



cooperative governance

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Department:  
Cooperative Governance  
REPUBLIC OF SOUTH AFRICA



national treasury

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**GUIDELINE**

**FOR**

**ESTABLISHMENT OF**

**MUNICIPAL PUBLIC ACCOUNTS COMMITTEES (MPAC)**

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## 1. INTRODUCTION

This Guideline provides municipalities and councillors with information on the establishment and functioning of Municipal Public Accounts Committees (MPACs) to strengthen the oversight arrangements in municipalities.

The roles and responsibilities of council should always be carried out with a clear distinction between oversight and interference in administration, as defined in the Municipal Finance Management Act, 2003, Act 56 of 2003 (MFMA), section 52 (b) and 103 respectively as well as in the Code of Conduct for Councillors, defined in Schedule 1 of Municipal Systems Act, No.32 of 2000.

Section 129(4) of the MFMA further provides for the issuance of guidance on the manner in which municipal councils should consider annual reports and conduct public hearings, and the functioning and composition of any public accounts or oversight committees established by the council to assist it to consider an annual report.

MFMA Circular 32 provides earlier guidance on the oversight process that councils must follow when considering the annual report and producing an Oversight Report. The reform programme, including the development of new Annual Reports, have progressed over the past few years and certain challenges experienced in municipalities are now being addressed in this Guideline. These challenges relate to the need for continuous improvement in service delivery and the promotion of accountable and transparent governance arrangements. This Guideline must be read together with MFMA Circular 32 of 15 March 2006 and addresses institutional, functional, composition, membership, work programme, meeting arrangements and reporting of MPAC. This Guideline is issued jointly by the National Treasury and the Department of Cooperative Governance, after consulting with SALGA, taking into account the inputs of provinces, municipalities and the Association of Public Accounts Committees.

## **2. PURPOSE**

The purpose of this Guide is to assist municipalities in establishing Municipal Public Accounts Committees (MPAC) in terms of the provisions of the Local Government Municipal Structures Act, Act 117 of 1998 and the Municipal Finance Management Act, Act 56 of 2003 to serve as an oversight committee to exercise oversight over the executive obligations of council. The MPACs will assist council to hold the executive and municipal entities to account, and to ensure the efficient and effective use of municipal resources. By so doing, the MPAC would help to increase council and public awareness of the financial and performance issues of the municipality and its entities.

### **3. INSTITUTIONAL CONTEXT AND FUNCTIONS OF MPAC**

#### **3.1 *Institutional context***

MPAC is established in terms of section 79 of the Municipal Structures Act and performs an oversight function on behalf of council and is not a duplication of other committees of council, such as the Finance Committee or that of the Audit Committee.

MPAC will undertake and manage similar functions and responsibilities for municipalities, as undertaken by the Standing Committee on Public Accounts in the national and provincial legislatures, except for certain powers regarding subpoena of individuals. In the case of any irregular expenditure or any fruitless and wasteful expenditure incurred by the municipalities or municipal entities, the MPAC will have the right to call upon the accounting officer of the municipality or the chairperson of the municipal entity's board of directors to appear before it to provide information or clarity.

The MPAC may engage directly with the public and consider public comments when received and will be entitled to request for documents or evidence from the Accounting Officer of a municipality or municipal entity.

MPAC can request the support of both the internal and external auditors (advisory) when necessary. It should be noted that the standard rules for the council apply to MPAC. The committee shall have permanent referral of documents as they become available relating to:

- (i) In-year reports of the municipality and municipal entities;

- (ii) financial statements of the municipality and municipal entities as part of the committee's oversight process;
- (iii) audit opinion, other reports and recommendations from the Audit Committee;
- (iv) information relating to compliance in terms of sections 128 and 133 of MFMA;
- (v) information in respect of any disciplinary action taken in terms of the MFMA where it relates to an item that is currently serving or has served before the committee;
- (vi) any other audit report from the municipality or its entities; and
- (vii) performance information of the municipality and municipal entities.

MPAC is not responsible for policy formulation or prioritization matters, unless serving on the full council, regarding municipal projects or the role assigned to the Mayor. The MPAC reports directly to Council through the Speaker of the municipality and interfaces with the other committees of council through the Speaker, where relevant.

The Audit Committee is an independent advisory body that advises council, political office-bearers, the accounting officer and the management of the municipality, and the management staff of the municipality entity on matters related to internal control, internal audits, risk management accounting policies and adequacy reliability and accuracy of financial reporting and information, performance management, effective governance compliance with the MFMA and the Division of Revenue Act.

### **3.2 Functions of MPACs**

The primary functions of the Municipal Public Accounts Committees are as follows:

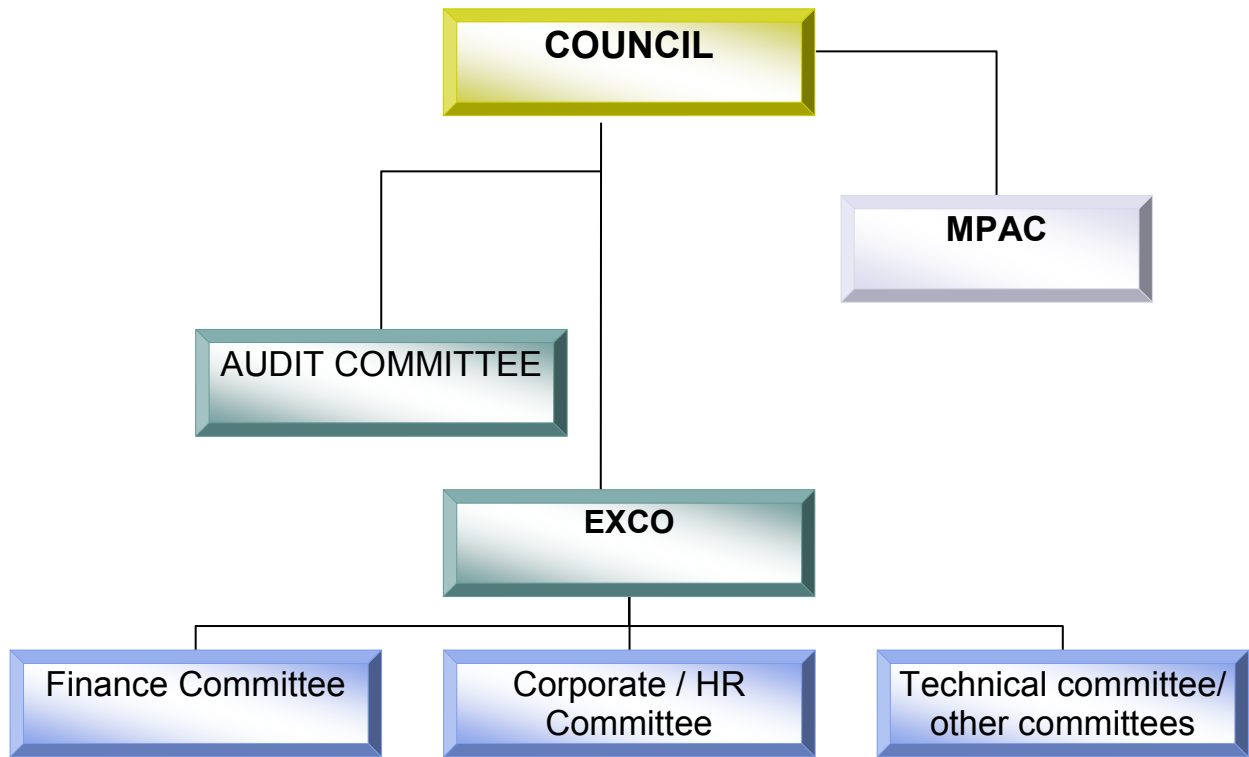
- (i) To consider and evaluate the content of the annual report and to make recommendations to Council when adopting an oversight report on the annual report;
- (ii) In order to assist with the conclusion of matters that may not be finalized, information relating to past recommendations made on the Annual Report, must also be reviewed. This relates to current in-year reports, including the quarterly, mid-year and annual reports;
- (iii) To examine the financial statements and audit reports of the municipality and municipal entities, and in doing so, the committee must consider improvements from previous statements and reports and must evaluate the extent to which the Audit Committee's and the Auditor General's recommendations have been implemented;
- (iv) To promote good governance, transparency and accountability on the use of municipal resources;
- (v) To recommend or undertake any investigation in its area of responsibility, after reviewing any investigation report already undertaken by the municipality or the Audit Committee; and
- (vi) To perform any other functions assigned to it through a resolution of council within its area of responsibility.

### **3.3 *Administrative Support by Council***

In order for the MPAC to be effective in executing its functions, the Council must ensure that the MPAC is supported by officials to coordinate and undertake research activities as required by the committee work programme.



#### 4. COMPOSITION AND MEMBERSHIP



4.1 The MPAC, similar to other committees of council should comprise solely of councillors appointed by resolution of a full council meeting. However, the committee may invite representatives of the community and co-opt members of the public who have expertise in relevant specific fields to assist and advise in the deliberations when the need arise. These representatives will have no voting rights as they are not elected councillors.

4.2 The MPAC shall comprise of councillors excluding any councillor who is serving as Executive Mayor or Deputy Executive Mayor, Mayor or Deputy Mayor, Speaker, Chief Whip, a member of Mayoral Committee, a member of the Executive Committee. Where the municipality has a sufficient number of councillors, councillors serving on the MPAC

should preferably not serve in other Committees of Council to minimize possible conflict of interest.

The actual size of the MPAC will be determined by the number of councillors in the municipality.

4.2.1 municipalities with less than 15 councillors may nominate up to 5 councillors;

4.2.2 municipalities between 15-30 councillors may nominate up to 9 councillors;

4.2.3 municipalities between 31-60 councillors may nominate up to 11 councillors; and

4.2.4 municipalities with more than 60 councillors may nominate up to 13 councillors.

4.3 Care should be taken that councillors represent a wide range of experience and expertise available in council and represent various political affiliations.

Councillors serving on MPAC should be appointed for a term which corresponds to the term of sitting Council. When a councillor resigns or is transferred from the committee, the resignation must be in writing and Council must appoint a replacement by resolution at the next scheduled full Council meeting.

4.4 The names of councillors serving on MPAC will be published in the annual report.

## **5. CHAIRING OF MPAC**

5.1 The Chairperson of the Committee is to be appointed by Council Resolution.

5.2 When appointing the Chairperson of the Committee, Council must take into consideration the requirements of transparency, ethical behaviour and general good governance prescripts.

5.3 In deciding on the Chairperson, the Council may consider appointing councillors from parties other than the majority parties in Council.

5.4 The Council may consider making the position of Chairperson of the Committee full-time.

## **6. MPAC WORK PROGRAMME**

6.1 MPAC must develop its work programme annually and link such programmes to the overall planning cycle of council and conclude with the evaluation of the annual report and the recommendations to Council when adopting the Oversight Report on the Annual Report.

6.2 The annual work programme must be approved by Council.

## **7. ATTENDANCE OF MEETINGS**

7.1 A minimum of four (4) meetings in a financial year must be held or as may be necessary in accordance with the approved work programme. The meetings of MPAC should be included in the annual calendar of Council and the notice requirements should be similar to those of other

committees of Council taking into consideration the timeframes in the Municipal Finance Management Act for preparation and adoption of the Oversight Report on the Annual Report.

7.2 If otherwise, the notice of meetings shall be given at least 14 days prior to the meeting. Agendas and relevant documents shall be received at least 7 days prior to meeting for preparation purposes.

## **8 REPORTING**

8.1 The MPAC will report to council on the activities of the committee; include a report detailing its activities of the preceding and current financial years, the number of meetings held, the membership of the committee and key resolutions taken in the annual report.

8.2 The committee must discuss and adopt its report for Council in accordance with the procedures for tabling matters in council defined in the standing rules of council.

8.3 The MPAC should report to full council at least quarterly and may bring items before Council as and when necessary.

8.4 The full Council should deliberate on the recommendations from the MPAC, at a meeting open to the public, and must reach finality in the shortest possible time. Council must evaluate the performance of MPAC on an annual basis.

## **9 MONITORING BY MPAC**

9.1 The committee shall develop a monitoring mechanism in line with the approved work programme to determine if actions have been taken to implement its recommendations.

9.2 The responses to reports are to be provided to the MPAC as soon as possible after the date of the resolution together with the recommendations to which they relate.

## Contact



Post: Private Bag X804, Pretoria 0001  
Tel: 012 334 0600  
Fax: 012 334 0603  
Email: [cleanaudit@cogta.gov.za](mailto:cleanaudit@cogta.gov.za)  
Website: [www.cogta.gov.za](http://www.cogta.gov.za)

Mizilikazi Manyike  
Executive Manager: Operation Clean Audit  
17 August 2011



Post: Private Bag X115, Pretoria 0001  
Tel: 012 315 5850  
Fax: 012 315 5230  
Email: [mfma@treasury.gov.za](mailto:mfma@treasury.gov.za)  
Website: [www.treasury.gov.za/legislation/mfma](http://www.treasury.gov.za/legislation/mfma)

T Pillay  
Chief Director: MFMA Implementation  
17 August 2011

A copy of the guideline can be found on the website of the Department of Cooperative Governance on [www.cogta.gov.za](http://www.cogta.gov.za) or from the website of National Treasury on [www.treasury.gov.za/legislation/mfma](http://www.treasury.gov.za/legislation/mfma)