

The MFMA Circular 65, issued in November 2012, addresses the legal framework surrounding internal audit and audit committees. Good governance involves how an organization is managed, its organizational culture, policies, strategies and the way it deals with its stakeholders. The internal auditor and audit committee provide objective, independent advice to improve oversight, governance and help to mitigate risks. Working with the internal auditor, the audit committee brings different skills and expertise to assist in improving the performance of an institution. The internal auditor and audit committee does not assume any management functions nor should management exert any undue influence over the work of the internal auditor and audit committee.

The Provincial Treasury has noted with concern the non-adherence to MFMA circulars by some municipalities especially on the aspects of audit committees. MFMA circulars aim to provide detailed guidance and advice on how municipalities must implement and manage systems of internal control, accountability and governance. The above matter refers.

**TO: ACCOUNTING OFFICERS OF ALL MUNICIPALITIES AND MUNICIPAL ENTITIES
CFOs OF ALL MUNICIPALITIES AND MUNICIPAL ENTITIES
INTERNAL AUDITORS OF ALL MUNICIPALITIES AND MUNICIPAL ENTITIES
NON COMPLIANCE WITH MFMA CIRCULAR 65 INTERNAL AUDIT AND AUDIT COMMITTEE**

Eng: Tema SE (015 291 8563)

PROVINCIAL TREASURY



PRATT GC CA(SA)
HEAD: PROVINCIAL TREASURY

Kind regards,

Municipalities should note that failure to implement the legislative requirements surrounding internal audit and audit committees constitutes a serious breach of the MFMA. It is against this background that we request municipalities to adhere to all MFMA circulars

- Audit committees that consist of less than 3 members
- Audit committee members serving on more than three local government audit committees simultaneously. The practice of serving on too many committees has impacted negatively on the performance of audit committees contributing to their ineffectiveness.
- Members of the audit committee contracted continuously for a period exceeding six years.
- Remuneration paid to audit committee members who are employed at national departments, provincial departments and municipalities/municipal entities. Officials Public servants serving on audit committees maybe be reimbursed for out of pocket expenses.
- Lack of audit committee performance assessments

Some of the non-adherence observed is as follows:

DATE
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