

JOE MOROLONG LOCAL MUNICIPALITY

PROPOSED CONSULTANCY REDUCTION PLAN 2024/25 FY

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In terms of section 62 (1) (c) of the MFMA, the Accounting Officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems: -

- of financial and risk management and internal controls; and
- of internal audit operating in accordance with any prescribed norms and standards.

In terms of Section 77 (2) of the MFMA the top management must assist the accounting officer in managing and coordinating the financial administration of the municipality.

Lastly in terms of section 78 (1) (a) of the MFMA each senior manager of a municipality and each official of a municipality exercising financial management, must take all reasonable steps within their respective areas of responsibilities to ensure that the system of financial management and internal control established for the municipality is carried out diligently.

In particular, the official must take effective and appropriate steps to prevent, within that official's area of responsibility, any unauthorized, irregular, fruitless and wasteful expenditure and any under-collection of revenue due.

For the purposes of this Plan the following definitions apply:	
“Accounting Officer”	Municipal Manager
“Chief Financial Officer”	A person designated in terms of Chapter 9 section 81 of the MFMA
“Consultant”	An external person or organization that provides a service to the department in those areas, where the department either lacks the required specialized skills or capacity.
“Lack of capacity”	Insufficient physical resources within the municipality. Relevant knowledge, expertise and experience that may not exist within the municipality.

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3. OBJECTIVE

To ensure that consultants are appointed only after a GAP analysis has confirmed that the municipality does not have the skills or resources to perform the required services, and to ensure that consultants are paid within a regulated environment that is fair and equitable, maximizing the value added to the municipality.

Additionally, the accounting officer on 07 October 2022 of a material irregularity identified during the 2021/2022 regularity audit The material irregularity related to consultants for AFS preparation was not effectively, efficiently, and economically used by the municipality per section 62(1)(a) of the MFMA. The auditors had reason to believe that this non-compliance with section 62(1)(a) of the MFMA, is likely to result in a material financial loss for the Joe Morolong Local Municipality.

It was against this backdrop that there was a need to draft and adopt a consultancy reduction plan to reduce the use of consultants and where they are appointed, the consultants are effectively monitored and resources are used efficiently.

4. SCOPE OF APPLICATION

This document will serve to inform the new policy that will be used to appoint consultants for the Municipality, as well as its strategy to reduce the number of consultants it appoints.

5. LEGISLATIVE FRAMEWORK

The Municipality operations are governed by an array of different acts and this Plan should be understood within that context. The following Acts and prescripts are central in defining Municipal boundaries and areas of influence:

- Municipal Finance Management Act, 2003(Act 56 of2003)
- Treasury Regulations
- National Treasury guidelines and prescripts.

STRATEGY: IMPROVED FINANCIAL SUSTANABILITY

Key Areas	Activities	Responsible	Start Date	End Date
1. APPOINTMENT OF CONSULTANTS Before appointing any consultant, a formal analysis of the municipality's needs must be done. A needs analysis must demonstrate that the municipality lacks the	<u>Primary Reasons for Appointment of Consultants</u> Primarily, consultants are appointed for the following purposes:	<ul style="list-style-type: none">▪ Chief Financial Officer▪ Municipal	1 July 2024	Ongoing and should be monitored on a quarterly basis

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<p>necessary skills and resources to execute the required services.</p> <p>All consultant appointments must adhere to the Supply Chain Management regulations and the Joe Morolong Local Municipality Supply Chain Policy.</p> <p>All consultancy appointments within the Municipality must be approved in writing by the Bid Adjudication Committee and authorized by the Accounting Officer. The Programme/ Responsibility Managers may recommend the appointment of consultants to provide certain services if they believe that the Municipality lacks the relevant expertise or competence, and if there are funds available within their existing budgets. It is the responsibility of the Department Head and Manager, in consultation with the Bid Specification Committee, to develop the "Terms of Reference" for the Accounting Officer's advertisement requesting proposals.</p>	<p>a) To supply specialized services for limited durations without permanent job obligations;</p> <p>b) To gain from superior knowledge, the transfer of skills, and the improvement of one's knowledge base while carrying out a task;</p> <p>c) To provide independent advise on the most effective implementation methods, processes, and solutions.</p> <p><u>Minimum Requirements When Appointing Consultants</u></p> <p>When appointing consultants, it is necessary to strive to satisfy the following minimum requirements:</p> <p>b) Meeting the highest standards of quality and efficiency;</p> <p>c) Obtaining advice that is unbiased, that is, being delivered by a consultant acting independently from any affiliation, economic or otherwise, which may cause conflicts between the consultant's interests and those of government; and</p> <p>d) Ensuring the advice proposed or assignment executed, meeting the ethical principles of the consultancy professions.</p> <p><u>Selection Methods for the Appointment of Consultants</u></p> <p>e) The following are the methods most generally used for the appointment of consultants:</p> <p>f) Quality and cost-based selection.</p> <p>g) Quality based selection.</p> <p>h) Selection under a fixed budget.</p> <p>i) Least cost selection.</p>	<p>Manager</p> <ul style="list-style-type: none"> ▪ All s56/57 Manager ▪ Middle Managers 		
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	<p>j) Single source selection.</p> <p>The method of selection is determined by the scope of the assignment, the quality of the service, the complexity of the assignment and whether assignments are of a standard or routine nature.</p> <p><u>Service Level Agreement or Agreement</u></p> <ul style="list-style-type: none">a) All appointments shall be by means of a written contract or agreement, between the Municipality and the consultant concerned;b) The Accounting Officer shall sign as the duly appointed representative of the Municipality;c) The Accounting Officer may approve the extension of employment contracts or agreements in terms of Supply Chain Management Plan provided that:d) Sufficient funds are available;e) The extension is required as a result of additional operational requirements;f) The original terms of reference have not been deviated from; andg) Delivery has been satisfactory and in accordance with the terms of reference. <p><u>Terms and Conditions</u></p> <p>Service Level Agreements or contracts must at least include the following:</p> <ul style="list-style-type: none">h) Defined deliverables including time and cost;i) The mechanisms allowing for the frequent monitoring, at least monthly, of progress in terms of the agreed objectives;j) The period of employment with			
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	<p>specific start and end dates;</p> <p>k) The terms and conditions in terms of a specific regulation, code or collective agreement or tender;</p> <p>l) The notice period required by either side to terminate the contract;</p> <p>m) Retention and penalty clauses for poor performance;</p> <p>n) The rates agreed upon;</p> <p>o) The travel and subsistence cost agreed upon;</p> <p>p) The frequency of payment;</p> <p>q) The method of payment; and Skills transfer where relevant</p>			
<p>2. PAYMENT OF CONSULTANTS</p> <p>All consultants including construction and infrastructure related services are to be remunerated at the rates equal to or below those:</p>	<p>a) Determined in the “Guideline on fees for audit done on behalf of the “Auditor-General South Africa” issued by the South African Institute of Chartered Accountants (SAICA);</p> <p>b) Set out in the “Guide on Hourly Fee Rates for Consultants”, by the Department of Public Services and Administration” (DPSA);</p> <p>c) Prescribed by the body regulating the profession of the consultant; and</p> <p>d) In any other case, the rate as determined by National Treasury guidelines through the relevant Supply Chain Management process.</p> <p>Travelling and subsistence costs for the appointment of consultants must be in accordance with the travelling and subsistence policy of the municipality (If no policy in place — it should be in accordance with the Regulations and Circulars for Cost Containment) and the contract price should specify all travelling and subsistence costs.</p>	<ul style="list-style-type: none"> ▪ Chief Financial Officer ▪ Municipal Manager ▪ All s56/57 Managers ▪ Middle Managers 	1 July 2024	Ongoing and should be monitored on a quarterly basis
<p>3. ANNUAL AND QUARTERLY MANAGEMENT REPORTING</p> <p>The Director/Manager that appointed a consultant shall submit, in writing on a</p>	<p>a) The amount paid to the consultant in the month;</p> <p>b) Details of skills transferred;</p> <p>c) Performance assessment on the work done by the consultant;</p> <p>The report to the Accounting Officer must be handed to the Chief Financial Officer</p>	<ul style="list-style-type: none"> ▪ Chief Financial Officer ▪ Municipal 	1 July 2024	Ongoing and should be monitored on a quarterly basis

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monthly basis, a report to the Accounting Officer that includes the following;	by the seventh (10 th) day of the ensuing month to be included in the monthly Section 71 report.	Manager <ul style="list-style-type: none"> ▪ All s56/57 Manager ▪ Middle Managers 		
4. TRAINING OR TRANSFER OF KNOWLEDGE AND SKILLS	If the assignment includes an important component for training or transfer of knowledge and skills, the terms of reference should indicate the objectives, nature, scope and goals of the training program, including details of trainers and trainees, skills to be transferred, time frames and monitoring and evaluation arrangements. The cost for training program	<ul style="list-style-type: none"> ▪ Chief Financial Officer ▪ Municipal Manager 	<ul style="list-style-type: none"> ▪ 1 July 2024 	Ongoing and should be monitored on

The consultancy reduction plan forms part of the vital the municipality turnaround strategy as part of the draft Financial Plan 2024-2026. Reducing consultancy costs can indeed be a significant component of a municipality's turnaround strategy, especially if those costs have been excessive or inefficient. By streamlining operations, improving internal capabilities, and potentially renegotiating contracts, municipalities can often realize significant savings in consultancy expenses. This, in turn, can contribute to a more sustainable financial future and better allocation of resources toward essential services and infrastructure projects. It's crucial that such reductions are carefully planned and implemented to ensure that essential expertise and support are retained while eliminating unnecessary expenditures.

GUIDELINES

1.	Supply Chain Management: A Guide for Accounting Officers of Municipalities and Municipal Entities
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