			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
14	Submit a copy of the VAT return with payment advice to the Head: Assets and Expenditure, for review.			PM	RM	VM			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
15	Submit a copy of the VAT Statement of Account with payment advice to the Head: Assets and Expenditure, for review.			PM	RM	VM			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Expenses	Chief Clerk: Debtors	Accountant: Expenditure	Head: Assets and Expenditure	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
16	Review payment advice/s and verify that VAT payable, Interest and Penalties are allocated to the correct segments of mSCOA.			VM	PM	RM			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
17	Follow normal creditors' payment procedures, as set out in section on Expenditure Management.			VM	PM	RM			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
18	File the VAT 201 return on SARS e-filing on or before the due date. If the due date falls on a weekend the previous business day should be used.			PM	RM	VM		VAT Act S 28	GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
19	Print the confirmation that VAT 201 return has been filed.			PM	RM	VM			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	e-Filing confirmation

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Expenses	Chief Clerk: Debtors	Accountant: Expenditure	Head: Assets and Expenditure	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
20	File VAT 201 return with the confirmation of e-filing and supporting documentation for future reference.			PM	RM	VM			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
21	If any VAT is receivable, follow normal direct payments receipt processes, as set out in section on Revenue Management.		PM		RM	VM			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
22	Reconcile the VAT control account with the VAT 201 return.			PM	RM	VM		MFMA S 63	GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	VAT Control Account Reconciliation
23	Reconcile the VAT Output Control Account with the monthly Debtors Age Analysis.		PM		RM	VM		MFMA S 63	GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	VAT Output Reconciliation
24	Reconcile the VAT Input Control Account with the monthly Creditors Age Analysis.			PM	RM	VM		MFMA S 63	GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	VAT Input Reconciliation
25	Investigate and correct any differences.			PM	RM	VM			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Clerk: Expenses	Chief Clerk: Debtors	Accountant: Expenditure	Head: Assets and Expenditure	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
26	Submit the VAT Reconciliations to the Head: Assets and Expenditure for review.			PM	RM	VM			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
27	Review the VAT Reconciliations.			VM	PM	RM		MFMA S 63	GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
28	File the VAT Reconciliations for future reference.			PM	RM	VM			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
29	Perform a VAT reasonability test between the VAT returns submitted and total income and expenditure in the mSCOA Item and Expenditure segments for the financial year.			VA	PA	RA			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	VAT Reasonability Test
30	Investigate and correct any differences.			VA	PA	RA			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
31	File the VAT reasonability test for future reference.			VA	PA	RA			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

Procedures for submitting of VAT Returns accepted by:

	Employee	Signature	Date
CE			
CCD			
AE			
HAE			
CFO			
MM			

Procedures for submitting of VAT Returns approved by:

	Signature	Date
Chief Financial Officer		
Municipal Manager		

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

9.4.2 Procedures for calculation of VAT Apportionment

No.	Procedure	Accountant: Expenditure	Head: Assets and Expenditure	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
1	<p>Calculate the VAT apportionment ratio before the start of the financial year, based on preliminary results.</p> <p>The VAT apportionment formula is as follows:</p> $y = \frac{a}{(a + b + c)} \times 100$ <p>Where:</p> <p>“y” = the apportionment percentage;</p> <p>“a” = the value of all taxable supplies (including deemed taxable supplies) made during the period;</p> <p>“b” = the value of all exempt supplies made during the period; and</p> <p>“c” = the sum of any other amounts not included in “a” or “b” in the formula, which were received or which accrued during the period (whether in respect of a supply or not, for example, income received in respect of out of scope supplies).</p>	PA	RA	VA		VAT Act S 17 BGR 4	GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	VAT Apportionment Calculation

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Accountant: Expenditure	Head: Assets and Expenditure	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
2	Send the VAT Apportionment calculation to the Head: Assets and Expenditure for review.	PA	RA	VA			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
3	Review the VAT Apportionment calculation and sign as proof of the review.	VA	PA	RA			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
4	Update the VAT parameters before the start of the financial year, if required.	PA	VA	RA			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
5	Print the VAT Parameter Report on the financial system	PA	VA	RA			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	VAT Parameter Report
6	Review the VAT Parameter Report for correctness.	VA	PA	RA			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
7	File the VAT Parameter Report, with the VAT apportionment calculation for future reference.	PA	VA	RA			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Accountant: Expenditure	Head: Assets and Expenditure	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
8	Recalculate the VAT apportionment ratio, based on the audited financial statements, within 6 months after year-end.	PA	RA	VA		VAT Act S 17 BGR 4	GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	VAT Apportionment Calculation
9	If the VAT apportionment calculation is below 95%: <ul style="list-style-type: none"> Recalculate VAT claimable on mixed supplies from 1 July, based on new apportionment ratio; and Declare correction on next VAT return. 	PA	RA	VA		VAT Act S 17	GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
10	If the VAT apportionment calculation is 95% or higher: <ul style="list-style-type: none"> No action if calculation in prior year was also 95% or higher; If prior year calculation was less than 95%: <ul style="list-style-type: none"> Recalculate VAT claimable on mixed supplies from 1 July, by claiming 100% input tax; and Declare correction on next VAT return. 	PA	RA	VA		VAT Act S 17	GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
11	Update the VAT parameters, if required.	PA	VA	RA			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Accountant: Expenditure	Head: Assets and Expenditure	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
12	Print the VAT Parameter Report on the financial system.	PA	VA	RA			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	VAT Parameter Report
13	Review the VAT Parameter Report for correctness.	VA	PA	RA			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
14	File the VAT Parameter Report, with the VAT apportionment calculation for future reference.	PA	VA	RA			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
15	Recalculate the Input VAT claimable from the beginning of the financial year.	PA	VA	RA			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	VAT Calculations
16	Send the VAT Calculations to the Head: Assets and Expenditure for review.	PA	VA	RA			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
17	Review the VAT Calculations and sign as proof of the review.	VA	PA	RA			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Accountant: Expenditure	Head: Assets and Expenditure	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
18	File the VAT Calculations with apportionment ratio for future reference.	PA	VA	RA			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	
19	Correct Input Taxes claimable with next VAT return.	PA	VA	RA			GRAP 1	Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

Procedures for calculation of VAT Apportionment accepted by:

	Employee	Signature	Date
AE			
HAE			
CFO			
MM			

Procedures for calculation of VAT Apportionment approved by:

	Signature	Date
Chief Financial Officer		
Municipal Manager		

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

9.4.3 Procedures for Monthly Meetings (VAT)

No.	Procedure	Accountant: Expenditure	Head: Assets and Expenditure	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
1	CFO holds monthly meeting with the Head: Assets and Expenditure and the Accountant: Expenditure to discuss exceptions identified during the month.	PM	PM	PM	RM			Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	Number of meetings per year
2	Determine corrective action to be taken to prevent or reduce similar exceptions.	PM	PM	PM	RM			Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	Number of outstanding findings and findings solved during year.
3	Submit pre-audit checklist to the CFO as proof that tasks have been performed and work performed was verified as correct by relevant officials.		PM	RM				Taxes, VAT payable / (receivable)	Taxes, VAT payable / (receivable)	Number of pre-audit checklists per year.

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

Procedures for Monthly Meetings (VAT) accepted by:

	Employee	Signature	Date
MSCM			
HAE			
CFO			
MM			

Procedures for Monthly Meetings (VAT) approved by:

	Signature	Date
Chief Financial Officer		
Municipal Manager		

9.5 OTHER LIABILITIES

The accounting officer of a municipality must take all reasonable steps, in terms of section 63(2) of the Municipal Finance Management Act (Act 56 of 2003), to ensure that:

- a) The Municipality has and maintains a management, accounting and information system that accounts for the liabilities of the municipality;
- b) The Municipality's liabilities are valued in accordance with standards of generally recognised accounting practice; and
- c) The Municipality has and maintains a system of internal control of liabilities, including a liabilities register, as may be prescribed.

Staff members involved in procedures

DC	Data Capturer
CCD	Chief Clerk: Debtors
AE	Accountant: Expenditure
HAE	Head: Assets and Expenditure
HOD	Heads of Departments within Municipality
CFO	Chief Financial Officer
MM	Municipal Manager

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

9.5.1 Procedures for Operating Lease Liabilities/Assets

No.	Procedure	Data Capturer	Chief Clerk: Debtors	Accountant: Expenditure	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
1	Obtain copies of the rental contracts from the Legal Department, after contracts having been signed by all parties involved.			PM	RM	VM				GRAP 13	Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	Rental Contracts
2	Determine if the lease is a Finance Lease or Operating Lease, as defined in GRAP 13.			PM	RM		VM			GRAP 13	Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	
3	Determine if the Operating Lease must be recognised on a straight-line basis as defined in GRAP 13.			PM	RM		VM			GRAP 13	Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Data Capturer	Chief Clerk: Debtors	Accountant: Expenditure	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
4	Perform the straight-line calculations for all applicable Operating Leases.			PM	RM		VM			GRAP 13	Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	Operating Lease calculations
5	Prepare a journal to recognise the Operating Lease Liability / Asset, by using all segments of mSCOA.			PM	RM		VM			GRAP 13	Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	
6	Send the journal with operating lease calculations to the Head: Assets and Expenditure for review.			PM	RM		VM			GRAP 13	Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	
7	Review the calculations and journal for straight-lining of Operating Leases.			VM	PM		RM			GRAP 13	Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Data Capturer	Chief Clerk: Debtors	Accountant: Expenditure	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
8	Capture the journal for the Operating Lease Liability / Asset, by using all segments of mSCOA.	PM		VM	RM					GRAP 13	Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	
9	Record calculations in the Register for Operating Lease Liabilities / Assets.			PM	RM		VM			GRAP 13	Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	Register for Operating Lease Liabilities / Assets
10	Obtain a copy of the Rental Register from the Chief Clerk: Debtors		VM	PM	RM					GRAP 13	Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	
11	Reconcile the Rental Register with information in the Register for Operating Lease Liabilities / Assets.			PM	RM		VM		MFMA S 63	GRAP 13	Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	Monthly Operating Lease Liability / Asset Reconciliation



STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Data Capturer	Chief Clerk: Debtors	Accountant: Expenditure	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
12	Investigate any differences.		VM	PM	RM					GRAP 13	Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	
13	Update the Register for Operating Lease Liabilities / Assets, if needed.			PM	RM		VM			GRAP 13	Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	
14	Prepare the journal to recognise monthly movement in the Operating Lease Liability / Asset, by using all segments of mSCOA.			PM	RM		VM			GRAP 13	Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	
15	Capture the journal for monthly movement in the Operating Lease Liability / Asset, by using all segments of mSCOA.	PM		VM	RM					GRAP 13	Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Data Capturer	Chief Clerk: Debtors	Accountant: Expenditure	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
16	Reconcile the Register for Operating Lease Liabilities / Assets with the General Ledger.			PM	RM		VM		MFMA S 63	GRAP 13	Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	Monthly Operating Lease Liability / Asset Reconciliation
17	Investigate and correct any differences.			PM	RM		VM			GRAP 13	Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	
18	Review the reconciliation between the Register for Operating Lease Liabilities / Assets and the General Ledger and sign as proof of review.			VM	PM		RM		MFMA S 63	GRAP 13	Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

No.	Procedure	Data Capturer	Chief Clerk: Debtors	Accountant: Expenditure	Head: Assets and Expenditure	Heads of Departments within Municipality	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
19	File the reconciliation between the Register for Operating Lease Liabilities / Asset and the General Ledger for future reference.			PM	RM		VM			GRAP 13	Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

Procedures for Operating Lease Liabilities/Assets accepted by:

	Employee	Signature	Date
DC			
CCD			
AE			
HAE			
CFO			
MM			

Procedures for Operating Lease Liabilities/Assets approved by:

	Signature	Date
Chief Financial Officer		
Municipal Manager		

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

9.5.2 Procedures for Monthly Meetings (Other Liabilities)

No.	Procedure	Head: Assets and Expenditure	Chief Financial Officer	Municipal Manager	Legislation	GRAP Standard	GRAP Line-Item	Proposed mSCOA Item	KPI
1	CFO holds monthly meeting with the Head: Assets and Expenditure to discuss exceptions identified during the month.	PM	PM	RM			Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	Number of meetings per year
2	Determine corrective action to be taken to prevent or reduce similar exceptions.	PM	PM	RM			Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	Number of outstanding findings and findings solved during year.
3	Submit pre-audit checklist to the CFO as proof that tasks have been performed and work performed was verified as correct by relevant officials.	PM	RM				Operating Lease Liabilities / Assets	Operating Lease Liabilities / Assets	Number of pre-audit checklists per year.

STANDARD OPERATING PROCEDURES FOR MUNICIPALITIES

Procedures for Monthly Meetings (Other Liabilities) accepted by:

	Employee	Signature	Date
HAE			
CFO			
MM			

Procedures for Monthly Meetings (Other Liabilities) approved by:

	Signature	Date
Chief Financial Officer		
Municipal Manager		