

MPUMALANGA PROVINCIAL GOVERNMENT

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Department of Finance *Office of the HOD*

Litiko LeteTimali

UmNgango weZeemali

Departement van Finansies

Kgoro ya Matlotlo

Enquiries : Mr E Mbokodo x4553

Ref No : DOF 13/5/4

PROVINCIAL TREASURY CIRCULAR NO 45 OF 2013

TO:

THE ACTING-MUNICIPAL MANAGER: NKANGALA DISTRICT MUNICIPALITY: MR. A ZIBWA
THE MUNICIPAL MANAGER: VICTOR KHANYE LOCAL MUNICIPALITY: MS. RM MAREDI
THE ADMINISTRATOR: EMALAHLENI LOCAL MUNICIPALITY: MR. T VAN VUUREN
THE MUNICIPAL MANAGER: STEVE TSHWETE LOCAL MUNICIPALITY: MR. WD FOCHE
THE ACTING- MUNICIPAL MANAGER: EMAKHAZENI LOCAL MUNICIPALITY: MS. TJ SHOBA
THE MUNICIPAL MANAGER: THEMBISILE HANI LOCAL MUNICIPALITY: MR. J SINDANE
THE ACTING-MUNICIPAL MANAGER: DR JS MOROKO LOCAL MUNICIPALITY: MR. Z SIKHOSANA
THE MUNICIPAL MANAGER: EHLANZENI DISTRICT MUNICIPALITY: ADV H MBATHA
THE MUNICIPAL MANAGER: BUSHBUCKRIDGE LOCAL MUNICIPALITY: MR. DL SHABANGU/ADMINISTRATOR:
MR. E NGOMANE
THE MUNICIPAL MANAGER: UMJINDI LOCAL MUNICIPALITY: MR. DP MSIBI
THE MUNICIPAL MANAGER: NKOMAZI LOCAL MUNICIPALITY: MR. MD NGWENYA
THE ACTING-MUNICIPAL MANAGER: THABA CHWEU LOCAL MUNICIPALITY: MR. NRG NKOSI
THE ACTING-MUNICIPAL MANAGER: MBOMBELA LOCAL MUNICIPALITY: MR. IS DITSEGO
THE MUNICIPAL MANAGER: GERT SIBANDE DISTRICT MUNICIPALITY: MR. H HABILE
THE MUNICIPAL MANAGER: CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY: MR. VN MPILA
THE MUNICIPAL MANAGER: MSUKALIGWA LOCAL MUNICIPALITY: MR. TB DLAMINI
THE MUNICIPAL MANAGER: MKHONDO LOCAL MUNICIPALITY: MR. AN MAHLANGU
THE MUNICIPAL MANAGER: LEKWA LOCAL MUNICIPALITY: MR. LB TSABALALA
THE MUNICIPAL MANAGER: DIPALISENG LOCAL MUNICIPALITY: MR. DV NGCOBO
THE MUNICIPAL MANAGER: GOVAN MBEKI LOCAL MUNICIPALITY: MR. MF MAHLANGU
THE MUNICIPAL MANAGER: DR PIXLEY KA ISAKA-SEME LOCAL MUNICIPALITY: MR. P MALIBE
THE DIRECTOR-GENERAL: OFFICE OF THE PREMIER: DR. NONHLANHLA MKHIZE
THE ACCOUNTING OFFICER: DEPARTMENT OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS: MR.
MD MAHLOBO

AUDIT COMMITTEE QUARTERLY REPORT TO THE MUNICIPAL COUNCIL

The Mpumalanga Provincial Treasury is requesting all Audit Committee Chairpersons of Municipalities to prepare a report to the Municipal Council on quarterly basis. This is in line with the requirements of the Municipal Finance Management Act, No 56 of 2003 (MFMA).

The purpose of the Audit Committee quarterly reports is to advise the Municipal Council, the Political Office-Bearers, the Accounting Officer and the Management Staff of the Municipality on matters relating to Internal controls and Internal audits; Risk management; Accounting policies; the adequacy, reliability and accuracy of financial reporting information; effective governance; compliance with the MFMA, the Division of Revenue Act (DORA) and any other

applicable legislation; performance evaluation and any other issues referred to it by the municipality.

The report is to be prepared every quarter by the Chairperson of the Audit Committee and submitted to the Municipal Council on activities as indicated above.

The following should be considered by the Audit Committee Chairpersons when preparing the report:

- Internal Audit reports.
- Risk Management reports.
- Quarterly Financial reports (Section 71 Reports)
- Interim and Annual Financial statements.
- Internal and External Audit action plans.
- Quarterly performance information reports.
- Effectiveness of internal controls and governance processes.
- The level of compliance with Legislation.
- Ad-hoc projects.

The template is available at Provincial Treasury, Provincial Internal Audit section and will also be sent via electronic mail to municipalities if requested (**See Annexure A**). **Please note that this circular should be brought to the attention of all the Audit Committee Chairpersons and Chief Audit Executives in Municipalities.**


The following officials in Provincial Treasury could be contacted for clarification and assistance with regard to the template:

Mr. E Mbokodo
Tel: 013 7664553
Email: embokodo@mpg.gov.za

Mr. B Mndawe
Tel: 013 7664291
Email: MndaweBE@mpg.gov.za

Your co-operation is appreciated.

Kind Regards,



Ms NZ NKAMBA
HEAD OF DEPARTMENT
DEPARTMENT OF FINANCE
DATE: 19/12/2013

ANNEXURE A

AUDIT COMMITTEE REPORT TO COUNCIL FOR THE QUARTER ENDING DDMMYY

INTRODUCTION

Section 166 of the Municipal Financial Management Act (No. 56 of 2003) stipulates that each municipality must have an audit committee which serves as an independent advisory

- (a) The audit committee must advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality on matters relating to-
 - (i) *Internal financial control and internal audit;*
 - (ii) *Risk management;*
 - (iii) *Accounting policies;*
 - (iv) *The adequacy, reliability and accuracy of financial reporting and information;*
 - (v) *Performance management;*
 - (vi) *Effective governance;*
 - (vii) *Compliance with the MFMA, the DORA and any other applicable legislation;*
 - (viii) *Performance evaluation; and*
 - (ix) *Any other issues referred to it by the municipality*

- (b) Review the annual financial statement to provide the council of the municipality with an authoritative and credible view of the financial position of the municipality, its effectiveness and its overall level of compliance with the MFMA, the DORA and any other applicable legislation
- (c) Respond to the council on any issues raised by the Auditor-General in the audit report;
- (d) Carry out such investigations into the financial affairs of the municipality as the council of the municipality may request;
- (e) Perform such other functions as may be prescribed

The principles of King III Report, customised to municipal environment advise that the audit committee should:

- 3.5 ensure that combined assurance model is applied to provide a coordinated approach to all assurance activities;
- 3.6 satisfy itself of the expertise, resources and experience of the municipality’s finance function;
- 3.7 be responsible for overseeing of internal audit; and
- 3.8 be an integral component of the risk management process

TERMS OF REFERENCE

The Audit Committee consisted of X external members. The Audit Committee has adopted appropriate terms of reference which are captured in an Audit Committee charter, approved by Council. The audit committee has approved an internal audit charter which regulates the operations of the Internal Audit unit.

ATTENDANCE

The Audit Committee members present at a quarterly meeting held for xxx municipality on the DDMMYY are as follows:

Members	Position
	Chairperson
	Member
	Member
	Member

PURPOSE

To advise council on municipality's matters assessed by the audit committee and discussed at the meeting held on the DDMMYY

MATTERS DISCUSSED

DISCUSSION ITEMS	OBSERVATION	IMPLICATION	RECOMMENDATION (It may be recommendations to management or council or both)
IA audit reports			
Risk Management			
Quarterly financial reports (s71)/ AFS			
Internal and External Audit action plan/ Operation clean audit			
Quarterly performance reports			
Adhoc projects			

AUDIT COMMITTEE COMMENTS

State the audit committees' comments on the state of affairs of the municipality as required by Section 166 of MFMA. The comments should be explicit on the areas covered by the Audit Committee. These should be based on the assessment of documents submitted to the AC and the engagements held with the municipality's management.

- Effectiveness of risk management

xxxx

- Effectiveness of internal controls

xxxx

- Effectiveness of governance

xxxx

- The level of compliance with legislation

xxxxx

AUDITOR-GENERAL

(Comments on whether or not the Audit Committee has met with the Auditor General to ensure that there are no unresolved issues.)

OVERALL OBSERVATION AND CONCLUSION

(State any other challenges that the audit committee observed which may impede implementation of the recommendations, or that may affect the municipality negatively.)

Challenges faced by the audit committee in executing its functions)

State the audit committee conclusion

Mr. /Ms. XXXX
Chairperson of the Audit Committee

Date