****

**NATIONAL ASSEMBLY**

**QUESTION WRITTEN REPLY**

**QUESTION NUMBER 1381**

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**QUESTION:**

**1381.   Mr K Ceza (EFF) to ask the Minister of Cooperative Governance and Traditional Affairs:**

In light of the findings by the Auditor General for the 2019-20 financial year that 156 municipalities appointed consultants to compile financial statements without the transfer of skills to the employees of the specified municipalities for an amount of R1,02 billion, what (a) remedial action has been taken to ensure capacity building in terms of municipal internal audit teams in order to curb the over-reliance on consultants, (b) is the value for money that the specified municipalities received, (c) number of municipalities have been able to use the Municipal Standard Charts of Account and (d) are the root causes for appointing consultants to compile financial statements without transferring the skills to the municipal employees? NW1673E

**REPLY:**

1. In September 2021, I promulgated Local Government: Municipal Staff Regulations, which contributes towards the professionalisation of local public administration as envisaged in the National Development Plan (NDP) *inter alia* include a set of uniform norms and standards and procedures for municipal staff establishments, recruitment, selection and appointments, performance management, skills development and other career incidents of municipal employees below management echelon. In addition, the Staff Regulations are linked with competency frameworks for all occupational streams to ensure standardisation in the sector and this should be viewed as a game changer. Municipal Cost Containment Regulations promulgated in 2019, advocates for development of consultancy reduction plans to reduce reliance on consultants and ensure transfer of skills by consultants to municipal officials. Implementation of these regulations will assist municipalities to build their capacity and minimise reliance on consultants.
2. In respect of value for money it is a mixed bag, some municipalities managed to improve their performance/ audit outcomes, some municipalities recorded little improvement while others their audit outcomes remained unchanged and/ or regressed. The use of consultants for financial reporting is not sustainable, and it comes at a cost, hence municipalities are encouraged to channel resources towards improvement on internal controls and capacity building.
3. National Treasury support municipalities on the implementation of Municipal Standard Charts of Account (mSCOA) and this question can be directed to Ministry of Finance who would help with the number of municipalities that are adequately implementing mSCOA.
4. The root causes include poor management of consultants, lack of review of work done by consultants, reluctancy by municipal officials to be actively involved in the process, late appointment of consultants, and lack of appropriate evidence to support schedule/ figures disclosed in the financial statements and vacancies.