




# PUBLIC SECTOR CONSULTANTS

## RESEARCH REPORT



External consultants can help improve public finance management and service delivery, if used correctly. Critical questions have been raised on the impact of consultants as persistent and underlying governance, capacity, transparency and accountability shortcomings remain unresolved in the public sector. This report provides insights into the issue and calls for the implementation of reforms that include professionalisation of the public sector.



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## ABOUT SAICA

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SAICA offers three reputable professional accounting and business designations from a foundational to a strategic level of accounting and business competence: Accounting Technician [AT(SA)], Associate General Accountant [AGA(SA)] and Chartered Accountant

[CA(SA)]. These three designations are underpinned by the SAICA Code of Professional Conduct (the SAICA Code) and Continuous Professional Development (CPD) policy to ensure the highest level of professionalism, discipline, and performance.

SAICA is at the forefront of developing and leading the highest standards of ethics, education, and professional excellence in the delivery of quality accountancy skills. This is achieved by safeguarding the professional standards of the designations on offer, advancing and maintaining the relevance of the profession, and by regulating the members' and associates' professional conduct against the SAICA Code.

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## ABOUT SAICA AND THE PUBLIC SECTOR

SAICA is a committed partner in making a positive difference in the public sector. SAICA recognises the important role that government and the whole of the public sector must play in the prosperity of the South African society, economy and its members as enshrined in its Constitution. As responsible and ethical leaders, SAICA members and associates form part of the various structures, entities, and spheres of government, working in the public interest towards the sustainability of the public service and the country. To this end, SAICA provides support to members and government, supporting public finance management capacity building and the professionalisation agenda for the sector.

SAICA advocates, lobbies, and influences for fit for purpose legislation, standards, policies, processes, and systems in the public sector. Members in the sector have access to guides, handbooks, tools, templates, and other resources to support them in their work.

Regular thought leadership articles and resources on emerging issues in public sector accounting, assurance, governance, accountability, risk management, technology, capacity building initiatives, and other developments affecting the work of the sector and the profession are created and managed by SAICA's Public Sector team.

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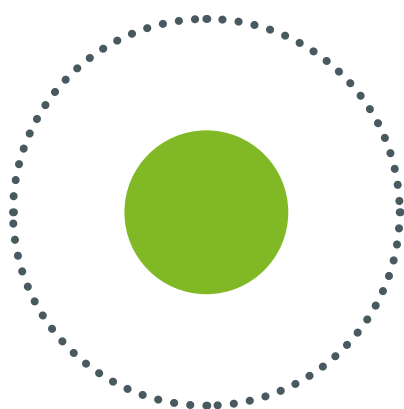
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The information herein is non-authoritative and subject to change. Readers should be mindful of the dynamic nature of consulting, the complexities and nuances of these engagements in reading the contents of this research reports.

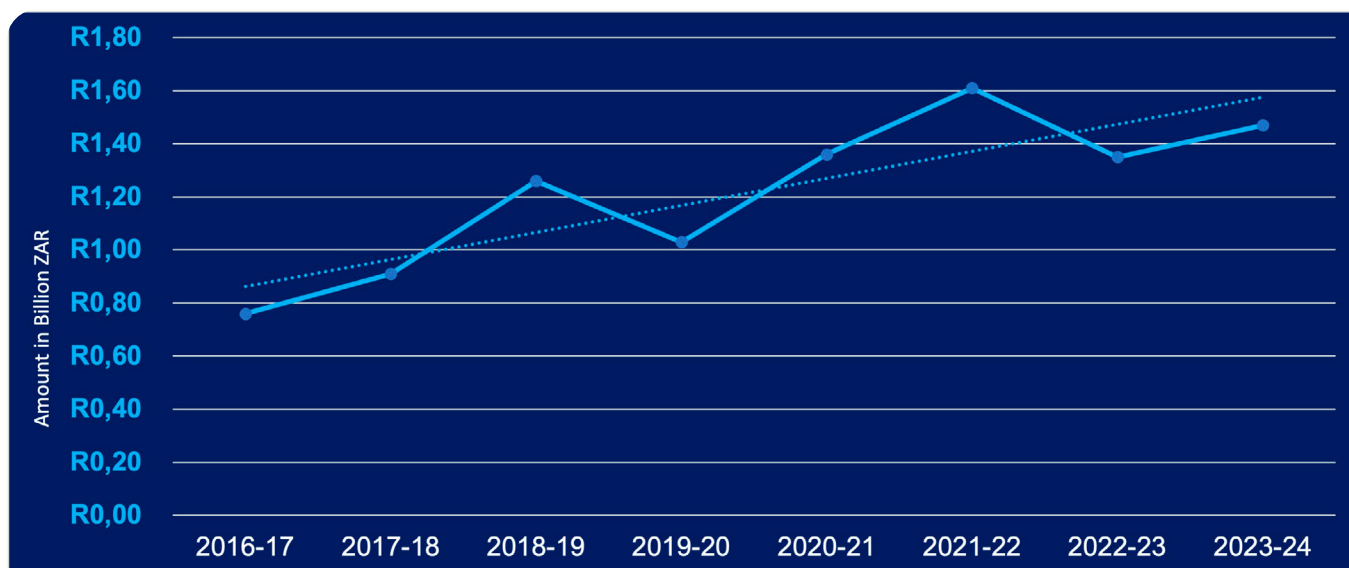
## BACKGROUND

Management consulting is the practice of providing consulting services to organisations to improve their performance or in any way assist in achieving organisational objectives. Organisations utilise consultants' services for several reasons, including gaining external (objective) advice and accessing specialised expertise.

Consulting is a large, worldwide industry that usually encapsulates different professionals with a broad range of activities in different areas of expertise under one umbrella as a professional service firm. In South Africa, public finance management and reporting (amongst others) is one area that has over the years required the expertise of professionals, but at a notable cost to the fiscus. Consultants continuously provide advice, capacity, and support to the different spheres of government, institutions and entities. As industry leaders, SAICA members support government and its entities with professional consulting services related to public finance management and reporting, as well as other areas of related expertise. In this process, members create value by helping to solve various issues, improving performance, and supporting transparency, governance, and accountability.

According to the Auditor-General South Africa (AGSA), financial reporting consultants cost local government R5,31 billion over the term of the previous administration (five year political term ending 2020-21) and 70% of municipalities used consultants for every year of the five year term. Following this period, in 2021-22, municipalities spent R1,61 billion on consultants to help with financial reporting – an increase by almost a fifth from R1,36 billion during the 2020-21 financial year. This amount then decreased to R1,35 billion in 2022-23 and increased to R1,47 billion in 2023-24. See graphic spending trend below:

### Local government spending on financial reporting consultants



**Figure 1:** Local government spending on financial reporting consultants over the years

Notwithstanding the continued and extensive use of consultants (especially in local government), government continues to struggle with the basics of financial management, clean administration, and reporting, with the following root causes persisting:

- Inadequate or lack of records and documentation.
- Limited or inadequate skills and capacity in finance, information technology, and technical units.
- A lack of institutionalised financial and performance management controls.
- Lack of accountability and consequences.

The AGSA lists five main reasons why municipalities are losing money in South Africa, which include the following:

- poor payment practices (payment for the right delivery, at the right time and quality)
- unfair or uneconomical procurement practices



- no or limited benefit received for money spent (including the ineffective use of consultants)
- weaknesses in project management
- fraud committed by officials.

Solving the problems faced particularly by municipalities requires comprehensive solutions and turnaround strategies for all of the above, to curb the wastage of (already) limited public resources and ensure the prioritisation of service delivery to communities.

The AGSA's 2023-24 general report continues to highlight the need to focus on root causes that hinder progress and perpetuates poor audit outcomes, which are identified as follows:

- Governance failures
- Inadequate institutional capability
- Lack of accountability and consequences

The latest AGSA general report recommends the following in addressing these root causes, which SAICA is in agreement with - as they will create a more sustainable solution:

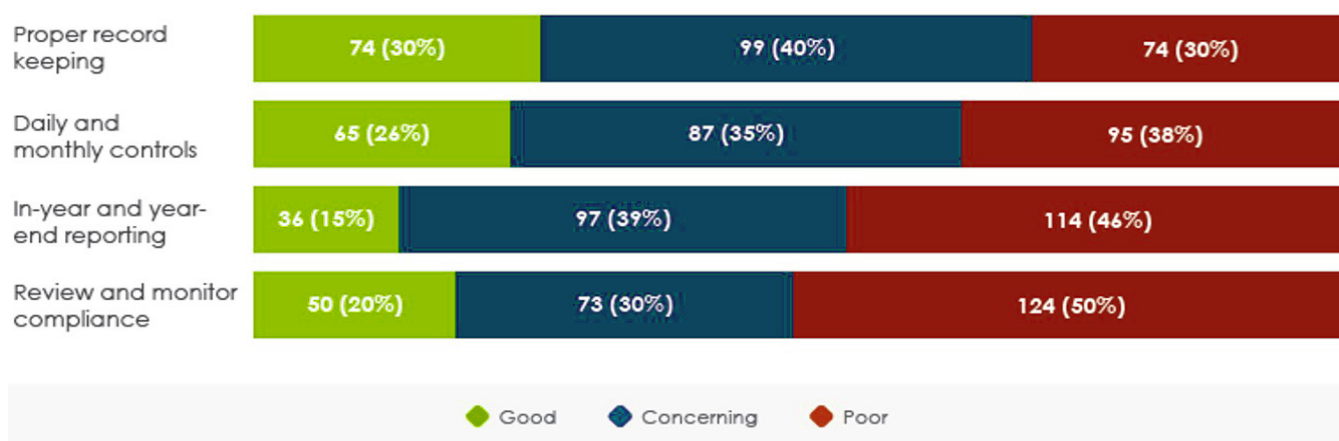
- Build capable institutions with intergovernmental support
- Professionalise and capacitate local government
- Instil a culture of ethics and accountability

*Furthermore, the AGSA calls specifically on political leaders (mayors, councils and executives in national and provincial government and provincial legislatures) to exercise diligent oversight and take decisive action on municipal failures.*

*This is important as without decisive political leadership and the correct tone at the top, it is likely that any planned reforms, improvements, action plans and initiatives will not yield the desired, sustainable positive outcomes.*

Municipalities continue to struggle with basic key financial management controls, without which credible financial reporting will remain a challenge. This following presents the current status of key financial management controls according to the AGSA. If municipalities actively address these controls, it could lead to significant improvements in the credibility of financial information produced by both municipalities and their consultants.

### Status of key financial management controls (2023-24)



**Figure 2:** The status of key financial management controls in municipalities

Without sound systems of internal control around financial management, there is little to no chance of the country turning around the state of reporting in the public sector. This is true even with the best available reporting expertise being made available (on a full time or consulting basis). Reporting specialists, experts and leaders appreciate the need for sound underlying systems and processes to achieve credible reporting. Financial statements consulting in the current form, are not yielding the desired, sustainable, positive outcomes, as reported annually by the AGSA. On the other hand, there is no aggregated data available for a more comprehensive analysis of the impact of consultants in public sector reporting, except

for the poor impact on audit outcomes. The nature of financial reporting consulting is such that consultants would compile information based on documentation made available to them.

This said, the continuing negative audit outcomes reported annually and the persistent root causes – even with the interventions of management consultants – require reflection and attention by all stakeholders to sustain the work of government and consultants. The accountancy profession's recognition of its public interest responsibility is a distinguishing characteristic, and important when dealing with matters affecting government and the country.

Considerations need to be made around the ethical dilemmas, threats, and safeguards concerning the work of professionals in the public sector, particularly those consulting in public finance management, reporting, and related services. This research report is the effort of the South African Institute of Chartered Accountants (SAICA), to facilitate this reflection and consideration, and to call on all stakeholders to rally together to work towards improving the situation.

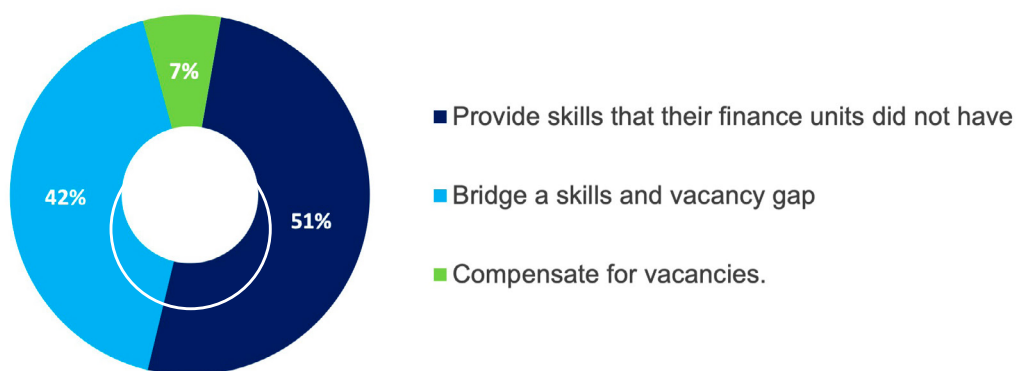
Furthermore, SAICA notes the AGSA's efforts to influence the efficient and effective use of consultants, which provides an opportunity for overall improvements in consulting engagements and improved public financial management. SAICA encourages the 29 accounting officers reported by the AGSA in the 2022-23 General Report to work towards resolving the material irregularities as well as creating environments that enable responsible use of consultants. SAICA also encourages the consultants involved or implicated in material irregularities to commit to the speedy resolution of the material irregularities with the accounting officers, and ensure that appropriate mitigating controls are put in place to prevent the reoccurrence of such irregularities.

## INTRODUCTION

Concern regarding government's inability to attract and retain the right calibre talent and skills to service the public sector and South African citizens, has been increasing over years. As things stand, government to a large extent lacks the capacity and skills it needs to meet its objectives, resulting in poor service delivery and deteriorating public trust. While this has presented opportunities for specialists and experts operating in the private sector to support government in closing capacity gaps, it is becoming clear that this is not sustainable, and that solutions need to be directed at the root causes of the challenges experienced by government.

A decade ago (2013-14), 82% of municipalities made use of consultants. This number stood at 85% in 2023-24. Municipalities continue to contract consultants to perform functions for which finance units are responsible, stating vacancies and a lack of skills in the finance unit as reasons. The use of financial reporting consultants has become a permanent solution for many municipalities, even though it is meant to be a short term solution.

During 2023-24, municipalities report to have used consultants for the following reasons:



**Figure 3:** *Reasons for the use of consultants by municipalities*

There is a concern regarding the sustainability of the current model of public sector consulting by professionals, particularly those supporting public finance management and reporting. In an effort to improve public sector consulting, SAICA has undertaken this project, to soliciting insights from professionals and stakeholders involved

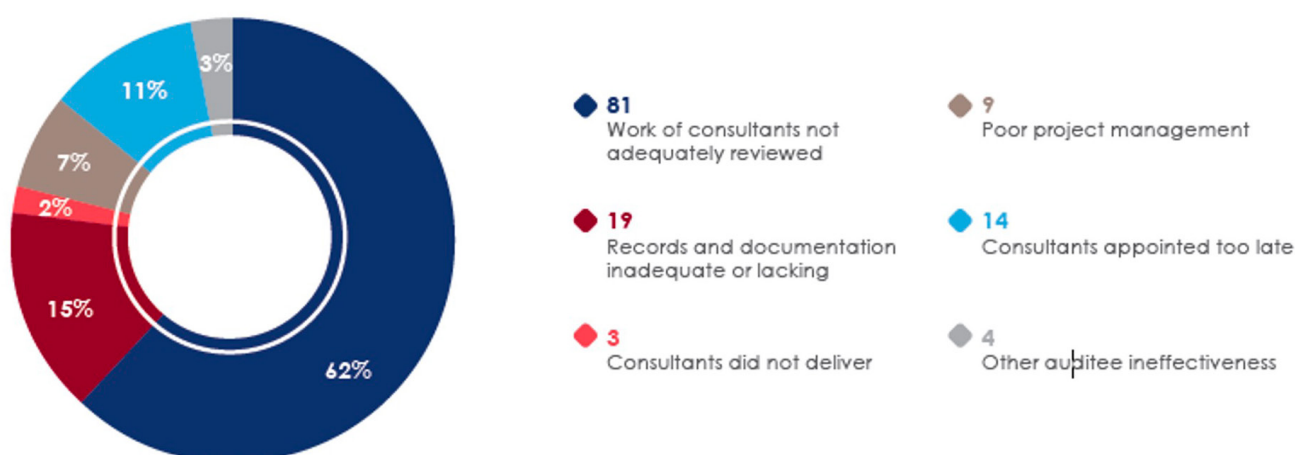
in the reporting and consulting ecosystem, with a goal of influencing improvements. This research report is the Institute's efforts to understand the ex-periences and challenges of:

- a) Accountancy professionals consulting in the public sector.
- b) Public sector institutions procuring the services of consultants.

Questions surrounding sustainable value creation and the long-term viability of the current model have now taken centre stage. There are many concerns about the current trajectory of the South African public sector, as the sector continues to face a myriad of challenges. Sustainable value creation by consultants in the sector comes into the spotlight as the fiscus continues to be under pressure, with an unexplainable combination of a bloated public purse and a glaring lack of skills and capacity by government. This concern is complicated by the limited to no skills transfer by consultants who work to support government in filling skills and capacity gaps, and the view that public sector employees are not always willing recipients of knowledge and expertise that may be shared by consultants.

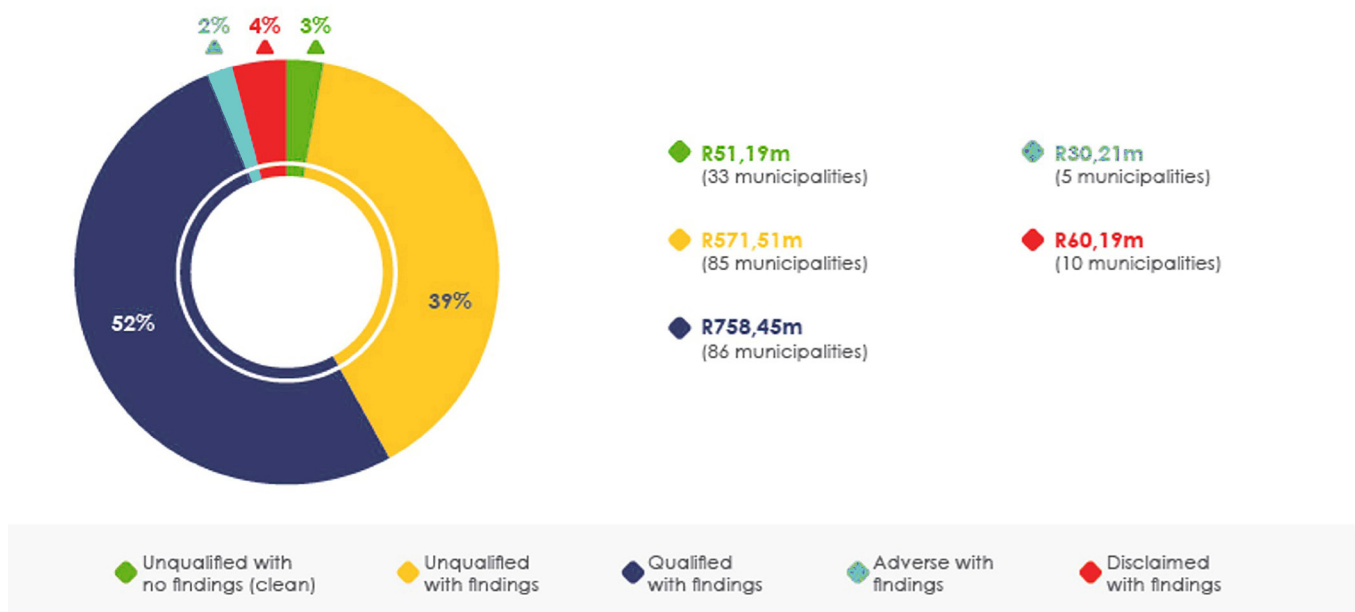
Despite the amount spent by municipalities on consultants to ensure good-quality financial statements, the expected benefits were not always evident according to the AGSA, an outcome consistent with prior years. During 2023-24, the financial statements of 130 of the 219 municipalities that used consultants (59%) submitted for auditing (2022-23: 127 of 220 (58%)), had material misstatements in areas in which consultants performed work. Ultimately, 46% (2022-23: 43%) of municipalities that used consultants receiving modified opinions even after opportunities to make corrections to the financial statements. This is a clear indication that there are no short cuts to financial reporting, as is confirmed by this research report - focus should be directed at the root causes. In 98% (2022-23: 97%) of the cases above, the municipalities (and not the consultants), were responsible for not deriving the full benefit of the appointments according to the AGSA.

The following are reported by the AGSA as reasons misstatements were not prevented in areas consultants work in during 2023-24:



**Figure 4:** Reasons misstatements in area of consultant work were not prevented in 2023-24

The continued spending on consultants without the achievement of positive audit outcomes should not be acceptable to accounting officers and political leaders, who in turn should look at solving the root causes for their poor audit outcomes, and not merely replacing consultants. It is not clear why accounting officers continue to use consultants even when their aggregated impact on audit outcomes is poor, and to what extent their presence assists in moving the transparency and reporting needle (if at all) – at the individual consulting engagement level. The overall picture though is gloomy. A total of R848,85 million of the amount spent on consultants during 2023-24 resulted in a qualified opinion or worse, while R571,51 million achieved unqualified opinion(s) with findings.



**Figure 5:** Consultant cost per audit outcome (2023-24)

Notwithstanding this, to address the dynamic issues of public sector financial consulting, a thorough analysis is necessary to unpack the workings of the sector and its consultants, delving into the associated risks, costs, benefits, and the necessary support mechanisms. Accounting officers should ideally be providing detailed reports on the consulting projects engaged, including analysing the positive contribution and value (if any), delivered by consultants. They should also take decisive action where value has not been generated. It is at the individual project and engagement management level that detailed insights on the use of consultants can be derived.

This research project follows SAICA's data collection process and data analysis to derive aggregated insights on the use of consultants in the public sector. Following the finalisation of the report, SAICA endeavours to work on the implementation of the recommendations in collaboration with stakeholders. SAICA will also continue to advocate for best practices and continued improvement in the realm of consultancy within the public sector.

Furthermore, as South Africa's pre-eminent accountancy body, through this project SAICA is demonstrating the Institute's commitment to responsible leadership and sustainable value creation in the public sector. Using our research insights and expertise, SAICA and its members can support the sector towards efficient management of public finances, including the mitigation of excessive and ineffective use of and spending on consultants and contracted services in general. This work supports the Institute's strategic objective of relevance in the South African context and ensures that the profession is part of the solution.

Once again, it is worth noting that the overall capacity limitations of government together with the existing culture of outsourcing to consultants and service providers remain key root causes that need to be addressed comprehensively, in order to adequately mitigate these challenge.

To put the issue of consultants and outsourcing into context and to expand on it, consider that according to Stats SA, local government spent a total of R39 billion on contracted services and consultants during the 2022 financial year. This represented 8.4% of the total expenditure and was above the recommended norm of 2 - 5% set by National Treasury. According to the AGSA, local government spent R1.47 billion on financial consultants during the 2023-24 financial year (2022-23:R1,35; 2021-22:R1,63 billion; 2020-21 R1,36 billion). Based on this data, the spending on financial consultants therefore represents an estimated 3.5% of the spending overall contracted services and consultants (R1,35 billion divided by R39 billion) for the 2022 financial year.

Furthermore, infrastructure projects which are funded through infrastructure grants or own funds, come at a significant cost to government and are instrumental in the delivery of services. Concern over infrastructure (spending and maintenance) nationally has increased over the years and the AGSA reported findings in 87 of the 113 projects visited during the 2023-24 audit. The findings related to project delays, poor-quality workmanship, escalating (unapproved) costs and infrastructure not used as intended or underutilised. According to the AGSA, the work performed by contractors continues to show quality deficiencies, indicating that previously identified defects had not been addressed.



Of even greater concern, issues identified during the audit should have been detected by consultants that were appointed by municipalities as experts in their respective fields to oversee and manage construction activities and that were expected to perform their duties with the necessary diligence and care. Even though the impact of the poor work of these consultants is not quantified, it is likely to be significant, and indicates that concern over the use of consultants goes beyond financial consultants. Unfortunately, municipalities also do not always have adequate governance, oversight and monitoring mechanisms in place to hold these consultants accountable for poor performance.

## A SUMMARY OF KEY INSIGHTS

The following represents a summary of the key insights from SAICA's research. These issues will require the collaborative effort of various stakeholders to solve:

- Consultants do not “own” the outcomes of the product as much as the institution does, even though they tend to be given significant responsibility, often without sufficient support, review, or oversight. Institutions place unwarranted trust in consultants, and often completely rely on consultants.
- The lack of management and review of the consultants’ work leads to them doing work in their own way, which at times affects the quality of the work produced. The scope of work that needs to be performed by consultants is often determined by consultants during the undertaking of the project based on the issues being identified, leading to other challenges in managing the project.
- When it comes to consultants in public finance management, there is a significant expectation gap caused by various underlying challenges, including the lack of effective systems of internal control, cumbersome compliance requirements, and challenges with leadership and management within government, together with a rigorous external audit process.
- Consultants are appointed for what should often be daily practices within the institution in an effort to remedy issues caused by the inability to effect daily disciplines. Consultants accepting such engagements is also a cause for concern, as it is often not possible to remedy such fundamental shortcomings in a short space of time (in anticipation of the external audit process).
- The sustainable solution would be to professionalise public finance management and transform the sector to become an employer of choice for accountancy professions – a space where consultants support public finance managers and professionals in the full-time employ of the state. A commitment to a capacitated public sector workforce can eliminate the current issues.
- No transfer of skills happens in government institutions during or following consultation engagements, which create an unsustainable dependency on consultants. Consultants mention that their skills transfer efforts are not well received by public servants, while consultants face a self-interest threat on the matter. It is up to government institutions to ensure that they enable and enforce the transfer of skills.
- Institutions (public or private) make use of external expertise, support or assistance. This, however, needs to be done responsibly and sustainably. The focus of remedial initiatives and solutions should be the crux of the matter, solving the underlying issues and the root causes to achieve a sustainable public sector and thriving management consultant sector.
- While many activities culminate in financial or non-financial reports (annual report), expertise required in the different areas can be unique and specialised. The current ineffective use of consultants often ends up relying on or burdening the wrong expert to resolve issues they may have limited expertise on. Pertinent areas include that of asset management and procurement services, which should be performed by internal staff on an ongoing basis and not coupled with the appointment of consultants for year-end reporting.
- Specialised (and external) support, expertise, and management consultants will likely continue to be needed in the public sector given the myriad of challenges that need to be solved, as well as the complexities presented by the nature of the business of government and legislative and reporting requirements of the sector.
- In the short to medium term, consulting projects require better management by consultants as well as clients (government institutions). This includes improvements in areas of project, contract, risk, quality, conflict, communication, and management. These should also be accompanied by improvements in daily disciplines.
- There is a possibility that some consultants are pursuing financial interests through these consulting engagements, compromising quality and ethical standards in their decisions to accept or continue with engagements in the public sector.

## Creating effective consulting engagements

The following is a list of key insights that would help achieve effective consulting engagements in the public sector.



**Figure 6:** Achieving effective consulting engagements.

## DATA COLLECTION

For this research project, a total of 116 responses were received from stakeholders which includes consultants and representatives of public institutions.

PUBLIC SECTOR INSTITUTION	CONSULTANTS	TOTAL
39 (34%)	77 (66%)	116 (100%)

**Figure 7:** Details of participants in the research

Of the 77 participants who responded as consultants, a total of 36 identified themselves as members or associates of SAICA (and as consulting in the public sector). The participants who are consultants, consult broadly in the public sector across national, provincial, and local governments, as well as for public entities and the AGSA. It is also worth noting that responses received from consultants were from individual professionals as well as professional services firms.

Further insights for the research project were derived from qualitative discussions with members in the Assurance Leaders Forum of SAICA and the Accounting Standards Board's Public Sector Accounting Forum.

Participants in the research study identified the following as areas of consulting services they either provide or receive in the public sector:



**Figure 8:** List of consulting services provided in the public sector (according to participants)

## ASSESSING SATISFACTION WITH THE USE OF CONSULTANTS

When asked how satisfied participants who had procured the services of consultants were, the following insights were derived (using a Likert scale of 0 to 5, where 0 was extremely poor and 5 is very good):

EXTREMELY POOR	POOR	BELOW AVERAGE	AVERAGE	GOOD	VERY GOOD
0%	8%	8%	43%	33%	8%

**Figure 9:** *Level of satisfaction with the use of consultants*

With a standard deviation of 3.65 and a mean of 3.25, participants have had varying experiences with the use of consultants, with many citing average satisfaction. Participants were somewhat satisfied with the services of consultants, with 67% concluding that they created or added value and delivered in line with the service level agreement in place, notwithstanding the various limitations and challenges. The following narrates some of the detailed insights provided by those procuring consulting services.

### Making a difficult situation work

Consultants often work under challenging circumstances, trying to salvage a situation that may not be possible to salvage at times. Often, they work in politically influenced environments, with limited records and documentation, ineffective systems of internal control, poor communication, and unsupportive client staff together with late appointments. While this is not always the case, consultants often try to do their best to make consulting assignments work under these circumstances.

Consultants can assist in a way that helps institutions and empowers employees to manage the operational processes going forward, and there is an opportunity for skills to be transferred, even though this is not always realised. The terms of reference need to be clearly indicated and complied with, and the environment needs to be conducive.

### Skills, competence, work experience and a lack of relevant expertise

According to participants, a thorough procurement process (the functionality criteria and interviews) allows for the identification of the right skills and expertise in consultants. At times, consultants accept public sector consulting engagements without fully understanding the scope of work or lacking the technical knowledge to fully execute the task at hand. There is also a concerning culture amongst certain consultants, submitting sub-standard work but continuing to bill institutions without providing work of appropriate quality to clients. Expertise and the ability to deliver (amongst other factors) should be key considerations by consultants when deciding whether or not to accept or continue with a consulting engagement.

When participants were asked if the consultants they used had the required skills and expertise to execute responsibilities, the majority (79%) responded “yes”. According to participants, consultants possess the skills and competencies to complete tasks. There are, however, gaps that are often only identified after appointment since they are not easily identifiable from the information provided during the appointment process. The professional competence and due care of some consultants is also at times questionable as a result of outdated and irrelevant knowledge. This is also applicable in the professional engineering sector, with designs and general services performed by inadequately qualified and experienced staff not meeting expectations, and without adequate review and supervision by professionals.

Experienced chartered accountants and accounting firms are often accepted to be adequately experienced and skilled. Procuring institutions make an effort to specify strict criteria to ensure the quality of service providers, including the requirement for experienced chartered accountants (CAs(SA)) and registered Professional Engineers (PrEng) or Professional Engineering Technologist (PrTechEng) to provide professional support. Qualifications and experience are generally part of the criteria in the specifications when procuring professional services.

Unfortunately, even with all the skills, competence, experience, and expertise considered during the procurement processes, clean administration is still evasive, and negative external audit findings persist. Consultants are not able to turn the situation around. In some instances, teams involved in the projects were identified to lack experience, including team leaders who are not always able to navigate beyond the technical realm of their

profession (lacking competencies such as adaptability, negotiation, emotional intelligence, and relational acumen). Changes in consulting teams during projects also affect the teams' performance. In addition, some consultants misrepresent their project team constituency when bidding for contracts when compared to teams that come to the client to perform work.

### **Appreciation for the complexities of the environment**

Not all consultants have an appreciation for the complexities and challenges of the public sector. Some have a limited understanding of the business and nuances of government, the systems of internal control, processes, regulations, practicalities, and various other specifics of the sector. This leads to consultants providing inadequate service to their clients together with inaccurate estimations of costs and time, poor tender documentation, and generally poor-quality work. Importantly, this also leads to consultants not helping their clients meet desired objectives.

Business acumen requires professionals to be alert to both internal and external factors that affect the organisations they serve. In other words, consultants need to conduct a comprehensive analysis of the government institution (client), including its role in government's value creation, the Sustainable Goals Development (SDGs), the business model and strategy of the particular institution, as well as relevant stakeholders. They should have a broad perspective of the business of government, its significance, and the impact of internal and external factors (e.g. political, social, regulatory, environmental, employee performance, etc.) on the ability to achieve objectives.

However, many consultants fail to demonstrate professional behaviour, which could bring the profession into disrepute. Consultants who are professionals need to make a positive impact and consistently demonstrate their commitment to serve the public interest. At the centre of consulting engagements, professionals need to recognise government's social, cultural, economic, financial, and environmental responsibilities to South Africans and all stakeholders. The ability to solve the complex problems presented by the environment also tends to be elusive to professionals, who tend to be more focused on the technical aspects of their engagements. Consultants need to comprehensively assess the details and problems within the public sector, analyse their options, and design the best and most relevant solutions. Professionals are expected to be able to solve difficult problems with non-obvious solutions by breaking them down into simpler parts and eliminating irrelevant, pre-existing patterns, mindful of best practices, as they create innovative solutions. As the old saying goes, "accountants can save the world", and it begins with solving the complex problems of the South African public sector.

### **Consulting for the right reasons**

Consulting in the public sector may at times be seen as a quick way of making money instead of driving value for the specific client. Some consultants create a culture of dependence at certain institutions for business purposes, resulting in government institutions consistently seeking assistance from a consultant, which is not sustainable. Consultants do not always consider the financial challenges faced by their clients, rather putting their financial interests first. Some consultants overprice their work, which also has a negative financial impact on the client, which is made worse by the poor outcomes on delivery in terms of quality and impact. Some underquote and are then unable to deliver, which also amounts to fruitless exercise and wasteful expenditure for government institutions.

### **Project and contract management**

When the scope and responsibilities are correctly understood, monitored, and communicated timely with constructive feedback to consultants, both parties benefit, the outcome is predictable and value easily realised. Proper specifications and a clear problem statement which the consultant is required to resolve must be drafted. An assessment of internal capacity is critical to identify what role management will play in the review and oversight of the work done by consultants.

Government institutions need to be mindful of possible hidden terms and conditions that may lead to evergreen contracts. One-sided contracts that perpetuate dependency should also not be acceptable. Management does not always support consultants or provide adequate supervision and monitoring. Similarly, those charged with governance do not always provide impactful oversight, and given the challenges faced in the management of such projects and contracts as well as the lack of isolation of responsibilities and lack of impact, there are limited consequences. Standard project and contract management does not yield results – these processes need to be bolstered by first creating an enabling environment at the client, building the necessary capacity, and then introducing strict monitoring with penalty clauses.

## Enabling effective consulting

Creating an environment that enables consultants to perform is critical for the effective use of consultants. Those charged with governance (including political leadership and relevant oversight structures), management, and staff need to work collaboratively to ensure that they play their part as there are no shortcuts in achieving clean administration, let alone through the use of consultants.

Management needs to ensure that staff follow processes and procedures, that the daily disciplines are in place, and that consultants are supported and adequately monitored to ensure they deliver. Where they do not deliver, there should be harsh consequences. Management will be able to extract maximum value from consultants by properly managing engagements and being proactively involved in these assignments, managing expectations as well as performance. Leaders and management should look to capacitate their finance divisions with the right professionals and skills (on a full-time basis) and only make use of consultants for specialised needs that require expertise. The priority should be to build on internal capacity, which will in turn ensure quality of services while not having significant issues and challenges.

## Professional and ethical conduct

Accepting or continuing a consulting engagement even when it is unlikely that the consultant would be able to add value or make a difference could present a self-interest threat to the consultant's compliance with the fundamental principle of integrity and professional behaviour. There is a perception in the market that consultants may not be abiding by their ethical and professional responsibilities as enshrined in their Code of Professional Conduct. These responsibilities specify processes and considerations professionals need to make when deciding to accept or continue engagements, but also guide the professional in the execution of the engagement, clearly stating the responsibility to serve the public interest as foundational to the existence of the profession. The Code also requires professionals to identify and evaluate threats to their compliance with the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. Where these threats are evaluated to be unacceptable, the professional needs to implement appropriate safeguards, which includes escalating the matters or even resigning from the engagement.

## INSIGHTS FROM PUBLIC SECTOR CONSULTANTS

Professionals consulting in the public sector provide important support to government, which will likely continue for the near future. Management consultants in the sector experience several challenges in completing their consulting engagement, including ethical challenges, lack of client support, and the inability to make a difference. A significant reengineering of the consulting landscape is needed in the short to medium term to enable consultants to make an impact.

A significant portion of the participants that responded as consultants (36%) had over 15 years of experience in public sector consulting, while 17% had less than 4 years of experience. The majority of consultants (89%) had been involved in an effective consultation engagement with a public sector client which – according to them – improved public finance management at the institution.

Participants that work as consultants in the sector note that there are limited skills within government to supervise, review and manage consulting engagements, as well as assess deliverables from consultants. Of even more concern, based on the experiences of consultants, is the lack of conducive conditions for impactful consulting engagements. The abilities of consultants to deliver are limited by the information they are provided (supporting documents and explanations) and the timing of their appointment, which affect the quality of their work.

The use of consultants in government should ideally be infrequently, and when used, should come with a clear scope and responsibilities to reduce scope creep and to meet financial and time constraints.

There are several reasons identified for the poor outcomes and quality of work delivered by consultants. These all need to be considered comprehensively when trying to find sustainable solutions. It includes the lack of suitable experience and expertise, challenges presented by the environment most consultants find themselves in, lack of internal staff capabilities, and lack of innovation by consultants, among others. According to participants, their offering and support helps bridge the gaps within institutions but can be hindered by these and other factors, leading to a lack of delivery. Most believe that they resolve material findings that would not have been identified or resolved without their support.

This then begs the question whether the underlying issues within government institutions require the knowledge, skill, and expertise of the current “financial consultants”, or whether the problems require a different kind of



management consultant – one that is not hired to help create a set of financial statements, but rather to support the institutions in reengineering the environment and processes towards being self-sustaining. In this way, the right capacity and capabilities are built rather than merely working to resolve material misstatements annually in order to meet the expectations of the external auditors.

Ideally, government should self-correct and improve its operational environment in order to rebuild public trust, serve society and communities effectively and efficiently, and achieve more sustainable transparency and accountability. This is by no means an easy task, and the myriad of challenges faced by the South African government begins to cast doubt on its ability to do this. There may therefore be a need for external assistance to improve the environment effectively and sustainably. By combining a highly collaborative working model with their insights and expertise, management consultants could help. Government institutions, supported by these consultants focused on the root causes of the shortcomings in the reporting ecosystem, working unambiguously to overhaul the processes rather than to achieve clean audit outcomes may be transformative. These consultants and experts would provide an approach tailored to each government institution's needs based on its unique challenges and dynamics. This should entail an end-to-end solution, from diagnosis to delivery of lasting impact, that goes beyond the annual report.

Many different models can be considered in trying to remedy the situation. Whatever solution is implemented needs to be able to achieve sustainable change that benefits society. A model such as the outsourcing of the finance function, which could be argued as formalising the current trend in most failing consulting engagements, could be explored. This solution may not be sustainable and appropriate for government, although suitable for some situations and institutions for a certain period. But it's not a likely universal solution for government. While it may have some advantages, there are also some disadvantages in implementing such a solution, especially in the public sector. Regardless of the solution followed, it needs to be targeted at the root causes of the issue, and not be superficial or scratching the surface.

### **Key factors for successful public sector consulting projects**

Hiring a management or financial consultant is by no means a “quick fix”. Many factors affect the success of consultants. Foundational to a successful consulting engagement is an environment that enables and allows for the consultant to perform their duties and responsibilities – there are no shortcuts to this, and all stakeholders in the ecosystem need to recognise and appreciate this, including government and political leaders. Without leaders setting the tone at the top, government institutions will continue to struggle to effect lasting changes that make a difference in government processes and the lives of society. These leaders must also then partner with consultants (where appropriate), to be effective in their institutions. Leaders who set the right tone at the top can ensure that the “buy-in” of organisation-wide stakeholders is achieved and counter the entrenched silo approach at many public institutions (where often, clean administration is a problem of the finance division). This should be cascaded to all of the senior managers, the audit committee, and other relevant parties who play important roles in the success of these engagements, thus ensuring that they know and play their roles.

Effective communication between the consultant and the client is critical. But so are effective and functioning client governance structures and sound internal control systems that accompany financial management practices. The commitment of those charged with governance and management must be clear and unambiguous. They must also take full responsibility for the work of the consultant, including the annual report and audit outcomes. The support of management and staff during a consulting engagement is also crucial. Those charged with governance need to take (back) ownership of the process, as the final output ultimately belongs to the Chief Financial Officer and/or appropriate accounting authority, – and not the consultant. This shift (uncertainty) in responsibility and ownership has caused a pain point for many consulting engagements and needs to be clarified transversally within the sector, but also in each consulting engagement letter. Those ultimately responsible need to manage the performance of both staff and the consultant, hold those accountable that need to be, and demonstrate their commitment to successful consulting engagements. The consultant's responsibility should be clarified to provide support and/or expertise in specific areas where required.

Furthermore, management and those charged with governance must be able to implement the recommendations of consultants to enable effective engagements. They should implement the necessary actions as discussed and agreed with consultants, improve record keeping, and capacitate internal staff. Effective change management also becomes key during the process of implementing recommendations. Internal staff, particularly in the finance and related functions need to be mentored, trained, and capacitated by consultants so that they can take over the

tasks performed by consultants over time. Where these members of staff do not have the capacity and foundational knowledge to learn from the engagement, the projects are not effective, and the institution continues to rely on the work of consultants.

Once internal staff is capacitated, management can incorporate this learning and development (on-the-job skills training) as part of the key areas of performance for staff members. This can also be incorporated into the key areas of performance over a set period for internal staff, where consequences can be managed should staff not be able to perform the tasks. Management can also then work to identify where the shortcoming is between the consultant and their member of staff, in terms of the transfer of skills. In this way, skills transfer can occur, while producing accurate, valid, and complete reports, as well as improving outcomes sustainably.

For successful consulting engagements, parties need to plan properly and in time, scope the project properly, clarify the responsibilities of each party, and craft an agreement based on this. Late appointments compromise the quality of work as both parties have limited time to deliver. Parties should then execute and deliver on their responsibilities. An understanding and appreciation of the complexities of the client's systems and compliance requirements is also crucial. Progress meetings as part of the project management process will also help identify issues timeously and devise a plan to remedy these. It is important to point out that participants (consultants) consistently highlighted the commitment of leadership and management, their willingness, cooperation with and support to the consultants as fundamentally critical.

Timely responses and reviews by the client's staff, effective documentation, and record keeping (allowing for easy retrieval), the accessibility of key individuals, stricter systems of systems and controls (where management is not able to override these), following processes (daily), staff motivation, and professional skills – these would all ensure that engagements are managed smoothly. Daily and monthly disciplines such as reports and reconciliations should be performed and reviewed timeously, and not left to the consultant who comes in later in the year. Where data used by the consultant to prepare their reports is unreliable, scope creeps and unreliable outputs are the outcome. This also needs to be proactively managed as it affects budgets for the engagements and the ability of the consultant to produce a quality product.

Evidently, there is no substitute for having an adequately skilled and professionalised finance team within public institutions. A consultant's role should be to enhance the capabilities of the team, investigate, design, and jointly implement the solution with client staff, to ensure solution buy-in and sustainability. Where a professionalised and capable finance team is not in place, the country and the sector will continue to face challenges.

### **Risks and challenges to consultants making a difference in the sector**

Consultants in the public sector face several challenges, including unclear project scopes, the effects of poor leadership (political and administrative), and lack of appropriate skills that lead to overreliance on consultants. Public institutions often have management that is not instilling a culture of building internal capacity, with staff unwilling to learn and do more work themselves. The delayed appointment of consultants, ineffective communication, long decision-making processes, and budget constraints are also some of the issues noted by consultants. The current problems that clients are expecting to be solved would not be covered by the budget allocations being made for engagements, which presents a dilemma for consultants.

Many consulting environments are prone to poor consultant-client relationships which lead to poor outcomes, ineffective advice, inadequate training and skills transfer, and a lack of consequence management where things do not go according to plan. Expert advice is often rushed and not implemented due to poor planning by hiring clients. Consultants are pressured to “make things happen” while there is a lack of support from institution staff. There is a concerning lack of a sound control environment and commitment to skills transfer. Consultants need accurate data and effective systems of internal control to be effective, which is often a challenge. Poor controls and political deployments hinder effective consulting.

One of the biggest challenges faced by consultants in the public sector includes the lack of cooperation from clients and their staff, indicating even more concerning underlying issues with public finance management, reporting and administration within the country. These issues emerge when reliable information or data is requested by both consultants and external auditors and is not available, or there are delays in the provision of these. Some clients also do not show a willingness to improve when corrective actions are suggested, due to reasons such as a lack of appropriate resources. There is also a lack of accountability and consequence management, which are necessary to improve this situation.



Figure 10: Summary of insights from consultants

## CLIENT ACCEPTANCE PROCEDURES AND RELEVANT ETHICAL REQUIREMENTS

When asked if the SAICA Code of Professional Conduct is adequately considered by consultants when deciding whether or not to accept consulting engagements – and in the conduct of their engagements – 97% answered positively. Consultants must observe their ethical responsibilities in the fulfilment of their engagements and must be mindful of the public interest mandate of the profession, which should at all times be protected.



Figure 11: Key considerations in deciding to accept or continue a consulting engagement

There is a concerning possibility that some consultants accept or continue appointments as consultants even when it was unlikely that they would be able to add value to municipalities or the institution. The SAICA Code of Professional Conduct (in line with the International Code of Ethics for Professional Accountants) requires that, before accepting or continuing any engagement, consultants evaluate threats such as questionable financial reporting practices that might influence ethical principles. Consultants need to evaluate their existing and anticipated business relationships with their clients. Consulting firms must assess the integrity and ethical values of the client and its management, as well as the firm's ability to perform the engagement within legal and professional requirements. Consulting firms should also ensure that the firm's financial and operational priorities do not lead to inappropriate judgments when deciding whether to accept or continue with a client engagement. The decision to continue with or accept a new client should focus on the firm's ability to provide a quality engagement.

Consulting firms need to have an appreciation that there are taxpayer funds involved in this process, and remind themselves that the public interest mandate of the profession compels that participation only takes place where a meaningful difference can be made. They should also appreciate the various ethical challenges and dilemmas presented by the environment and ensure that the Code is strictly complied with at all times. Consultants should apply the necessary safeguards where threats identified are evaluated to be unacceptable. Challenges such as poor record-keeping, fraud and corruption, kickbacks, reputation, lack of management integrity, weak systems

of internal controls, management not acknowledging their responsibilities, and a lack of resources, would require safeguards which could include resignation from the engagement.

Not all consultants are members of SAICA. Some may be members of other professional bodies with or without a similar Code of Professional Conduct, with clear fundamental principles and rules for implementing appropriate safeguards. Regardless of affiliation, all consultants must work to ensure that public funds are protected, and that value is delivered. Consulting firms need to be bold and put in place appropriate internal structures that consider all relevant information about prospective clients and not hesitate to decline or resign from engagements. While not in any way solving the problem, and possibly complicating matters even further (for both clients and consultants), given the challenges faced by the public sector, it would not be unreasonable to decline some consulting engagements. Engagements that are accepted or continued should be driven by the firm's ability to have influence and add value. Consultants must ensure at all times that their compliance with the fundamental principles (integrity, objectivity, confidentiality, professional behaviour, professional competence and due care) are not threatened to an unacceptable extent and that where this occurs, safeguards are implemented.

## PROJECT MANAGEMENT

The late appointment of consultants results in insufficient time to complete the work required, with clients and stakeholders at times expecting unreasonable outcomes from consultants. The implications of poor planning and the resulting late appointments, together with the lack of commitment from officials and other factors, cause delays in consulting engagements and affect the quality of work produced. Scope creep and underfunding of the projects (including lowballing) also contribute to the failures of projects, as consultants work (and charge) based on hours and charge rates. Therefore, where more time than initially planned for needs to be spent in completing the work, this has a negative impact on the engagement. The management of consulting engagements is a major issue and requires attention from both sides – the client as well as consultants.

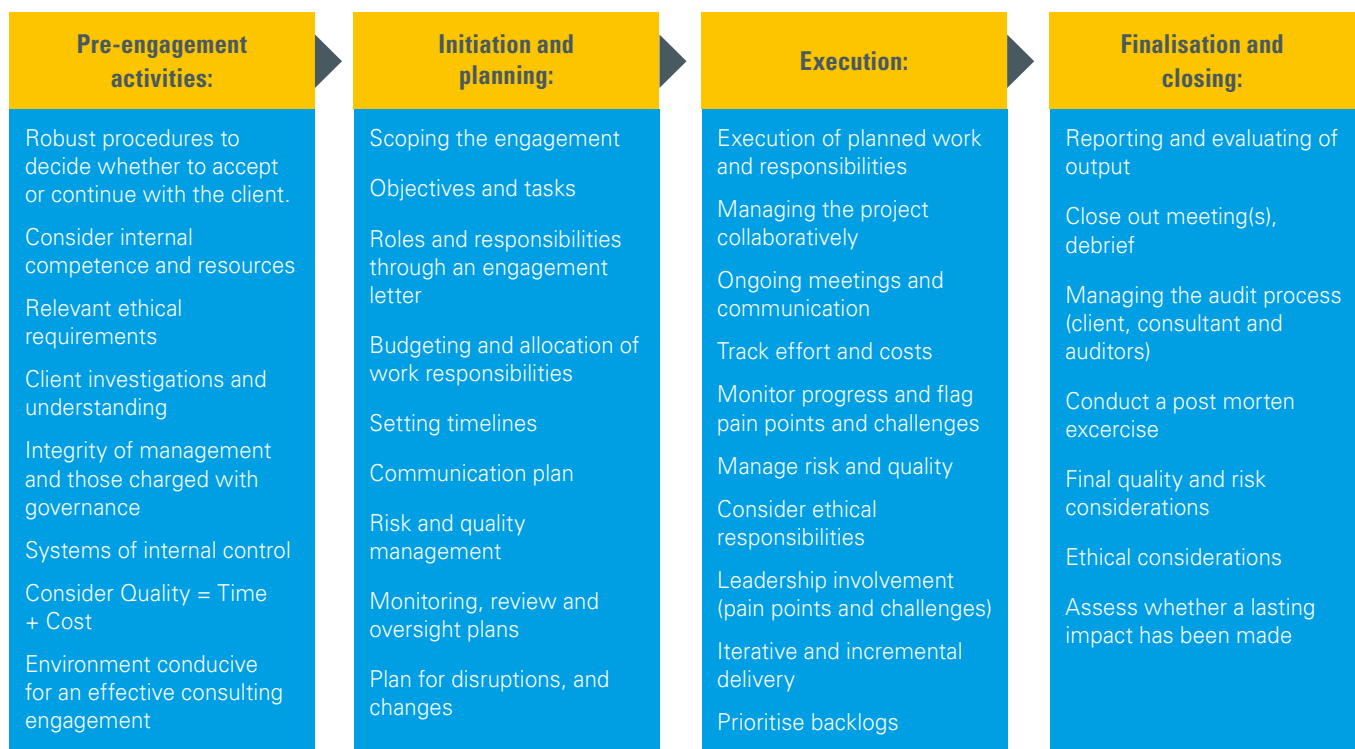
The timely planning, management, and oversight by all relevant internal stakeholders (not limited to the finance division) is imperative in achieving success. This requires the effective management of the project by both the client and the consultant, from start to finish (including the management of pre-engagement activities as well as post-engagement reviews and assessments). Planning starts before the financial year affected commences, and not closer to the end of the financial year relevant to the engagement. The client conducts their assessments, including on the availability of skills internally, ensuring that all internal staff understand their responsibilities (including those of the institution), to ensure that throughout the year, responsibilities are executed and not when consultants are appointed.

The procurement process for consulting services should be improved to include certified qualifications and address technicalities that exclude capable firms. An increasingly challenging area that creates significant tension in the management of consulting projects is the continuously deteriorating relationship with external auditors, which also requires attention. Relationship building is an important aspect of the profession, and all stakeholders need to be intentional about building these relationships to ease tension on projects and create an opportunity for more effective management of projects with clients. These relationships should work towards ensuring positive long-term changes in client processes and controls. This means that the underlying causes of the tension and difficulties need to be resolved.

Project management would involve effectively coordinating and overseeing the various aspects of the project to ensure its successful completion. This includes tasks such as setting clear objectives and timelines, responsibilities, adhering to appointments and meeting schedules, and ensuring effective communication with clients. Consultants should also focus on delivering high-quality work and adding value to clients, rather than solely being revenue driven. It is important for consultants to clearly define their responsibilities and ensure they are transferring skills to staff members within the finance unit. Additionally, consultants should be selected based on their competence and expertise, and a contract should be set up to gradually reduce their workload over time. Overall, project management for consultants requires proper planning, accountability, and collaboration with both clients and internal stakeholders.







**Figure 12:** *Phases in a typical consulting engagement*

In the short to medium term, it should be appreciated that the management of these projects will continue to be dynamic until there could be fundamental shifts in the environment that will enable traditional project management to be more effective. There may be a need to put in place more responsive project management principles that adapt to the dynamics presented by each engagement. Methods such as “agile” may be useful in these engagements. Agile project management is a flexible and iterative approach to managing projects that focuses on collaboration, adaptability, and delivering value to stakeholders. Commonly used in software development, the application of the method has been useful in various industries, and many of these consulting engagements may in one way benefit from the adoption of the agile project management approach.

## MANAGING THE WIDENING EXPECTATION GAP

There is unwarranted dependence on consultants and the expectation gap will continue to widen if stakeholders do not work to manage this. The expectation gap refers to the difference or disconnect between what various stakeholders, government institutions (including staff, management, administrative and political leadership), external auditors, society and regulators and oversight structures (Treasuries, CoGTA, legislators, Parliament, etc.), expect from the profession and consultants in particular, and what can actually be delivered. This gap arises due to the differing perceptions and interpretations of the roles, responsibilities, environment, and practices associated with South African government institutions and the accountancy profession (financial consultants). Expectation gaps are a common occurrence in the accounting and auditing profession due to the nature of the profession’s work. Stakeholders need to work together to find sustainable solutions to the expectation gap.

## RELATIONSHIPS AND THE AUDIT PROCESS

The current challenges experienced in the public sector consulting ecosystem have led to strained relationships between consultants, consulting clients, and the external auditors from the Auditor-General South Africa. Where consultants have been involved in supporting a government entity in the preparation of this information, by extension, the consultants become involved in the audit process. All institutions are out to obtain the best audit outcome possible, and the stakes are high in this regard. Due to the nature of the environment and complexities in these engagements, the process is a breeding ground for collusion and conflict between consultants, the client, and the auditor as various areas of contention arise, are debated on, and need to be resolved.



Differences in the interpretation of financial reporting standards or regulations can lead to disputes, as auditors and consultants may have varying views on how certain transactions should be treated. Relationships and effective communication go a long way in creating a seamless audit process where there are points of contention. The accounting profession places significant emphasis on relationship building, recognising the critical role of trust, communication, and collaboration in the field. Building strong relationships between the involved parties is not only essential for the profession to fulfil its public interest mandate but also to enhance the value created for stakeholders through this process.

The audit process is an annual event that assesses relevant financial and non-financial information of auditees for material misstatements, and compliance with laws and regulations. Public sector entities also treat the audit process as an annual event and focus only on clean outcomes, neglecting the ongoing reporting processes and internal controls. The audit process in turn does not comprehensively assess the effectiveness of the consulting engagement with appropriate context, as external audits are limited to a particular point in time and linked to the audit outcomes, rather than a comprehensive assessment based on the merits of each consulting engagement.

Public sector compilation consulting engagements aimed at supporting the preparation of financial statements, reporting on pre-determined objectives and other sections of the annual report, are complicated. The external audit is also quite complex. It involves everything from the auditor's assessment of risks of material misstatement, responding to the assessed risk and various other audit procedures. It may not always be possible for external auditors to perform sufficient procedures to conduct a thorough assessment of the work of compilation consultants. Management and oversight structures within the government institution, through the support (for example) of the internal audit unit, may be better placed to conduct these evaluations. Stakeholders and external auditors may then place reliance on these. This internal oversight is important and may provide more specific details and insights and ensure that stakeholders have an opportunity to understand the effectiveness of the consulting engagement.

Consulting work in the sector fails due to various reasons. Inexperienced, incapable, or ineffective consultants are not likely to be the primary reason or the root cause of these failures. A specific evaluation may be necessary to obtain more conclusive evidence of the reasons for the failures. These evaluations could provide more insights into the underlying issues with these engagements. It is likely failing due to inadequate client staff, poor internal controls, and processes, insufficient buy-in and support from senior management, and late appointments, amongst many other nuances of the different institutions. The relationships between the auditors, consultants, and clients (auditees) need to be improved, while stakeholders continue to work on improving internal capacity within government institutions.

## CONCLUSION REMARKS

Consultants in the public sector contribute value to their clients. The value created is currently not sustainable and there is an opportunity to improve this and make it meaningful in line with the profession's public interest mandate. There is a need for robust discussions between stakeholders to define a more sustainable approach to consulting in the sector. One model that can be followed is to provide shared services finance (e.g. for lower capacity municipalities) and/or centralise the procurement, management, oversight, and quality assurance through a central structure, such as the National or Provincial Treasury, to ensure appropriate services are rendered by the appropriate people at the right price with the required outcome. The proposed structure may carry additional costs initially but may contribute to ensuring consistency, comparability, and efficiency in the services rendered. It could also help mitigate the hiring of consultants unnecessarily, be it over time, where reasons for requests are not considered to be reasonable. Of course, there may be negative unintended consequences to this approach.

Government needs to build internal capacity and make progress towards the professionalisation of the sector and public finance management specifically. If government hires these professionals on a permanent basis, government has access to these skills which would result in lasting improvements for the sector, improving public finance and reporting. Capable and professionalised internal staff would ensure that consultants are only hired where there are real capacity gaps or to provide specialised assistance or expertise. Capacity constraints need to be resolved sustainably and not superficially through the hiring of consultants. Ownership and responsibility for clean administration and systems of internal controls within government institutions remain that of leaders and management – and the need for consultants will also remain, to augment internal capacity. The abuse of this needs to be prevented, detected, and managed.



SAICA will continue to support members of the profession consulting in the sector and advocate for improvements in the sector. SAICA will also continue to work with government stakeholders and entities to build internal capacity and create sustainable improvements. The roles and responsibilities of government institutions and consultants (service providers) in the process need to be clarified to ensure that each party can deliver. There is an opportunity to educate and create awareness regarding compilation engagements conducted by consultants, the audit process, and the factors that affect the effectiveness of these engagements. This would also assist in managing the expectation gap, as consultants may not be able to guarantee financial statements that are free from material misstatement, particularly without sound internal controls (throughout the institution) and documentation, even where work has been conducted with all due care.

Late appointments affect the timely delivery of good quality outputs by consultants. The management of projects should not be left to the consultants – the client needs to own the project and the output. There needs to be review and oversight of the work of the consultant. There should be more robust evaluations of the effectiveness of consultants, to ensure that the underlying factors are well considered. The relationships need to be mended and worked on, to ensure that the roles and responsibilities of the different parties are fulfilled.

Consultants play an important role in today's complex and dynamic business landscape, including in the business of government. Their expertise, objectivity, and specialised knowledge fill a critical need for organisations (both private and public), seeking to navigate challenges, implement changes, or capitalise on opportunities. Consultants offer a fresh perspective and can provide tailored solutions that align with an organisation's goals and objectives. They bring best practices, industry insights, and the ability to address issues with efficiency and precision. Their external viewpoint, strategic thinking, and problem-solving capabilities not only help organisations solve immediate issues, but can also contribute to long-term growth and sustainability. Consultants are indispensable partners in helping organisations meet objectives. The current landscape requires honest reflection, review, and reform through collaboration by stakeholders. The need for consultants in the public sector is not likely to be completely eroded, but it needs to be managed better.

Some of the most successful global organisations (both private and public) make use of the professional and strategic services of consultants to meet different objectives. Some organisations outsource certain functions for various reasons (from fleet management and human resources management to specific and strategic management advice). The changing landscape has also seen the development of new, disruptive organisations that use unconventional, disruptive business models – such as Uber and Airbnb, that have completely outsourced the ownership of the key assets used to deliver value and revenues. Many organisations continue to outsource financial and non-financial reporting, due to the specialised and complex nature of public sector reporting. The growth of this specialised consulting work presents an opportunity for stakeholders to reflect honestly on the reporting and compliance requirements and expectations for the sector, the readiness of the sector for these, and available capacity to deliver.

The complete or partial outsourcing of the finance function to private accountancy firms, in order for the organisation to focus on its core business (in this case the delivery of services) is not a new phenomenon. Undoubtedly, the outsourcing of these services needs to benefit the procuring organisation and create sustainable value. In the current landscape, the value is not always clearly identifiable. The AGSA continues to report on the inadequate skills and capacity within government, particularly at the local government level, including technical skills in the areas of financial planning and reporting, information technology, infrastructure, and service delivery. The focus should be on rebuilding state capacity and skills. In the short to medium term, however, the need for the use of specialised technical skills will likely remain to meet government objectives. This is why focus should be directed on capacitating the state. There also remains the option for some government institutions to opt to outsource certain functions – including parts or all of their finance – to focus on their core mandate.

Other factors need to be considered by stakeholders and decision makers. It may not be easy for many rural municipalities to recruit and retain suitably qualified professionals (such as chartered accountants). Municipalities with more capacity, metropolitan municipalities and other government departments and entities may be able to recruit these professionals, but at times struggle to retain the skills and grow the numbers sufficiently enough to make a meaningful impact and to fully professionalise the finance division. The struggle to retain these skills is due to challenges within the work environment, including a lack of clear career progression (mobility and pathways) for

professionals, intimidation threats, (perceived) lower remuneration and benefits prospects and lack of buy-in and support from colleagues and stakeholders (including political and senior leadership). Professionals may also find that the environment has competing interests and priorities, which may conflict with their professional responsibilities, causing them to wish to leave the environment. More information is available on this in SAICA's research on the career mobility of professionals in the public sector.

A staggering 219 (85%) municipalities used consultants during 2023-24. More than half of the municipalities (51%) used consultants to fill skills capacity gaps, as the municipality did not possess these internally. This means that there would have been people employed by the municipality in their finance division, who simply do not have the skills required to prepare an adequate set of reporting information. Consultants were then used to bridge these gaps. Municipalities simply need to do better, and hire the right skills, to build internal capacity. On the other hand, 42% of the consultants hired were to fill specific skills and bridging a vacancy gap, while 7% used consultants purely to compensate for vacancies. Municipalities were assessed to generally have adequate staff, with a vacancy rate of only 19% in the finance units. The vacancy rate for chief financial officers (CFO) worsened in 2023-24 with 50 (20%) reported by the AGSA as vacant. It is imperative that municipalities focus on ensuring that the officials appointed have the right skills and that finance vacancies are filled.

The root causes of the challenges confronting the public sector reporting ecosystem need to be attended to urgently. Consultants found to be flouting their ethical and professional responsibilities, accepting engagements they should otherwise not, not meeting engagement quality management expectations, not completing engagements with professional competence and due care, need to be held accountable. The relevant professional bodies, consulting clients, relevant government departments and oversight bodies, and any other relevant authorities, together with the AGSA, need to ensure that these consultants are held accountable. Where appropriate, professionals or firms need to be disciplined, fined, blacklisted, or other appropriate action taken. This will only be effective or sustainable where the consulting environment is conducive to the performance of a quality engagement.

## THE NEED FOR SUSTAINABLE REFORMS (RECOMMENDATIONS)

Sustainable reform in public finance management and reporting is crucial for transparency, efficiency, and accountability in government operations. The success of any reform(s) would still be dependent on several foundational pillars and changes being put in place, particularly in the control environment, which provides a foundation for other internal control components and the achievement of objectives. These would specifically include:



**Figure 13:** Foundational control environments required for public finance management reforms.

There are various models and approaches that can be considered for such reforms, and they include the following:



**Figure 14:** Possible reforms and models for improving the public sector consulting ecosystem

- **Building internal capacity and professionalisation:** Strengthening government's internal skills and expertise that involves investing in the professional development of in-house financial staff by providing training, certifications, and ongoing education. The hiring of professionals affiliated with reputable professional bodies (such as SAICA) is also important (these are the skills currently outsourced to consultants). This would also involve engagements with professional bodies to recognise existing finance officials in an effort to professionalise them and the division. Establishing a centre of public finance excellence, a centralised body led by professional bodies in partnership with government that serves as a hub for professional accountancy expertise, providing training, guidance, certification, and support to various officials, professionals, departments, municipalities, and entities.
- **Outsourcing financial services:** Institutions collaborate with private sector firms to outsource specific (partial or extensive) financial functions based on specific gaps and needs. This could leverage external consultant expertise and resources while maintaining oversight, ensuring the institution focuses on its core mandate of delivering services to citizens. This could also follow the "shared services" approach, where certain aspects of the financial function are consolidated and managed centrally. These shared services could provide shared service centres (in a similar model to that of large and international companies), providing specialised financial and related services, in a better-managed, controlled, and cost-effective manner. It could also enable better transparency, oversight, and accountability.
- **Technology driven reforms:** Government could explore more technology driven changes and implement robust integrated financial management systems that automate and streamline financial processes, enabling real-time reporting, data analytics, and better financial controls. Such reforms could see a shift in the current needs and reporting shortcomings and create new jobs and opportunities that are more future-focused. It could also see government develop open data platforms that provide the public with access to government financial and non-financial data, enhancing transparency and allowing citizens and stakeholders to scrutinise public finance records.





- **Enhanced management consulting:** By embracing a more holistic consulting model, public sector organisations can enhance their financial management, operational effectiveness, and ultimately, their service delivery to the community. Focus could shift towards reengineering processes, change management, sustainability, and impact. This would include a focus on strategy, service delivery, process optimisation and systems of internal control. This model would advocate for the development and refinement of strategic plans and implementation. It further emphasises the establishment of robust internal control systems to ensure transparency, accountability, and regulatory compliance (rather than the mere preparation of annual reports – as is currently the case). Process optimization would be central, reengineering business processes to ensure operational efficiency, focusing on underlying supporting documentation, eliminating bottlenecks, and implementing digital tools for streamlined workflows. Lastly, service delivery excellence and customer service would need to be prioritized, aiming to meet or exceed citizen expectations. One year may not be sufficient for the successful execution of such consulting projects.
- **Progressive consulting engagements:** In this model, there would be a more strategic approach to building government's financial management capacity over several years. In the initial year, consultants play a hands-on role, offering detailed work and on-the-job training. By the second year, the focus shifts toward continuous review and training, reducing dependence on consultants for routine tasks. In the third year, the government gains the capability to independently manage daily and monthly processes as well as Financial Statements Close Process (FSCP), which would include compilation and presentation. The support of consultants would at this time be reserved for complex government reporting and technical accounting areas, enhancing assurance and assistance with the audit process. In subsequent years, consultants transition from direct involvement in Annual Financial Statements (AFS) or Annual Report (AR) preparation to a concentration on sustainable technical capacity building, specialised and expert support. It's essential to note that the model's success may be limited if long-term appointments are not prioritised, hindering consultants' ability to address issues comprehensively and creating lasting positive impact on government financial management.

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