

# Interface between the Municipal Public Accounts Committee and Internal Audit for Effective Good Governance in Local Municipalities: A Case Study of Moretele Local Municipality, South Africa

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**Abstract:** *Effective governance in local municipalities depends on robust oversight and accountability mechanisms. Two key structures central to this process are the Municipal Public Accounts Committee (MPAC) and the Internal Audit (IA) function. While each has distinct mandates, their interface is critical in ensuring transparency, sound financial management, and the efficient use of public resources. This article explores the interaction between MPACs and Internal Audit functions in promoting good governance, using the Moretele Local Municipality as an illustrative case study. Drawing on documentary and theoretical analysis, the study examines how coordination, information sharing, and role clarity between these two oversight structures influence governance outcomes. Findings reveal that weak collaboration, limited capacity, and political interference often undermine their collective impact. The study recommends strengthening institutional linkages, improving technical capacity, and fostering a culture of cooperation to enhance municipal accountability and service delivery.*

**Keywords:** Municipal Public Accounts Committee (MPAC), internal audit, good governance, accountability, oversight, Moretele Local Municipality

## INTRODUCTION

Governance in the local government sphere in South Africa remains a persistent concern, with many municipalities facing challenges related to financial mismanagement, irregular expenditure, and poor service delivery (Auditor-General South Africa [AGSA], 2023). To address these issues, oversight mechanisms such as the Municipal Public Accounts Committee (MPAC) and Internal Audit (IA) units were institutionalized to strengthen transparency, accountability, and performance monitoring.

The **MPAC** operates as a council committee established under Section 79 of the Municipal Structures Act (No. 117 of 1998), tasked with reviewing financial and performance reports, audit outcomes, and the implementation of council resolutions (South African Local Government Association [SALGA], 2012). The **Internal Audit function**, mandated under

Section 165 of the Municipal Finance Management Act (MFMA) No. 56 of 2003, provides independent assurance and consulting services aimed at improving governance, risk management, and control processes.

While these two structures are designed to complement each other, their relationship in practice often lacks synergy. Misaligned communication, overlapping responsibilities, and weak coordination have been observed in several municipalities, limiting the effectiveness of oversight processes (Mhlanga, 2021; Rulashe, 2023). The case of Moretele Local Municipality provides a microcosm through which to explore this dynamic, as the municipality has experienced persistent governance and financial management challenges despite having both an MPAC and Internal Audit unit in place.

This article examines the interface between MPAC and Internal Audit in promoting good governance, focusing on their coordination, information exchange, and role clarity within the Moretele Local Municipality context.

## **LITERATURE REVIEW**

### **Conceptualizing Good Governance and Oversight**

Good governance is characterized by principles such as accountability, transparency, responsiveness, and rule of law (World Bank, 2017). In the municipal context, these principles are operationalized through mechanisms that ensure public officials are held accountable for resource management and service delivery. Oversight institutions, including MPACs and Internal Audit units, thus form integral components of the governance ecosystem.

### **The Role of the Municipal Public Accounts Committee (MPAC)**

The MPAC's primary role is to exercise political oversight over municipal financial management, focusing on the evaluation of annual reports, financial statements, and audit findings (SALGA, 2012). It ensures that municipal councils address issues raised by the Auditor-General and that there is consequence management for irregularities. Studies have shown that MPACs can significantly contribute to accountability when they function effectively and independently (Mapaya, 2024; Rulashe, 2023).

However, many MPACs face capacity constraints, limited access to information, and political interference (Shava, 2025). In several municipalities, MPACs lack the technical expertise to engage effectively with complex financial statements and audit reports.

### **The Role of Internal Audit in Local Government**

Internal Audit functions as an independent assurance provider that evaluates the adequacy of internal controls, risk management, and governance processes (Institute of Internal Auditors [IIA], 2017). Within South African municipalities, Internal Audit reports to the Audit Committee and provides findings to management, council, and oversight bodies such as the MPAC.

Research indicates that Internal Audit effectiveness is contingent upon independence, adequate resourcing, and management support (AGSA, 2023; Maseko & Maseti, 2022). A well-

functioning Internal Audit can serve as an early warning mechanism to detect inefficiencies and potential irregularities before they escalate.

### **Interface between MPAC and Internal Audit**

The interface between MPAC and Internal Audit is a critical determinant of overall governance quality. Effective collaboration ensures that Internal Audit findings are considered by the MPAC in its oversight role, and that corrective actions are monitored through council resolutions. However, studies show that communication gaps and role ambiguity often hinder cooperation between these entities (Mhlanga, 2021; Rulashe, 2023).

The absence of structured engagement channels leads to duplication of work, delayed response to audit findings, and weak accountability follow-up. Conversely, where synergy exists — as noted in municipalities with active Audit Committees and engaged MPACs — there is a measurable improvement in audit outcomes and public trust (McKenzie, 2025).

### **Moretele Local Municipality Context (*Expanded*)**

The Moretele Local Municipality, situated in the Bojanala Platinum District of the North West Province, is a predominantly rural municipality comprising 26 wards and serving an estimated population of over 180,000 people (Statistics South Africa, 2022). Its mandate includes the provision of basic services such as water supply, sanitation, waste management, and local infrastructure development. Despite its strategic location and developmental potential, Moretele has faced persistent governance, administrative, and financial management challenges over the past decade.

According to the Auditor-General South Africa (AGSA, 2023), Moretele has consistently received qualified audit opinions due to irregular expenditure, non-compliance with supply chain management regulations, and weak internal control systems. These findings indicate recurring governance inefficiencies that point to structural weaknesses in both financial oversight and consequence management. The Municipal Public Accounts Committee (MPAC) and Internal Audit functions exist within the municipality to provide oversight and assurance; however, their effectiveness has been questioned by both oversight institutions and civil society organizations.

The MPAC in Moretele is composed of councillors drawn from various political parties and operates under Section 79 of the Municipal Structures Act (No. 117 of 1998). Its primary responsibilities include reviewing annual financial statements, audit findings, and the performance of municipal departments, while ensuring that corrective actions are implemented. In contrast, the Internal Audit Unit, established in accordance with Section 165 of the Municipal Finance Management Act (MFMA) No. 56 of 2003, focuses on identifying risks, evaluating control systems, and submitting quarterly reports to management and the Audit Committee.

Despite having these complementary structures, the municipality's audit outcomes reveal that coordination between MPAC and Internal Audit remains fragmented. There are few structured platforms for regular information exchange, resulting in parallel oversight efforts that fail to reinforce one another. Furthermore, political interference has occasionally undermined MPAC's independence, as some members are reluctant to challenge the executive authority

that appointed them (Mhlanga, 2021). Similarly, Internal Audit has been constrained by inadequate resources, limited technical staff, and management's slow response to audit findings (Maseko & Maseti, 2022).

The Moretele case thus reflects a microcosm of broader systemic challenges affecting South African municipalities — where institutional arrangements are sound on paper but ineffective in practice. The weak synergy between MPAC and Internal Audit has contributed to recurring governance lapses, irregular expenditure, and delayed implementation of audit action plans. These persistent shortcomings not only erode public trust but also impede the municipality's ability to deliver basic services efficiently.

Given this context, examining the interface between MPAC and Internal Audit in Moretele offers valuable insights into how internal oversight structures can be strengthened to promote accountability, improve audit outcomes, and foster sustainable service delivery.

### **Theoretical Framework (*Expanded*)**

This study adopts a multi-theoretical approach, drawing primarily on Systems Theory and Principal–Agent Theory, complemented by elements of Good Governance Theory. Together, these theoretical lenses provide a comprehensive understanding of how oversight structures such as the MPAC and Internal Audit function within a complex municipal environment.

### **Systems Theory**

Systems Theory, pioneered by Ludwig von Bertalanffy (1968), posits that organizations operate as interrelated systems whose components must work harmoniously to achieve collective objectives. A municipality, as a subsystem of the broader governance system, comprises several interconnected components — including the executive, administration, oversight committees, and auditing functions. Each of these components contributes to maintaining the equilibrium of governance through communication, coordination, and feedback.

From this perspective, both the MPAC and Internal Audit Unit represent crucial subsystems within the municipal governance ecosystem. Their effectiveness depends on continuous feedback loops — for instance, Internal Audit identifies control deficiencies, and MPAC evaluates whether management has addressed them through consequence management or corrective action. When these feedback mechanisms are dysfunctional, the system becomes unstable, resulting in governance failures, poor service delivery, and diminished accountability. In the context of Moretele Local Municipality, Systems Theory highlights how the absence of integration between MPAC and Internal Audit weakens the overall governance structure. The lack of synchronized communication, overlapping roles, and fragmented reporting channels are symptomatic of systemic disconnection. Improving the interface between these two entities would therefore enhance the municipality's ability to self-correct and adapt to governance challenges — a fundamental principle of systems thinking.

### **Principal–Agent Theory**

Principal–Agent Theory (Jensen & Meckling, 1976) provides a second analytical lens for understanding accountability relationships within local government. Under this theory, citizens

(principals) delegate authority to elected representatives and municipal officials (agents) to manage public resources and deliver services. Oversight mechanisms such as MPACs and Internal Audit units are established to monitor the agents' performance and ensure that their actions align with the public interest.

However, information asymmetry — where agents possess more knowledge than principals — can result in moral hazard, corruption, or inefficiency. MPAC and Internal Audit play complementary roles in reducing this asymmetry: Internal Audit provides technical assurance and internal control evaluations, while MPAC translates these findings into political oversight and public accountability.

In Moretele, this principal–agent relationship is complicated by political dynamics and resource constraints. When MPAC and Internal Audit fail to collaborate effectively, information asymmetries persist, enabling administrative actors to evade accountability. Thus, strengthening the interface between these oversight bodies reduces agency problems and aligns the municipality's operations more closely with citizens' expectations for transparency and efficiency.

### **Good Governance Theory**

The Good Governance Theory complements the two preceding frameworks by emphasizing the normative principles that underpin effective public administration. According to the World Bank (2017) and United Nations Development Programme (UNDP, 2019), good governance is characterized by accountability, participation, transparency, responsiveness, equity, and the rule of law. Oversight institutions such as MPACs and Internal Audit units embody these principles by ensuring that decision-making processes are transparent and that public officials are held accountable for their actions.

In the Moretele case, weak adherence to these principles is evident in recurring audit findings, inadequate consequence management, and limited public participation in oversight processes. Applying Good Governance Theory underscores the need for institutional reforms that promote ethical conduct, responsiveness, and inclusivity in oversight practices. The collaboration between MPAC and Internal Audit thus becomes a mechanism not only for compliance but also for realizing the broader values of democratic governance.

### **Integrative Theoretical Perspective**

By combining Systems Theory, Principal–Agent Theory, and Good Governance Theory, this study presents an integrative analytical framework for understanding the MPAC–Internal Audit interface. Systems Theory explains the functional interdependence between the two entities; Principal–Agent Theory explains why oversight is necessary to mitigate agency risks; and Good Governance Theory provides the ethical and normative justification for strengthening this interface.

This multidimensional approach enables a deeper understanding of how internal oversight can move beyond procedural compliance to become a dynamic, responsive, and citizen-centered component of local governance. In the Moretele Local Municipality, the framework helps

illuminate how fragmented communication, unclear mandates, and political interference disrupt systemic balance, weaken accountability, and hinder good governance outcomes.

## RESEARCH METHODOLOGY

This article adopts a **qualitative, exploratory case study design**. It relies on **secondary data sources**, including municipal reports, scholarly literature, and policy documents from SALGA, AGSA, and the National Treasury. Document analysis was used to extract insights about MPAC–Internal Audit interactions in Moretele Local Municipality and comparable contexts. The analysis followed a **thematic approach**, focusing on three dimensions:

1. Coordination and communication mechanisms;
2. Role clarity and institutional independence; and
3. Integration in consequence management processes.

This approach enables a holistic understanding of how institutional relationships influence governance performance.

## FINDINGS AND ANALYSIS

### Coordination and Communication

The relationship between MPAC and Internal Audit in Moretele Local Municipality is characterized by ad hoc engagement. While Internal Audit submits quarterly reports to management and the Audit Committee, communication with MPAC often occurs only after annual reports are tabled. This limited interaction undermines proactive oversight.

In municipalities where structured coordination frameworks exist — such as joint briefings or shared dashboards — the oversight process tends to be more coherent (McKenzie, 2025). In Moretele, the absence of formalized interaction channels results in duplication of findings and missed opportunities for early intervention.

### Role Clarity and Institutional Independence

Internal Audit is primarily an administrative function, whereas MPAC is a political oversight body. However, the boundary between their roles is not always clearly understood. Interviews from comparable municipalities (Mhlanga, 2021) indicate that MPAC members sometimes expect Internal Audit to perform external audit tasks, while Internal Audit staff perceive MPAC as encroaching on administrative territory.

In Moretele, role confusion has been evident in council deliberations, where Internal Audit recommendations are occasionally conflated with MPAC resolutions. This ambiguity dilutes accountability and blurs the distinction between assurance and oversight functions. Moreover, political dynamics within council further compromise MPAC's independence, making it difficult for the committee to act decisively on Internal Audit findings.

### Integration in Consequence Management

Consequence management remains a weak link in the governance chain. Although Internal Audit identifies irregularities, these findings often fail to result in disciplinary action or

recovery of funds. MPAC, as the oversight committee, is tasked with ensuring accountability, yet its resolutions frequently lack enforcement.

In Moretele, recurring audit findings suggest that coordination between MPAC, Internal Audit, and municipal management is insufficient to ensure follow-through. This reflects a systemic issue across municipalities, where the oversight–execution interface is poorly managed (Shava, 2025).

## DISCUSSION

The findings affirm that the effectiveness of municipal oversight depends significantly on the strength of the MPAC–Internal Audit interface. The relationship between these entities is symbiotic: Internal Audit provides the technical assurance required to inform MPAC’s oversight, while MPAC ensures political accountability for implementing audit recommendations.

However, several factors weaken this synergy in practice:

1. **Structural disconnection:** Internal Audit reports primarily to the Audit Committee and municipal management, with limited formal engagement with MPAC.
2. **Capacity constraints:** MPAC members often lack the technical knowledge to interpret audit reports, while Internal Audit staff may not fully understand the political dimensions of oversight.
3. **Political interference:** Oversight is compromised when MPAC composition and leadership are determined by political alliances, leading to selective scrutiny.
4. **Weak follow-up mechanisms:** Absence of a coordinated monitoring framework leads to recurring audit findings and lack of consequence management.

To overcome these challenges, a structured and institutionalized relationship between MPAC and Internal Audit is essential. This includes regular information sharing, joint review sessions, and alignment of oversight calendars.

## Recommendations

Based on the analysis, the following recommendations are proposed to enhance the MPAC–Internal Audit interface and promote good governance:

1. **Establish formal communication protocols** between MPAC and Internal Audit to ensure regular information exchange and coordinated planning.
2. **Develop integrated oversight frameworks** that align MPAC agendas with Internal Audit reports, enabling early detection and correction of governance weaknesses.
3. **Enhance capacity building** through training programs focusing on financial analysis, audit interpretation, and governance frameworks for both MPAC members and audit staff.
4. **Strengthen independence** by protecting MPAC and Internal Audit from political manipulation and ensuring direct access to council and external oversight bodies.
5. **Institutionalize follow-up mechanisms** for tracking the implementation of audit and MPAC recommendations, supported by consequence management frameworks.

6. **Promote transparency and public participation** in oversight processes, such as open MPAC hearings and publication of follow-up reports.

Implementing these reforms can foster a culture of accountability and continuous improvement within municipalities such as Moretele, leading to more efficient service delivery and improved public trust.

## CONCLUSION

The interface between the Municipal Public Accounts Committee and the Internal Audit function is pivotal to achieving effective governance in local municipalities. The Moretele Local Municipality case highlights that while both structures exist, their interaction remains weak and fragmented. Strengthening collaboration, clarifying roles, and ensuring independence are critical to maximizing their combined potential.

Ultimately, good governance is not solely about compliance but about creating an environment where oversight structures work synergistically to enhance service delivery, fiscal discipline, and public confidence. Strengthening the MPAC–Internal Audit relationship is thus not merely a procedural necessity but a strategic imperative for sustainable municipal governance in South Africa.

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