

OBJECTIVE AND METHODOLOGY OF THE MANUAL

Objective of the manual

The **objective of this manual** is to provide Budget and Treasury staff of municipalities with a reference guide on the accounting procedures, financial control procedures and legislation compliance procedures they are expected to perform throughout the financial year.

The manual provides the following guidance to users thereof:

- First time implementation of accrual accounting i.e. move from fund/cash to accrual accounting.
- Adherence to accounting standards / implementing accounting standards (Adhering to accounting treatment and disclosure requirements)
- How to implement accounting control procedures to ensure fair presentation in the AFS (Topics include a variety of recons and registers that have to be maintained i.e. asset registers, bank recons, debtors recons, creditors recons, loans registers, consumer deposit registers, lease registers etc.)

The definitions of accounting procedures, financial control procedures and legislation compliance procedures are provided in the glossary of terms.

Methodology followed in the manual

A municipality through its officials performs a large number of activities during any given financial year. If the results of these activities or procedures involved in these activities are measurable in rand values, and have an effect on the financial performance, financial position, cash flows or funds and reserves of the municipality then these results of activities, or procedures involved in the activities, will appear as line items in the Annual Financial Statements (AFS) of the municipality. For example, if a municipality orders and receives inventories that will be used internally by the municipality, such as water meters, then these inventories, if not utilised by year end will have to be recorded in an inventories register and in the AFS as a current asset. Once the inventories are utilised they will have to be removed from the inventories register and shown as an expense in the statement of financial performance.

The **methodology that has been followed in this manual** is therefore set to achieve the following specific outcomes:

- 1) Determine the various line items in the AFS which reflect the results of municipal activities or procedures involved in these activities. This has been done by reviewing GRAP 1 disclosure requirements to identify the various line items and relevant accounting standards governing these line items.
- 2) Draft finance standard operating procedures (FSOP) according to the various stages of the lifespan of these line items. For a comprehensive list of the line items for which the FSOP have been drafted refer to the table of contents of this manual.
- 3) Draft practical examples and templates explaining not only what the FSOP are that Budget and Treasury staff need to execute throughout the year but also provide detailed guidance on HOW the FSOP are to be executed.