



DAG'S COLUMN

Government commits to establishing stringent measures to ensure best value for money when it has to use consultants

The resounding public response that has been triggered by the release of our office's findings on how government is currently using external consultants, is fascinating and humbling, to say the least.

Since I released the performance audit report of the Auditor-General of South Africa (AGSA) on the use of consultants at selected national and provincial departments (available on www.agsa.co.za), the country has been abuzz with opinions on the matter expressed through radio talk shows and letters to editors, while the technologically savvy have incessantly bombarded the new, social media channels.

Concerns raised by citizens in these debates have ranged from skills shortage in our public sector; to possible corrupt or fraudulent activities due to lack of strong controls in managing consultants; and the role of oversight bodies in ensuring that government uses consultants in a fruitful manner; while some, especially the consulting fraternity, felt that our report was calling for their demise or termination of their services to government.

Interestingly, and typical of South Africans' fiercely independent views, the AGSA was also not spared in the vibrant debates. Some citizens rightfully pointed out our office's use of consultants at some intervals to fulfil its audit mandate.

With the matter of consultants dominating our public discourse, those charged with governing and administer-

ing our country showed that our government is indeed responsive to positive and developmental counsel that will ensure that our public sector is effective and able to serve the citizenry efficiently. As a result, the debate about consultants ended up receiving parliamentary attention.

During a parliamentary debate on his State of the Nation Address, President Jacob Zuma also voiced government's concern about the over-reliance on consultants to do what the state is supposed to do. He said this goes to the core of what the National Development Plan (NDP) says about creating capacity for the state to ensure that state machinery functions effectively and efficiently.

Subsequently, various senior government ministers and provincial premiers have also made emphatic and encouraging public pronouncements on how their respective portfolios have developed or are developing plans to manage the use of external consultants.

Now that I have set the scene with that short narrative tracking the origins and progress of the debate on consultants, I would like to briefly dissect our report and at the same time respond to some of the topical issues that dominated the fierce deliberations on government's use of consultants.

Stricter controls required to maximise benefits of consultants in the public sector

Governments generally rely on expertise and skills that are largely available in the private sector. It is to be expected that when the public sector drives implementation of its programmes while it builds its own deep reservoirs of talent, it will always look towards organisations that will

provide high-level skills and knowledge. To secure a mutually beneficial outcome, this expertise ought to be sourced in a way that delivers maximum value at the most economical cost, to speed up the delivery of services and provide enduring benefits for all citizens.

That is why, when releasing our report, I emphatically stated that our office does not advocate the termination of consulting services in the public sector and has never done so. What we have constantly emphasised, through interactions and interventions such as this latest report

on government's use of consultants, is that those we audit should exercise strict control over specific areas, to ensure that our government gets the best value for money when it has to use such services.

But Deputy Auditor-General, your office also uses consultants to do audits on your behalf, so why the double standards?

During heated television and radio phone-in programmes, I fielded questions on how our office was "pointing fingers at government" while we also use consultants.

In response to these valid questions, I explained our office's work model, and restated and declared (as we have constantly done) that our office, due to skills shortage in the auditing/accounting profession, outsources some of its work to private sector firms.

As a long-term effort to help the profession address this skills shortage, we reached an agreement with Parliament to outsource at least 20% of our audit work to private firms

that meet predetermined criteria, including adherence to the requirements of black economic empowerment (BEE). By so doing, we are helping to empower the firms and impart public sector auditing skills, thus helping to influence the tide of skilled auditing/accounting professionals to move towards the public sector.

In addition, our rigorous supply chain management (or tender processes, as many call them) for those we have chosen as preferred service providers is results-driven, with measurable milestones and targets.

When used effectively, consultants could be beneficial

The above scenario shows that when used properly, with clear rules and plans of engagement in place, consultants can be a beneficial intervention in imparting necessary skills and quality service on behalf of the contracting entities.

When used effectively, consultants help to train internal personnel for continuity and do not create a situation of perpetual reliance on external consultants for core business.

But our audit, which covered the three financial years 2008-09, 2009-10 and 2010-11, still paints a picture of consultants being appointed in areas where permanent employees are required and would have been more cost-effective, thus highlighting a lack of proper planning, or even no planning in some instances.

This audit, which was conducted at eight national departments and included 124 contracts with an estimated value of R5,5 billion, shows the following, among other concerns:

- For 63 contracts amounting to R1,9 billion, detailed planning documentation to support the decisions to appoint consultants was not available.

- Departments lacked skilled staff to fulfil required functions. Auditors found consultancy projects valued at R3,06 billion which were initiated on the basis that there was a lack of internal capacity and skills at departments. But of these, projects worth approximately R1,39 billion were commissioned for work that formed part of the daily operations of the departments.

- There were internal deficiencies, such as the lack of proper needs analyses and actions to fill vacant posts, which led to the extension of contracts or contract periods. For example, 41 contracts were extended by R1,05 billion, while formal bidding processes were not followed in contracts worth R320,4 million. Moreover, reasons for deviations were not properly documented.

- For 21 projects valued at approximately R2,4 billion, the contracts and payments were not properly monitored to ensure that the work done met the contractual deliverables and needs of the departments. Compliance with service level agreements was also not monitored regularly.

AGSA recommendations on how government can remedy the situation

These few findings, a sample of a plethora of consultant-related concerns we have raised in our previous performance audits and continually during our other annual audits, definitely indicate that government, at least in the departments we have audited, is not always getting value

for money in the way it currently uses the services of external consultants.

The recurrence of these consultant-related issues is a great cause for concern, particularly in the light of the R102 billion spent on consultants by national and

provincial departments during the three-year period under review.

Over the years we have recommended a number of interventions which we feel would greatly enhance the efficiency, effectiveness and economy with which consultants are used by government.

I and the team that worked on this audit have extensively engaged with all those charged with governance and oversight and who are directly impacted by the outcomes of this latest audit to share our findings and recommendations on how the situation can be turned around. They have all committed to implementing immediate actions to remedy this concerning state of affairs.

It is also encouraging to note that some work is underway in the National Treasury to address this matter in line with the pronouncements that were made by the Minister of Finance during the 2013 budget speech. Our interventions have been aimed at ensuring that when we do follow-up audits we will be reporting a story of improvements; of how consultants are used constructively in a value-adding manner that will benefit South African taxpayers.

To optimise the value and benefits that should be realised through using consultancy services, government will have to immediately establish proper systems of financial management and controls in departments, so that officials ensure efficient and effective use of resources; officials and accounting officers are held responsible for the economic, efficient and effective use of resources; and compliance with legal frameworks and prescripts is enforced.

For this to happen, clear and adequate plans to address such challenges as the turnover of employees in key positions and inadequate financial and performance management, need to be in place and monitored closely.

We are very pleased with the public and official pronouncements made by the President, senior government ministers and premiers that they are already attending to this and other basic recommendations our office has made as its contribution to the national drive towards total clean administration and effective and efficient public service.

Private sector is part of the solution

During media interviews and public presentations on the subject of consultants, I have continually made an impassioned plea to the private sector, especially the consultants fraternity, to be part of the solution in this regard.

Although our office's activities do not extend to private sector audits, we are of the firm view that the private

sector has a vital contribution to make, as it forms a critical part of the current government-consultants equation that has to ensure efficient, effective, economical and ethical transactions between the two parties, to benefit the South African citizenry in the end.

End



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SOUTH AFRICA

Auditing to build public confidence