**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER:** **325 [NW340E]**

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**325. Mr K Ceza (EFF) to ask the Minister of Finance:**

In light of the fact that R1,2 billion was spent on consultants in the 2021-22 financial year to audit municipal financial books, (a) what qualitative outcomes have municipalities gained in relation to improved audits, (b) what are the reasons that consultants are hired when municipalities appoint chief financial officers for a similar job despite 59% of financials submitted for auditing which included inaccurate financial statements, (c) what impact would the specified amounts have on the delivery of municipal services and (d) how has the use of consultants improved municipal financial stability? NW340E

**REPLY**

(a), (b), (c), (d) It is assumed that the Honourable Ceza is referring to the 2020/21 municipal financial year in which R1.26 billion was spent on consultants by municipalities to assist them with financial statement preparations as reported by the AGSA in its MFMA General Report (see the link below for a copy of the 2020/21 MFMA General Report, <https://www.agsa.co.za/Reporting/MFMAReports/MFMA2020-2021.aspx>). Section 2.2 of the MFMA General Report (page 18) sets out the AGSA’s conclusions on the use of consultants for financial reporting. Furthermore, section 2.3 of the MFMA General Report (page 20) sets out the AGSA’s conclusions on the “Financial Health” of municipalities. Information for use of consultants for the 2021/22 municipal financial year is not yet available as the audits are still in progress.

Various disciplines and specialist knowledge is required in financial management. An appropriate use of consultants, coupled with transfer of skills to municipal officials, can assist in making a difference in stabilising and sustaining municipal finances. In this regard, the National Treasury issued a Circular to municipalities in 2016 dealing with cost containment, followed by Regulations in 2019, requiring municipal managers to only appoint consultants if a gap analysis confirmed that the requisite skills or resources are not available to perform the necessary work. It also reminded municipalities of the legislated requirements to closely monitor contracts and the importance of transferring skills. The responsibility for the effective use of financial reporting consultants lies with the Municipal Manager and the relevant Chief Financial Officer.