



MUNICIPAL AUDIT COMMITTEE TOOL KIT

Introduction

Section 5(2)(d) of the Municipal Finance Management Act (MFMA) requires the National Treasury to investigate any system of financial management and internal control in any municipality and recommend improvements. Furthermore, Sections 62 (c) and 95 (c) of the MFMA requires that a municipality and municipal entity have and maintains an effective, efficient, and transparent system of internal control. Additionally, Sections 165 and 166 of the MFMA legislates the establishment, functions and responsibilities of internal audit units and audit committees.

The circular introduces the Municipal Audit Committee Tool Kit for immediate use by all municipalities and municipal entities, Internal Audit and Audit Committees. The information has been developed to support the effective functioning of Audit Committees. The tool pack comprises of the following:

- Audit Committee Manual/Guide
- Supporting Documentation
- Evaluation Tools

Background

In response to requests from municipalities and municipal entities, other stakeholders, information highlighted from MFMA compliance monitoring reports, and shortcomings raised in the MFMA General Report issued by the Auditor-General, the National Treasury, in collaboration with the Provincial Treasuries embarked on a project to develop user friendly material for use by Internal Audit Units and Audit Committees. This is designed to assist in the effective functionality of Audit Committees in municipalities and municipal entities.

Section 34(1) of the MFMA requires national and provincial governments must assist municipalities in building the capacity of municipalities for efficient, effective and transparent financial management.

The MFMA Circular 65 on Internal Audit Units and Audit Committees provided information to assist municipalities and municipal entities understand the legislative framework and roles and responsibility, amongst others. However, it is clear that the information provided therein required further elaboration to enable effective support and implementation. Therefore, the tool delves deeper into key aspects and disciplines with an aim to encourage regular reviews of the structure, its operations, functionality, monitoring, reporting, and effective follow-up.

Recent amendment to the legal framework also requires Audit Committees to play an additional role in assurance. Due consideration was also given to the International Standards for the Professional Practice of Internal Auditing and other public sector measures to improve the effectiveness of assurance providers.

The tool aims to provide comprehensive guidance for Audit Committee operations and activities across municipalities and municipal entities, serving as both an induction tool for new members a resource for existing members, and a reference point for key stakeholders.

The content encompasses functions, membership, relationships with key stakeholders, conduct, and assessment of the Audit Committee. It also includes recommended templates that municipalities and municipal entities can customise to reflect their specific needs and environments. In addition, further reforms will be addressed in the proposed amendments to the MFMA, and the tool kit will be updated on a regular basis. The tool kit must be used during training sessions for Internal Audit units and Audit Committee induction.

THE MUNICIPAL AUDIT COMMITTEE TOOLKIT

The Audit Committee Guide/Manual

The Audit Committee Guide/Manual discusses a range of functions and responsibilities that are appropriate for an Audit Committee. It is intended as a reference document for Councils/Boards, Municipal Managers, Chief Executive Officers, Internal Audit Units, members of Audit Committees and senior managers with responsibility for Audit Committee engagements, including the membership and expected conduct of the Audit Committee members; relationships with key stakeholders; the roles and responsibilities of the Audit Committee; ways to conduct the Audit Committee performance assessments, amongst others.

Supporting and Guide Documentation

There is a list of supporting documents such as the frameworks, charters, work-plans, induction packs, templates, checklists, and assessments, amongst others that will assist the Audit Committee in its effective functioning and contribute towards the achievement of the Audit Committee's roles, responsibilities, outputs and outcomes.

- Audit Committee Terms and Reference / Charter (PSAUC1)
- Audit Committee Work Plan (PSAUC2)
- Audit Committee Induction Pack (PSAUC3)
- Internal Audit Charter Template (PSAUC4)

Evaluation Tools

The evaluation tools comprise of the following:

- Audit Committee Self-Assessment Tool (PSAUC5)
- Audit Committee Competency Framework Checklist (PSAUC6)
- Internal Audit Effectiveness Assessment Tool (PSAUC7)
- Finance Function Assessment Tool (PSAUC8)

Detailed information can be located within the Tool kit.

The guide/manual to be read and used together with the Municipal Public Accounts Committees (MPAC) Guide and Tool kit, available on the MFMA website. Management is encouraged to make urgent and full use of the Audit Committee Tool kit to identify and attend to current gaps and shortcomings in consultation with the Audit Committee.

Training and Support

Municipalities, Municipal Entities, Internal Audit Units and Audit Committees are encouraged to approach the relevant officials from the Provincial Treasury listed in the table below for further assistance with regards to training and implementation support.

NO.	TREASURY	CONTACT PERSON	E-MAIL	TELEPHONE NUMBER
1	Eastern Cape	Templeton Phogole	Templeton.Phogole@ectreasury.gov.za	083 984 5514
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9	Western Cape	Melissa Van Niekerk	Melissa.vanNiekerk@westerncape.gov.za	073 360 7929

Alternatively, please contact Ms Pulane Mkhize, email: pulane.mkhize@treasury.gov.za or Ms Busisiwe Dingaan, email: Busisiwe.Dingaan@treasury.gov.za at the National Treasury for any additional guidance and support.

Conclusion

We reiterate that the Accounting Officer has legislated responsibilities to ensure that effective, efficient, and transparent systems of financial management and internal controls are maintained and enforced. The assurance provided by the Audit Committee on internal controls, amongst other activities, in recommending to Management and Council actions, must be taken seriously, and implemented. It is also imperative that management report at every Audit Committee meeting progress in implementing recommendations. Failure to implement the legislated requirements for internal audit and audit committees, constitutes a serious breach of measures in the MFMA.

It is important that the Accounting Officer ensures that this Circular and the supporting Tool kit are brought to the attention of the Municipal Council, Board of Directors of municipal entities, the members of the Audit Committee, Internal Audit Units, and measures are instituted to ensure regular reviews are undertaken and shortcomings are immediately addressed. The Auditor-General will continue to audit processes, procedures, and functionality of Internal Audit Units, and Audit Committees.

All comments on this Circular and the attached Tool kit must be forwarded to the e-mail address below and copied to Ms Pulane Mkhize, email: pulane.mkhize@treasury.gov.za. The tool kit will be updated from time to time as the legislative framework is amended and practices evolve.

Contact



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Annexures: Municipal Audit Committee Tool kit

ANNEXURE A1 - Audit Committee Terms of Reference/Charter – MFMA - PSAUC1
ANNEXURE A2 - Audit Committee Work Plan - PSAUC2
ANNEXURE A3 - Audit Committee Induction Pack - PSAUC3
ANNEXURE A4 - Internal Audit Charter Template - PSAUC4
ANNEXURE A5 - Audit Committee Self-Assessment Template - PSAUC5
ANNEXURE A6 - Audit Committee Competency Framework - PSAUC6
ANNEXURE A7 - Internal Audit Effectiveness Assessment - PSAUC7
ANNEXURE A8 - Audit Committee Assessment of the Finance Function - PSAUC8