**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER: 731 [NW852E]**

**731. Mr C Brink (DA) to ask the Minister of Finance:**

Whether he and/or the National Treasury have taken any steps to assess the effectiveness of municipal audit committees constituted in terms of section 166 of the Local Government: Municipal Finance Management Act, Act 56 of 2003; if not, what steps does he intend to take for such an assessment to be done; if so, what are the relevant details of the findings of the assessment with regard to the failure of many municipal audit committees to prevent recurring financial and supply chain management related irregularities? NW85E

**REPLY**:

The Municipal Finance Management Act (MFMA) section 5 mandates National Treasury to fulfil its responsibilities in terms of Chapter 13 of the Constitution and MFMA, to the extent necessary to comply with this requirement, the National Treasury may monitor and assess compliance by municipalities and municipal entities with the act; and any applicable standards of generally recognised accounting practice and uniform expenditure and revenue classification systems amongst others.

The National Treasury performs assessments on the establishment and the functioning of the audit committees in municipalities. The focus is on the Non-delegated municipalities, because of the size of their budgets and the types of services provided. The assessments are utilised to develop support programmes for audit committees and internal auditors in these municipalities. The review is performed annually and focuses on:

* Establishment, membership and appointment
* Skills, experience and training
* Meetings of the committee
* Resources
* Relationship with council and management
* Oversight responsibilities
* Audit Committee assessments
* Reporting

In terms of the oversight responsibilities of ensuring that management implements corrective action of previously reported findings by both Auditor-General and Internal Audit units, the National Treasury’s assessment found that the majority of the committees do track management’s efforts to implement corrective action, however, there is room for improvement on the rate at which management implements the recommendation from the auditors. This is one of the root causes for recurring or repeat findings from the auditors.