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SKILLS TRANSFER BY CONSULTANTS WHEN COMPILING THE ANNUAL FINANCIAL STATEMENTS OF THE MUNICIPALITY

1. Purpose

- 1.1. To highlight the inadequate transfer of skills by consultants to municipal officials when compiling municipal financial statements.
- 1.2 To provide guidance on managing consultants to ensure sustainability in the transfer of skills which is one of the researched areas in "***A Guide to Managing Consultants***" issued by "The Parliamentary Support: Programme" in September 2001.

2. Background

- 2.1. Municipalities have to comply with the prescribed Accounting Standards (Generally Recognised Accounting Practice/Generally Accepted Municipal Accounting Practice or Generally Accepted Accounting Practice) and these Standards are constantly changing.
- 2.2. The Chief Financial Officers of municipalities acknowledge that they have to deal with different challenges from time to time. Having to implement a different Accounting Framework successfully each year, has resulted in a large number of municipalities making use of consultants with specialised knowledge.
- 2.3. Research through literature review, interviews with municipal officials and consultants have shown that during the appointment of consultants the Terms of Reference does not always specifically provide for skills transfer. Furthermore the transfer of skills and capacity building were not monitored closely in terms of measurable indicators of achievement, resulting in the extension of contracts.

The following are different scenarios:

- When tenders are awarded to consultants, although the tender stipulated the transfer of skills and the provision for training with regard to the preparation of financial statements, often this does not take place due to the unavailability of municipal officials. Where the contract has expired and skills transfer has not taken place, often result in the contracts being extended at additional cost.
- There are instances, where the staff of the municipality was not involved in the preparation of the financial statements; consultants would then collect the information needed from the municipality and return to the municipality with a completed set of financial statements. The transfer of the required skills to the municipal staff therefore does not occur.
- In other instances, consultants are not available to assist the municipalities to respond to queries as raised by the auditors during the audit process. This practice leads to delays in the audit process and negatively impact on the audit fees. The fact that the municipalities are unable to handle audit queries on their own is an indication that there was a failure to transfer skills by the consultants and that there is high dependency on consultants.

- Consultants are appointed due to a lack of internal capacity, which results in skills and expertise not being transferred to municipal staff.
- 2.4. The General Report of the Auditor-General on the audit outcomes of the Western Cape Local Government for the financial year 2007/08, indicates that there has been a high incidence of external consultants used for the compilation of the financial statements of municipalities.
- 2.5. The report also indicates that it is important that processes are developed and implemented to ensure that appropriate skills transfer to existing municipal officials occur from the appointed consultants.

3. Skills Transfer

- 3.1. Skills transfer is a term that originated in the artisan/apprenticeship training relationship, which is based on the artisan teaching the apprentice the skills of trade by allowing the apprentice to do the task – thus **transferring skills**.
- 3.2. Management discovered the need for certain types of competencies that are not available among current staff and opted to bring in consultants with the required speciality in order to:
- carry out the necessary tasks to meet the service delivery demands and
 - build staff capacity by passing on the needed competencies
- 3.3. There should be a thorough analysis and schedule to ensure that staff in future to whom the skills are to be transferred will be competent and able to carry out the task/s required.
- 3.4. To achieve sustainability in organisational interventions, the transfer of skills, knowledge and attitudes should become a central and deliverable component in each consulting contract.
- 3.5. The municipality should make specific provision for the transfer of skills to municipal staff in every possible tender. When the assignment includes transfer of skills the Terms of Reference should include the objectives, nature, scope and goals of the training. This should include the details of the trainers and trainees, skills to be transferred, timeframes and monitoring and evaluation arrangements.

- 3.6. The following factors need to be planned for and considered to ensure sustainability:
- analyse and define competencies that need to be transferred by the consultants to municipal staff.
 - identify and agree which staff members are to be involved, by providing opportunities to staff to learn from consultants by creating combined teams which consists of staff from consultants and the municipality.
 - contract with the consultant for specific learning outcomes
 - contract with staff members and their managers for time required and learning outcomes
 - dedicate resources (time and money) for both staff members and the consultant
 - ensure that staff are available at all times to jointly complete the tasks with the consultants
 - monitor skills transfer in the same way as other deliverables
 - progressive reporting on the development of the selected staff by the service provider.

4. Way Forward

- 4.1. The General Report of the Auditor-General on the audit outcomes of the Western Cape Local Government for the financial year 2007/08 indicates that Provincial Treasury should play a significant role in ensuring that processes are developed and implemented to ensure appropriate skills transfer to municipal staff
- 4.2. To ensure a productive and beneficial consulting relationship, all contracts should stipulate that the transfer of skills to municipal staff is an essential part of the services to be rendered by the consultant
- 4.3. The consultant providing technical assistance services to assist with the compiling of the Annual Financial Statements, should provide a plan indicating what types of technical training will be provided, to which staff and when.
- 4.4. Municipalities should assess the need for utilising consultants beforehand so as to allow enough time to plan for the skills transfer to the municipal staff.

4.5. To ensure sustainability and transfer of skills the following questions should be asked during the evaluation on the utilisation of consultants:

- Will it be possible for the municipal staff to maintain and /or continue the work done by consultants without the further involvement of the consultants?
- Did consultants produce hard-copy manuals for future use?
- Did consultants produce electronic versions of manuals for future use?
- Were relevant staff members informed of processes, procedures and /or other contents of the manual(s)?
- Did the consultants facilitate the transfer of skills to the staff?
- Did the skills transfer meet the needs of the municipality?
- Is there a list of the skills transfer that took place?
- What is the level of skills transfer that took place?
- How many officials acquired new skills directly from the skills transfer process?

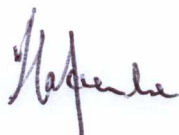
4.6. The Provincial Treasury: Local Government Accounting Unit will regularly engage with municipalities utilising consultants for the preparation of the financial statements to ensure that:

- skills transfer becomes a central and deliverable component of the contract
- skill transfer plans are put in place before the commencement of the consulting project.

5. Enquiries

Any further enquiries in this regard may be directed to:

- Ms Micheline Fortuin: Mifortui@pgwc.gov.za - West Coast, Overberg & Central Karoo Districts.
- Mr Thobelani Madondile: Tmadondi@pgwc.gov.za - Cape Winelands & Eden Districts and Metro.



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PROVINCIAL ACCOUNTANT GENERAL

DATE: 13/11/2009