

### **The Municipal Finance Management Act, No.56 of 2003 (MFMA)**

Financial management reforms were introduced by the National Treasury across government in 1994 and in local government in 1996. The cornerstone of the local government reform initiative is the Municipal Finance Management Act, which became effective in July 2004.

National Treasury's primary objective was to secure sound and sustainable management of the financial affairs of government (national, provincial and local) and to lead such policies and reforms. In the local government sphere, the National Treasury developed a *phased implementation strategy* of financial and technical support for local government based around the MFMA.

The MFMA aims to modernise budget, accounting and financial management practices by establishing a framework for improved financial management in order to maximise the capacity of municipalities to deliver services to communities. It also aims to put in place a sound financial governance framework by clarifying and separating the roles and responsibilities of the Council, Mayor and their officials. As an early warning system, "the MFMA requires more regular and accurate financial reporting to the Council in order to facilitate an environment in which potential or real financial problems are reported in a timely and appropriate manner that will allow Council to remedy the situation."

The MFMA is a requirement of the South African Constitution, which obliges all three spheres of government to be transparent about their financial affairs.

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