**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER: 651 [NW1691E]**

**DATE OF PUBLICATION: 30 AUGUST 2019**

**651. Mr W W Wessels (FF Plus) to ask the Minister of Finance:**

(1) What (a) is the total number of technical advisors who are currently deployed by the National Treasury under Programme 8 and (b) is the name of each (i) municipality and (ii) provincial department to which each technical advisor is currently deployed;

(2) whether he has found that there is any improvement as a result of Programme 8 with respect to the financial management of the specified municipalities and provincial departments; if not, what is the position in this regard; if so, what are the relevant details;

(3) whether the progress related to the specific tasks of each advisor is monitored; if not, what is the position in this regard; if so, what are the relevant details;

(4) what is the (a) specific task of each technical advisor and (b) cost to the National Treasury with respect to each technical advisor;

(5) whether he will make a statement on the matter?

 NW1691E

**REPLY**:

**(1) What (a) is the total number of technical advisors who are currently deployed by the National Treasury under Programme 8 and (b) is the name of each (i) municipality and (ii) provincial department to which each technical advisor is currently deployed?**

(a) There were 82 MFIP technical advisors deployed under the Municipal Finance Improvement Programme (MFIP) as at 30 August 2019.

(b) Attached kindly find annexure ‘A’ which details the deployment of the 83 technical advisors per municipality, National Treasury (NT) and provincial treasuries (PTs).

**(2) whether he has found that there is any improvement as a result of Programme 8 with respect to the financial management of the specified municipalities and provincial departments; if not, what is the position in this regard; if so, what are the relevant details;**

**The MFIP III context**

The current phase three of the MFIP, which commenced on 1 April 2017 and ends 31 March 2020, is a strategically-driven programme of technical assistance aligned to the six Local Government Financial Management (LGFM) game changers, viz. funded budgets, revenue management, mSCOA implementation, asset management, supply chain management and audit outcomes. The *overall strategic goals* of the MFIP are to facilitate improved local government financial management capacity, enhanced budget and financial management practices and improved audit outcomes through the provision of direct technical capacity support.

Accordingly, the MFIP III is designed to build the institutional and technical financial management capacity of the National Treasury (NT), provincial treasuries (PTs) and Municipalities. This is mainly achieved through the placement of technical advisors (TAs) within the MFMA support units of national and provincial treasuries, and the Budget and Treasury Offices (BTOs) of municipalities.

*Almost 50% of the TAs were sourced by November 2017 with the remaining TAs sourced between January 2018 and August 2019. It should thus be noted that the actual date of deployment is directly associated with the extent of improvements shown.*

**Has there been any improvement as a result of MFIP with respect to the financial management of the specified municipalities and provincial departments? If yes, provide some details:**

Yes, there has been improvement, in some of the following financial management areas:

**2.1 Supply Chain Management**

1. Capacitation of Councillors specifically in dealing with Unauthorised Irregular Fruitless and Wasteful Expenditure (UIF&W) which has resulted in some municipalities that did not have functional MPACs establishing such committees.
2. Establishment of Disciplinary Boards in most of the municipalities now monitoring implementation of the implementation of this reform.
3. Evaluation for alignment of SCM Policy to the legislation and reforms resulting in municipalities increasingly complying with applicable regulations. There has been a marked decline in the utilisation of SCM regulation 32 which was a major source of irregular expenditure for municipalities.

**2.2 Audit outcomes**

1. Most municipalities with Municipal Advisors improved or retained their previous audit opinions in the 2017/18 financial year, as outlined below:
	* 3 out 15 or 20% of municipalities improved on their audit outcomes;
	* 4 out 15 or 26% of municipalities retained their unqualified audit opinion;
	* 3 out of 15 or 20% of municipalities retained their qualified audit opinion;
	* 4 out 15 or 26% of municipalities retained their disclaimed audit opinion; and
	* 1 out of 15 or 8% of municipalities regressed from qualified to disclaimer audit opinion

**2.3 Asset management**

1. Reviewed and updated the asset management policies and standard operating procedures for 59 municipalities.
2. Drafted and circulated various methodologies and guidelines to assist municipalities on how they can correctly apply the GRAP standards on Property, Plant and Equipment, Investment Property, Intangible assets, Heritage assets and Inventory
3. Training and capacity building for municipal officials for 65 municipalities on asset management practices such as
	* GRAP compliance when valuing and accounting for the municipality’s assets
	* Implementation of municipal asset management policy and procedures
	* Internal control systems of assets and liabilities, including an asset and liability register, as prescribed

**2.4 The following are some of the key institutional and technical factors that contribute to areas that do not show the requisite improvements?**

1. Some provincial treasuries and municipalities are severely incapacitated by the absence of staff (warm bodies) in the MFMA units and BTOs respectively impacting adversely on the programme’s impact.
2. Some MPACs and Councils not taking decisive action (consequence management) to deal with officials responsible for causing UIF&W expenditure resulting in recurrence of such incidents.
3. Municipalities adopting unfunded budgets, which generally leads to cash flow challenges during the financial year.
4. Poor revenue management, cash flow management and expenditure management practices resulting in liquidity and business continuity risks.
5. Severe cashflow challenges is experienced by a number of municipalities resulting in high level of fruitless and wasteful expenditure (interest payable on overdue accounts) emanating from the late or non-payment of ESKOM, water board and other creditor accounts.
6. Over reliance on external service providers to perform functions like the preparation of annual financial statements and the compilation of fixed asset registers.
7. Poor asset management, ageing infrastructure and low levels of maintenance resulting in high distribution losses and service delivery breakdowns or interruptions.
8. Municipalities not budgeting, transacting or reporting in/from their core financial system (FS) impacting the quality and reliability of financial information.
9. Poor or non-implementation by municipalities of audit action plans to effectively address the root causes of audit findings.

**(3) Whether the progress related to the specific tasks of each advisor is monitored; if not, what is the position in this regard; if so, what are the relevant details;**

Yes, the progress related to the specific tasks of each advisor is monitored by the MFIP Programme Management Unit (PMU) as part of the overall performance management protocols of the programme. The following are the key steps involved:

* 1. Each advisor prepares a support plan or workplan, in line with the original scope of work, within one to three months after appointment and placement for approval by the relevant entity and the PMU;
	2. Each advisor captures his/her effort/time daily on the Capture Effort Application against the approved support- or workplan. This is then reviewed and approved by the relevant NT Director/ Chief Director/ Senior Advisor/ Director at the PMU.
	3. Monthly reports for each advisor are submitted to the PMU signed off by the Municipal Manager / NT Chief Director and/ or PT MFMA Coordinator.
	4. Formal performance reviews of all technical advisors are conducted bi-annually by the PMU in consultation with the relevant NT, PT or municipal counterparts.

**(4) What is the (a) specific task of each technical advisor and (b) cost to the National Treasury with respect to each technical advisor;**

1. Each technical advisor signs a support plan or workplan that details the specific key focus areas, functional areas, tasks/activities and timelines that they will be performing, in accordance with the original scope of work published in the procurement terms of reference. The support- or workplan is also signed by the counterpart at the relevant entity and approved by the MFIP PMU.

(b) The cost of each technical advisor is capped as follows:

* Senior Advisors are currently paid on average R861.12 per hour and are contracted for a maximum of 1 840 hours per annum, amounting to an average annual cost of R1 584 460.80 exclusive of VAT per senior advisor.
* Advisors and Specialists are currently paid on average R807.30 per hour and are contracted for a maximum of 1 840 hour per annum, amounting to an average annual cost of R1 485 432.00 exclusive of VAT per advisor or specialist.

**(5) Whether he will make a statement on the matter?**

The Minister is prepared to make a statement relating to the above responses.