

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 2062 [NW2463E]
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2062. Mr K Ceza (EFF) to ask the Minister of Finance:

In light of the Auditor-General's report in the 2020-21 financial year which indicated that municipalities relied on costly consultants in the short-term to compensate for the lack of financial management and reporting skills, which provisions have been put in place by her department in ensuring a strengthened control environment in order to avoid unauthorised, irregular, fruitless and wasteful expenditure?

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REPLY

The Honourable Member should note that the Municipal Finance Management Act (MFMA), vests financial governance, accountability and responsibility for a municipality with the municipal council and its administration. This includes appointment of relevant and appropriate skills, ensuring proper internal controls are implemented and to prevent the incurrence of unauthorised, irregular, fruitless and wasteful expenditure (UIFW).

Specifically, section 62 of the MFMA provides that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose ensure internal controls, take all reasonable steps to ensure that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented, amongst others.

The National Treasury has issued cost containment regulations that elaborate on the process to be followed and measures to be implemented by municipalities on the use of consultants with the objective of reducing reliance thereon. The Regulations requires a thorough needs assessment to be undertaken to demonstrate the need for appointing a consultant. In cases where consultants are appointed, a municipality must ensure the transfer of skills by consultants to municipal officials are included in all contracts.

A number of MFMA Circulars have been issued and officials trained in implementing their financial management responsibilities, including regulating a set of minimum requirements. These address all financial management disciplines, including revenue management, asset management, expenditure management and liability management.

Additionally, the National and Provincial Treasuries, have collaborated to render support to municipalities in various ways, both technical, financial and at knowledge sharing platforms. The issuance of the UIFW reduction strategy documents, preventative controls and assistance in preparation of support plans for implementation by municipalities are geared to address these financial challenges. Furthermore, all

municipalities are required to assess their Budget and Treasury Office capability, capacity and competencies in financial management and to implement corrective measures to address gaps and audit findings. These have been communicated in MFMA Circulars available on the National Treasury website. Training has been provided and will continue in the use of these tools, interpretation of accounting standards, preparation of annual financial statements and disclosures to municipal officials.