

Municipalities need to grow their own financial talent

On Wednesday, the auditor-general (AG), Thembekile Kimi Makwetu, released a report detailing the state of financial health of South Africa's municipalities. While many have lauded the fact that 54 out of 272 municipalities have achieved a clean audit (this up from 40 in 2013-14), the truth is there is nothing to celebrate about the fact that only 19% of municipalities achieved this.



Dr Terence Nombembe

Disregard for the public's money

Add to this the fact that fruitless and wasteful expenditure has increased from R685m in 2013-14 to R1,34bn in 2014-15 and it is clear, says Dr Terence Nombembe, former AG and current CEO of the South African Institute of Chartered Accountants (SAICA), that "municipalities need to stop talking about skills shortages and start doing something to grow them".

"It is unacceptable that 22 years after democracy, our local government audit results continue to reveal inadequate financial management and a complete disregard for the public's money," says Nombembe upon reviewing this week's AG local government audit results.

"Despite the dismal numbers many of the newspapers are citing, there were several other worrying factors that came out of the latest auditor-general report to which people are not paying attention. For example, the AG report revealed that 92% of municipalities are using consultants to handle their financial report at a cost of R892m. Not only is this spending unnecessary, but last year Pravin Gordhan expressed suspicions that these consultants were not only colluding with municipalities to get contracts but were actually not qualified to do the work. There seems to be a lot of truth in this school of thought," he adds.

Need to grow own timber

The report reveals a dire need to grow own timber, "This report makes it clear that municipalities need to stop talking about the skills shortage and start building their own skills pipeline," he says. This is a move certain provincial departments have already begun to undertake.

Earlier this year, the Western Cape Treasury and the KwaZulu-Natal Treasury joined the City of Johannesburg as SAICA

accredited training offices because they recognised the need to build their own set of skilled accountants proficient in managing the financial affairs of the public sector financial.

Inadequate financial skills

As Belinda Francis Scott, the MEC for finance for KwaZulu-Natal said at the province's treasury launch, it was imperative to make this move because there is “a dire shortage of public servants in the province with adequate financial skills and capabilities. For this reason, a lot of money is wasted. Every cent wasted in government is a cent taken away from the people. By becoming a training office, we will be empowering government and ensuring good financial management in our municipalities”.

This move, together with the AG's report showing that these three provinces recorded the highest proportion of municipalities with clean audit opinions are certainly taking public sector financial management seriously.

“But,’ warns Nombembe, “until everyone realises that it's up to them to act by growing and acquiring these skills for the public sector, we are going to continue to see ineffective governance at local government level.”

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