An Examination of the Factors Contributing to High Financial Management Consultancy Fees: A Case Study of Three Local Municipalities in South Africa.

Dissertation submitted in fulfillment of the requirements for the degree **MASTER OF BUSINESS ADMINISTRATION** at The Independent Institute of Education, IIE MSA**.**

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ABSTRACT

This study examines the factors of high financial management consulting fees in three local governments in South Africa: Chief Albert Luthuli in the province of Mpumalanga, Greater Letaba and Lephalale in the province of Limpopo. Local government's increasing reliance on external consultants has sparked concerns about increasing costs, a lack of skill transfer, and ongoing financial mismanagement. The study, which is informed by agency theory, participatory budgetary theory, and new public management theory, investigates how poor governance, a lack of internal resources, and faulty procurement procedures influence municipal financial sustainability and service delivery while driving consultancy expenditure.

A multiple-case study design was employed in a qualitative research approach underpinned by an interpretivist philosophy. Data was collected through document analysis and semi-structured interviews with municipal officials. The findings revealed that inadequate oversight procedures, political interference, inconsistent procurement procedures, and a lack of internal financial expertise are the primary contributors of excessive consulting costs. Furthermore, a lack of accountability and efficient performance monitoring increases reliance on consultants, compromising sound financial management and governance.

The study concludes that although external consultants can offer specialised expertise, relying too much on them without institutional capacity building or skills transfer systems is problematic. To improve financial sustainability, it recommends implementing capacity-building initiatives, structured performance monitoring, and the implementation of transparent competitive procurement practices. The study contributes to a larger conversation on public financial management by offering practical strategies for enhancing internal financial governance in local government and optimising the use of consultants.

Keywords: *Agency Theory Consultancy fees, Financial management, Governance, Local Government, New Public Management, Participatory Budgeting, South Africa.*

DEDICATION

This dissertation is dedicated to my family, who have been my greatest source of support and inspiration throughout this academic journey with their consistent love, support, and faith.

I am thankful to my parents for their sacrifices, wisdom, and constant trust in my abilities. Your prayers and encouragement have been the cornerstones of all my accomplishments. To my son and siblings, I express my gratitude for your consistent support and understanding over the many hours spent writing and conducting research.

Finally, I dedicate this work to all municipal officials and policymakers who are dedicated to enhancing South Africa's financial governance and delivery of services. May this study help to strengthen our local government processes and to promote accountability, transparency, and good governance in some way.

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LIST OF ABBREVIATIONS

AGSA – Auditor General South Africa

BTO – Budget and Treasury Office

CFO – Chief Financial Officer

CIGFARO – Chartered Institute of of Government Finance, Audit and Risk Officer

CoGTA – Department of Cooperative Governance and Traditional Affairs

IDP – Integrated Development Plan KPA – Key Performance Area

KPI – Key Performance Indicator

LG – Local Government

MTEF – Medium-Term Expenditure Framework

MFMA – Municipal Finance Management Act (No 56 of 2003)

MM – Municipal Manager

MSA - Municipal Systems Act (No. 32 of 2000)

NT – National Treasury

NPM – New Public Management

PBT – Participatory Budgeting Theory

PFMA – Public Finance Management Act (No. 1 of 1999)

SALGA – South African Local Government Association

SDBIP – Service Delivery and Budget Implementation Plan

SEFA – Small Enterprise Finance Agency

SMME – Small, Medium and Micro Enterprise

SCM – Supply Chain Management

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CHAPTER ONE: INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 INTRODUCTION

Financial consultancy services, particularly within the public sector, have become a critical organisational function due to the increasing complexity of financial challenges that require specialised expertise and the engagement of external professionals (Kenetey & Popesko, 2022). In South Africa, municipalities have shown a growing dependence on consultants, with approximately 91% utilising financial management consulting services to enhance service delivery to citizens (South African Government Annual Report, 2021). However, despite this extensive reliance on external consultants, municipalities in the Limpopo and Mpumalanga provinces have demonstrated minimal improvement in service delivery outcomes. Of particular concern is that, during the 2018/19 financial year, none of the municipalities in these two provinces obtained a financially unqualified audit opinion, and service delivery performance remained stagnant (Auditor General, 2019). In response to these challenges, the Provincial Treasury convened a webinar with key local government stakeholders to evaluate the impact of consultancy services on service delivery improvement within the provinces (South African Government Annual Report, 2021). During the session, the Executive Council Member for Finance, Motlalepula Rosho, expressed concern about municipalities' continued reliance on consultants, particularly given the lack of notable progress in enhancing service delivery (South African Government Annual Report, 2021).

According to McKenzie (2023), financial consultancy services have also become a significant expense for local governments, with some municipalities reporting that expenditure on consultants now exceeds personnel costs within their budgets and Treasury Offices (BTOs). Furthermore, the limited transfer of financial skills to municipal employees during consultancy engagements remains a serious concern. Rosho (2021) further emphasised that the lack of involvement of municipal officials in structured financial training and development contributes to the continued dependence on external consultants. This persistent lack of capacity building within municipalities perpetuates the cycle of reliance on consultancy services rather than fostering internal financial management competence.

Although the demand for financial consultancy services was increasing in the three municipalities, significant differences in the fees charged by external consultants remained a problem, particularly the high fees charged by some firms. This raised important questions about the factors that contributed to the high consultancy costs and the value of the services provided to the municipalities. This study examined the factors that led to the rise in financial consultancy fees in the three municipalities one in Mpumalanga and two in Limpopo Province. It also investigated the relationship between the use of financial consultancy services, municipal budget practices, audit outcomes, and the transfer of skills to municipal staff. The study aimed to provide a comprehensive understanding of the benefits and challenges associated with consultancy services in local government. Finally, it sought to identify ways in which municipalities could improve the effectiveness of financial consultancy partnerships to strengthen financial management and governance

1.2. RESEARCH CONTEXT: BACKGROUND

Municipalities also called local government are at the heart of service delivery. They play a very important role in delivering essential services as such electricity, upgrading of roads infrastructures and providing clean water and sanitation to citizens. Municipalities act as the bridge among the state and people. They ensure that they address the concerns and the needs of the people with the aim of providing quality life to citizens (Bazaanah & Mothapo, 2024). Even though the municipalities are tasked with this huge role of attending to the needs and the concerns of South African citizens, they are often faced with various difficulties which prevent them from providing good service delivery. This obstacle includes limited resources, financial constrains which happens because of financial mismanagement, infrastructure deficiencies which delay their capacity to achieve the delivery of good service effectively. This problem is mostly critical in marginalised societies where the call for effective service delivery is most crucial.

To address these ongoing challenges, municipalities had opted to appoint consultants to assist with financial mismanagement. Though the financial consultants were meant to bring different change within the local municipalities, yet there is growing concern about the cost of consultancy services fees and its effect on service delivery. Despite the high costs, the consultants have not efficiently improved the performance of the municipalities. Municipalities are still struggling to deliver services and protests are rising and public trust in local government is declining (Auditor-General, 2023). Some of the protests have led to the distraction of properties, some have also claimed the lives of people. Notwithstanding the existence of many laws that are meant to improve local governance and financial management, local government is still unstable, characterised by financial obstacles and poor governance results.

The study investigated factors that influence consultancy pricing in municipalities, with the aim of examining how it affects service delivery results in South Africa Municipalities. The study further examined the role of consultants in municipal financial Management in improving long-term governance practices. The study was carried out in three municipalities, namely Greater Letaba municipality based within the Mopani District Municipality, in the Limpopo province of South Africa, Lephalale Municipality which is also based in the Limpopo province within the Waterberg district, and Chief Albert Luthuli local municipality which located in the Gert Sibande District in Mpumalanga Province. The municipal comparison assisted the researcher to provide in-depth understanding of the relationship between local municipalities performance in South Africa and consultancy services.

1.3 THE RESEARCH PROBLEM

This research investigates the increase of consultancy fees in local municipalities in South Africa. This increase in consultancy spending has resulted in ongoing budget overruns and irregularities in financial reporting in two municipalities in Limpopo and one in Mpumalanga (Ratings Afrika, 2024). Key challenges are high consultancy fees, poor performance by consulting firms, no proper monitoring and evaluation of consultancy contracts and contracts being awarded to service providers who do not deliver value (CIGFARO, 2023). These challenges are further exacerbated by flawed procurement processes resulting in mismanagement of public funds and compromise of financial accountability in local government (Auditor-General, 2023).

Despite these challenges there is limited understanding of the underlying factors that drive the increase in consultancy fees in local municipalities. The lack of understanding hinders the development of effective budget management and consultancy service optimisation strategies. Municipalities cannot fully utilise consultancy services to improve service delivery and governance outcomes. Therefore, the purpose of this research is to explore and investigate the factors that contribute to the increase in consultancy fees in local municipalities.

1.4 AIM OF THE STUDY

The aim of the study is to examine the factors that contribute to the high financial consultancy fees in the three local municipalities in South Africa. The three local municipality include Letaba Municipality, Chief Albert Luthuli municipality and Lephalale municipality. This was achieved by adopting qualitative research approach which allowed the researcher to interact with participants to understand their real lived experiences and gain in-depth information about the factors contributing to the high consultancy fees in the three local municipalities. The depth and rich data were achieved by using semi-structured opened interviews where participants will have freedom to answer the questions in-depth.

1.5 RESEARCH OBJECTIVES

To achieve this goal the research focused on the following objectives: These objectives will be structured as follows; 1 primary objective and 4 secondary objectives.

Primary objective:

- Identify key factors driving high consultancy fees in the three local municipalities in Limpopo and Mpumalanga.

Secondary objectives:

- To assess the impact of internal municipal financial management capacity on the reliance on consultants
- To analyse how procurement policies and contracting processes influence consultancy fees.
- To compare consultancy fees across the three municipalities of different sizes and economic conditions
- To explore the relationship between municipal financial health, budget constraints and consultancy spending
- To propose alternative strategies for municipalities to optimise financial management while reducing excessive consultancy fees.

1.6 RESEARCH QUESTIONS

The research questions will follow a similar structure as the research objectives. The questions will be structured as follows; 1 primary question and 4 secondary questions.

Primary question:

- What are the key factors driving high financial management consultancy fees in three local municipalities in Limpopo and Mpumalanga?

Secondary questions:

- To what extent do internal municipal capacity influence the reliance on financial management consultants?
- How do procurement policies and contracting processes impact consultancy costs in local municipalities?
- How do consultancy fees compare across the three municipalities of different sizes and economic statuses?
- How do municipal financial health and budget constraints affect consultancy spending?
- What strategies can municipalities adopt to reduce dependency on costly financial consultants?

1.7 THE FOCUS OF THE STUDY

This study aimed to thoroughly investigate the factors that affected consultancy pricing in local municipalities of South Africa, with a particular focus on the implications for financial management, service delivery, and governance outcomes. It analysed how municipalities engaged external consultancy services to address issues related to financial mismanagement, infrastructure development, and service delivery, considering diverse socio-economic conditions and governance frameworks.

The municipalities selected for this study were Chief Albert Luthuli Municipality in Mpumalanga, and Lephalale and Greater Letaba Local Municipalities in Limpopo. These municipalities were chosen based on their geographic characteristics, economic activities, and audit outcomes, which provided a comparative framework for assessing the efficiency and effectiveness of consultancy partnerships.

Lephalale Local Municipality, located in the Waterberg District of Limpopo Province, was one of the fastest-growing municipalities in the country and had the potential to become a future hub of power generation (Lephalale Municipality Annual Report 2023-24, 2024). The municipality worked with various stakeholders to build a vibrant city positioned at the heart of the Waterberg coalfield (Lephalale Municipality Annual Report 2023-24, 2024).

Chief Albert Luthuli Local Municipality, situated in Mpumalanga under the Gert Sibande District, had economic activities that included tourism, agriculture, and mining. The third municipality, Greater Letaba Local Municipality, was in the Mopani District under Modjadjiskloof and relied heavily on forestry and manufacturing.

Over the past four years, these municipalities had consistently received audit findings highlighting poor customer service and underperformance (South African Government Annual Report, 2021). Therefore, the researcher undertook this study to understand examine the factors that contribute to the high financial consultancy fees and analyse how internal controls such as procurement policies, financial management impact on the reliance of consultancy services. The study also sought to determine the relationship between municipal financial health, budget constraints and consultancy spending while proposing alternative strategies for municipalities to optimise financial management while reducing excessive consultancy fees. By examining the relationship between consultancy services, municipal governance, and service delivery in these three municipalities, the research aimed to provide insights into the influence and consequences of external consultancy in local government management.

1.8 SIGNIFICANCE OF STUDY

- The purpose of the study is to identify the factors contributing to high financial management consultancy fees. The findings from this study will offer valuable understandings into how municipalities can become more cost-effective when hiring consultants.
- From an academic perspective, the study will fill a gap in the literature review on the economic and managerial aspects of financial management consultancy services in local government sittings. It will provide a nuanced understating of the factors influencing financial management consultancy fees, especially in the context of South African municipalities. This research will be valuable to future scholars who seek to investigate the broader implication of financial management consultancy services in public administration.
- The study will contribute to the broader goal of achieving sustainable local governance. The effective management of public finances, including consultancy fees, is crucial for ensuring that municipalities continue to deliver services efficiently and effectively without overburdening taxpayers or compromising service quality.

- By looking at how consultancy services influence financial sustainability, the findings of the study will aid municipalities in ensuring they get the best value for their consultancy spending.
- Lastly, the findings of the study will guide municipal managers and policymakers on how skill transfer and effective policies consultancy fees could lead to more improvement financial management and governance in municipalities.

1.9 LITERATURE REVIEW

A literature review in research serves as a thorough exploration of the existing academic work related to a specific topic, providing a cohesive overview of the current knowledge in that field. It highlights key theories, methodologies, and significant findings (Paré & Kitsiou, 2017). This review identifies gaps in the existing knowledge, which can help shape the research question or conceptual framework for the study. By drawing on insights from previous research, the literature review places the current study within the broader academic dialogue. This literature review is organised into six clear sections. The first section introduces the study. The second section lays out the theoretical framework that underpins the research. The third section investigates the factors influencing consultancy fees. The fourth section discusses the impact of high consultancy fees on the financial health of local municipalities. The fifth section offers suggestions for municipalities to improve the optimisation and management of external consultancy services. Finally, the last section wraps up the study.

1.9.1 INTRODUCTION

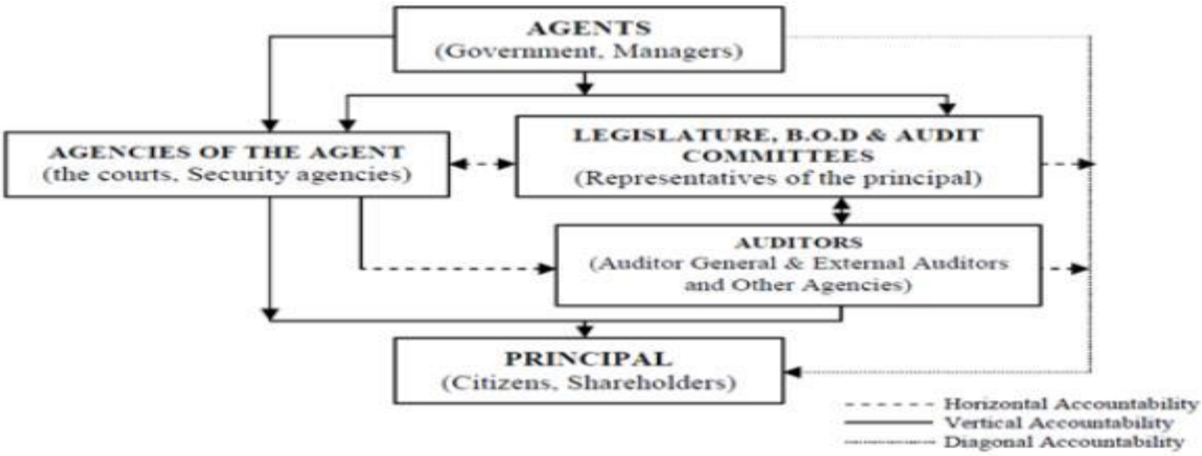
Since 2019, the Auditor General has been sounding the alarm about the urgent need for accounting officers to step up their game in terms of internal controls (CIGFARO, 2024). They've highlighted persistent issues like the failure to submit financial statements, neglecting infrastructure, project failures, and poor management of resources, procurement, payments, and revenue (Auditor-General, 2021). There's been a heavy reliance on consultants, often with little effectiveness, raising concerns about how well assets are being protected. Yet, despite these critical findings, most research tends to focus on corruption and mismanagement in municipal finances, spending patterns, and audit outcomes. What's missing is a thorough analysis of how weak governance, lack of oversight, and inefficiencies in financial management are driving up consultancy costs (Ncgobo & Malefane, 2017). The current focus on spending trends doesn't really dig into whether the fees for consultants match the services they provide or how these fees impact the financial health and service delivery of municipalities. Most literature on consultancy fees in financial management looks at national or provincial levels, leaving local government contexts largely unexplored (Parliamentary Monitoring Group, 2020). While some studies do touch on the overall cost drivers in public sector consulting, there's a noticeable lack of empirical research that dives into the specific reasons behind high consulting fees in local municipalities, such as procurement rules, financial management skills, and political factors (Makunga, 2023). Additionally, there are few studies that compare different regions or municipalities to see how local economic conditions and market dynamics affect consultancy fees in financial management (Makunga, 2023). The impact of local regulatory and compliance requirements on consultancy fees remains inadequately documented, particularly in the realm of financial management consultancy.

This research study aims to shed light on the factors that drive high consultancy fees in financial management, specifically focusing on three local municipalities: Greater Letaba, Lephalale, and Chief Albert Luthuli. By honing in on these areas, we can uncover localised insights that have often been overlooked in broader national and provincial studies. A comparative analysis of these three municipalities will reveal how local economic conditions and market dynamics uniquely affect consultancy fees. This approach seeks to fill a gap in the existing literature, which lacks such comparative studies. By addressing these issues, this proposed research will significantly enhance our understanding of financial management consulting fees and provide valuable guidance for policymakers, municipal officials, and consultants in the field.

1.9.2 THEORETICAL FRAMEWORK

The pillar of this research is rooted in agency theory, new public management theory, and participative budget theory. Mahaney and Lederer (2011) define an agency as someone tasked with managing resources for a principal, who can be an individual or a group. In this scenario, the principal is the business or estate owners that the agents oversee (Akpanuko & Asogwa). Here, the public acts as the principal, while the local municipality serves as the agent in our exploration of the agent-principal relationship. To improve the quality of life for South Africans, the municipality acting as the agent responsible for effective financial management needs to cultivate a culture of performance, accountability, transparency, and institutional integrity (Auditor-General, South Africa, 2023). When municipalities underperform in financial and infrastructure management, it negatively impacts the government's goals to enhance living standards for South Africans. Essential services and infrastructure, such as water, sanitation, waste management, energy, housing, and transportation, suffer from this inefficiency, even when budgetary resources are available. The presence of contaminated water supplies and overflowing landfills has caused significant harm and worsened living conditions (Auditor-General, South Africa, 2023). A lot of research has been conducted to identify the reasons behind the failure to comply with municipal financial management policies and to propose possible solutions. The principal-agent theory has played a crucial role in these studies, offering empirical analysis, clarification, and theoretical insights to help unravel the complexities surrounding the breach of municipal regulations (Khaile & Davids, 2021).

Figure 1.1 Agency Theory



Source: Adopted from (Akpanuko & Asogwa, 2013)

The study adopted the agency theory to examine the connection between local municipalities (the principals) and the external consultancy firms (the agents) which are currently being hired to provide financial management expertise to local municipalities. Agent theory believes that conflict of interest can rise among agents and principals due to different goal, different level of risk tolerance and information gaps (Jensen & Meckling, 1976). In this study, municipalities rely on external consultancy to manage their finances with the aim of improving service delivery. Yet, problems such as high consultancy fees, poor municipal performance and accountability have surfaced since because external consultant have placed their own interest ahead of those of the municipalities. Applying the agency theory assisted the researcher to examine how incentives, monitoring systems and governance structures warrants that external consultants' actions are aligned with the goal of the municipalities, specifically concerning managing consultancy costs and delivering value. Furthermore, this analysis assisted the researcher to identify the factors that contribute to the high fees on external consultancy services and provide recommendations for municipalities to optimise financial management while reducing excessive consultancy fees.

The budget theory assesses how municipalities allocate funds for consultancy services, seeing their financial limitations and anticipated benefits. This theory highlights the need for resource efficiency to maximise public value and ensure long-term financial health (Wildavsky, 1986). The focussed on at how municipalities use consultants and investigate the decision-making processes that has led to increasing consultancy costs. The adoption of budget theory assisted the researcher to provide municipalities with better budget practices that municipalities can adopt and manage consultancy fees efficiently. This approach ensures that limited financial resources are well used for the good cause which help to improve service delivery in Limpopo and Mpumalanga. This theoretical framework lays the groundwork for understanding the financial dynamics within local municipalities and offers strategies to boost their financial sustainability.

1.9.3 FACTORS INFLUENCING HIGH CONSULTANCY FEES

The factors that contribute to the high level of consultancy rate within the local government, those factors include the following:

1.9.3.1 Insufficient Skills and Capacity

Inadequate skills and a lack of human resources are key factors that impact how well local governments perform (Moji, Nhede, & Masiya, 2022). Abdulai, Salakpi & Nassè, 2021) point out that when there aren't enough qualified people, it can lead to mismanagement and errors. This often happens because some officials are placed in significant positions without meeting all the necessary qualifications or having the right expertise to carry out their duties effectively. Research shows that while women in local government usually have basic skills, many councillors are chosen mainly for their community involvement rather than their professional qualifications (SALGA, 2021). The training these officials receive is often informal, with structured training typically happening only after they've taken office (CIGFARO, 2024). Van Helden, Grönlund, Mussari, and Ruggiero (2012) highlight that public sector managers often rely on consultants due to a lack of training, expertise, and experience.

This reliance partly stems from the fact that transferring skills requires proper documentation. To tackle these challenges, the National Treasury issued a circular in 2016 that stressed the importance of cost control and required municipalities to hire consultants only after performing a gap analysis to confirm that the necessary skills or resources were unavailable (National Treasury, 2016). The circular also emphasised the need for municipalities to closely monitor contracts and focus on skill transfer. According to the Auditor-General (2021), municipal managers and chief financial officers are responsible for ensuring the effective use of financial reporting consultants. However, many municipalities have struggled with basic financial and performance management due to a shortage of professional expertise in areas like finance, information technology, and infrastructure management. As a result, while municipalities have tried to address skill shortages by bringing in consultants, they often haven't achieved the expected benefits.

1.9.3.2 High Vacancy Rate

Vacancy rates, which highlight the number of unfilled positions, along with turnover rates, have created significant hurdles for various municipalities across South Africa (Mofolo, 2015). As pointed out by Kgobe and Selepe (2024), high vacancy rates can lead to heavier workloads, which in turn can sap motivation and contribute to employee burnout. Those who are in appointed roles often find themselves having to pick up the slack, resulting in overwhelming workloads and fatigue. Their research showed that the time it takes to fill these positions has been extended, and that better management of vacancies is crucial for improving the operational efficiency of municipalities and establishing effective performance management systems. According to the Auditor-General of South Africa (2023), Chief Financial Officers typically stay in their positions for an average of 45 months, while the finance departments of municipalities face an average vacancy rate of 20%. Additionally, consultants have become a common presence in the financial reporting processes of municipalities, rather than local municipalities turning to district municipalities for extra support. In South Africa, the reliance on consultants' cost R1.26 billion in the 2020-21 fiscal year, and during the previous administration from 2021 to 2023, the expenses related to consultants doubled (Auditor General, 2022).

1.9.3.3 Governance Failures

There's a clear link between corruption, poor governance, and the failure to deliver essential services (CIGFARO, 2023). When corruption takes hold, it siphons off resources, which weakens both governance and service delivery, ultimately reducing the effectiveness of these crucial functions. In South Africa, a robust set of laws, regulations, policies, procedures, and systems has been put in place to foster efficient and effective governance, all aimed at providing top-notch services. The King IV report describes corporate governance as the process of ethical and effective leadership by the Council, with a focus on achieving outcomes like an ethical culture, strong performance, effective control, and legitimacy (Institute of Directors South Africa, 2024). It's the duty of municipal managers and senior management to ensure that municipal funds are used for the benefit of all residents. They also need to cultivate an ethical atmosphere for municipal officials, enforce accountability, and ensure there are consequences for any misconduct. Internal audit units and audit committees play a crucial role in offering an impartial assessment of how well municipal controls and processes are working (Auditor General, 2022). Sadly, many municipalities fall short by not conducting thorough needs assessments before bringing in consultants, lacking adequate financial controls to keep an eye on consultancy spending, and showing insufficient oversight, which often leads to budget overruns.

1.9.3.4 Poor Financial Management and Reporting

The generation of operating surpluses and the maintenance of positive working capital (liquidity or cash) are critical components that enhance a municipality's financial sustainability. Nevertheless, a significant number of South African municipalities continue to face deficits, primarily due to severe financial mismanagement and inadequate governance (Ratings Afrika, 2024). In 2022, the total operating deficit for the 112 municipalities included in the index decreased by R33 billion, bringing it down to R27 billion; however, the overall situation remains alarming (Citizen: Business, 2024) According to the National Treasury, 112 municipalities, representing 44%, are operating with unfunded budgets, indicating that their revenue forecasts are inflated and that actual revenue collection is insufficient. Consequently, these municipalities struggle to meet their financial obligations, as their expenditures exceed their income (Auditor General, 2022). It is the responsibility of municipal managers to provide reliable and accurate financial reports all year long and excellent year-end financial statements that stakeholders can rely on. In addition to internal audit teams, audit committees, consultants, and coordinating bodies, they also receive support from finance units headed by chief financial officers. However, as noted by Nzama, Moloi, & Marx (2023), many municipalities engage expensive consultants to enhance their financial management practices. Despite spending millions on financial accounting consultants to aid in the preparation of their financial statements, these municipalities often receive qualified audit opinions, with some facing challenges regarding the quality of the audit reports submitted to the AGSA. The Auditor General (2022) reported that in the 2021-22 fiscal year, municipalities allocated R1.61 billion for financial reporting consulting services, marking a 5% increase from R1.36 billion in 2020-21.

The most common services provided by consultants were asset management (34%), tax services (29%), and financial statement preparation or review (26%). For instance, the Moqhaka Municipality employs 83 financial officials, but for the 2019–2020 fiscal year, additional consultants were employed at a cost of R26 805 660.27. These consultation fees amounted to R132 654 136, or 5% of the municipalities' overall spending (Auditor General, 2020).

1.9.3.5 Lack of Consequence Management

There are some serious legislative and administrative violations happening at both the political and administrative levels, yet the follow-through on consequence management is pretty much non-existent. This ongoing lack of accountability and repercussions is a key reason why 60% of municipalities are facing disappointing audit results. To recover the losses caused by these authorities and to deter others from breaking the law, committing fraud, wasting resources, and shirking their duties, municipalities really need to put effective consequence management in place for infractions and failures to perform (Auditor-General, South Africa, 2023). With tight budget constraints, municipalities should make the most of hiring consultants to help with financial management and reporting. The Auditor-General of South Africa (AGSA) has flagged 41 cases of material irregularities linked to financial losses due to poor resource use, resulting in little to no benefits from the money spent. Still, there's a glaring lack of accountability and consequence management for the officials responsible for these irregularities and wasteful spending. According to the Auditor-General (2023), an audit of 46 municipalities found that seven (15%) failed to report complaints over R100,000 to the South African Police Service as required, and 13 (28%) didn't even investigate the claims. The most common issue was municipalities not looking into unauthorised, irregular, and wasteful spending, showing that not enough action is being taken to recover, write off, approve, or condone these expenditures as the law demands.

1.9.3.6 Improper Supply Chain Management Processes

Managing contracts with suppliers is crucial before any payments are made. This ensures that the work is completed on time, stays within budget, and meets quality standards. These aspects, along with key financial management principles, are outlined in the Municipal Finance Management Act, which holds municipal managers accountable for implementing the necessary processes and controls (Auditor-General, 2021). A significant factor contributing to irregular expenses has been the failure to comply with supply chain management laws. The AGSA 2020-2021 report highlighted that several projects fell short of meeting these requirements. Issues like poor contract management, unfair procurement practices, and inadequate payment processes have been ongoing. In some instances, payments were made for work that wasn't finished, while in others, the payments exceeded the market value of the infrastructure assets. According to the Supply Chain Practice Note Number SCM 3 of 2003, competitive bidding procedures should be used to select consultants whenever possible. All bids and agreements should be governed by the National Treasury's General Conditions of Contract (GCC). Consultants should only be brought on board when the accounting officer or authority cannot reasonably hire or train staff within the given timeframe, and when the necessary resources or skills for a project, assignment, or research are unavailable.

1.9 THE IMPACT OF HIGH CONSULTANCY FEES ON THE FINANCIAL SUSTAINABILITY OF LOCAL MUNICIPALITIES

Consultancy and professional fees are a specific line item in the Medium-Term Expenditure Framework (MTEF) budget for municipalities. When budgets are tight and funding is scarce, high consultancy fees can eat away at a large chunk of the budget. This squeeze on resources for essential public services can lead to funds being misallocated and budgets becoming unbalanced. As a result, many municipalities find themselves facing budget deficits or overspending, often turning to loans or seeking financial help from national or provincial governments (Laing, 2021). The Auditor-General of South Africa (AGSA) reports have pointed out issues with financial management, including irregular and wasteful spending. The reports emphasise that most of the municipalities spend more money on consultancy services, yet they do not provide positive results as anticipated, instead it contributes to more financial mismanagement which has led to poor service delivers and negative audit outcomes (Auditor-General, 2023).

1.11 GAPS IN THE LITERATURE REVIEW.

Various scholars conducted studies to look at the local government financial performance. Glasser and Wright, (2020) conducted the study to look at the South African municipalities financial distress, Mishi, Mbaleki and Mushonga (2022) took their study to investigate the level of efficiency in each municipality and how financial mismanagement (unauthorised, irregular, fruitless and wasteful expenditure) influences efficiency. SHAIDI (2013) examined the reasons behind service delivery protests in South African municipalities. However, not many studies conducted on the factors contributing to excessive consultancy fees and analyse how internal controls such as procurement policies, financial management impact on the reliance of consultancy services. Therefore, this research was undertaken to fill these gaps by investigating the factors that contribute to high consultancy rate and the impact it has on service delivery in three municipalities based in Limpopo and Mpumalanga. The study further determines the relationship between municipal financial health, budget constraints and consultancy spending while proposing alternative strategies for municipalities to optimise financial management while reducing excessive consultancy fees

1.12 CONCLUSION

In addition to the key drivers influencing high consultancy fees and why municipalities lose money is poor payment practices, wherein payments were made for goods and services that were either not received or of low quality, or where payments were not always paid in compliance with the terms of the contract, the ineffective use of consultants either due to municipalities not deriving full benefits for appointments or consultants are appointed late in the financial year or municipal officials did not adequately review the consultants' work, or could provide consultants with the required financial records or manging the consultants contracts poorly. Unrealistic cost projections, insufficient specifications, and bad choices regarding the nature and extent of the project's feasibility are all consequences of poor project management.

1.13 RESEARCH DESIGN AND METHODOLOGY

Research methodology was defined as a structured framework that outlined the steps a researcher would take to collect, analyse, and interpret data to address a specific research question. This methodical approach ensured that the research was conducted systematically, which in turn enhanced the reliability and validity of the findings

(Swarooprani, 2022). The following section detailed the research methodology processes that were employed in this study to address the research question. The initial part focused on the research design that was implemented in the study.

1.13.1 RESEARCH DESIGN

Research design serves as a systematic framework that researchers employ to address their research inquiries. It dictates the analytical methods necessary to achieve the intended outcomes (Khanday & Khanam, 2019). This study will utilise case study research approach. Case study research design provides the researcher with the opportunity to obtain in-depth rich information about the organisation, events or individuals regarding specific topic on concern (Coombs, 2022). Kekeya (2022) further said that case study research designs are adopted when the researcher want to understand complex situations. There are two types of case study research design, this single and multiple case study. In the single case study research design, only one case can be examined. While in the multiple case studies, two or more case studies can be examined (Coombs, 2022).

The study adopted a multiple case study research design. The multiple case study design allowed the researcher to collect rich qualitative data from each municipality, ensuring a comprehensive analysis of the complex dynamics related to consultancy fees. This methodology supported an in-depth examination of how financial management consultancy services were acquired, negotiated, and overseen, providing the study with substantial information that informed evidence-based conclusions. The contextual and detailed data gathered from each municipality enabled the formulation of well-founded recommendations tailored to the unique needs and challenges of local governments, thereby enhancing financial sustainability and improving the management of external consultancy services.

1.13.2 JUSTIFICATION OF MULTIPLE CASE STUDY RESEARCH DESIGN

A multiple case study research design was adopted in the study to examine the factors that contributed to the high rate of consultancy fees within the three municipalities, namely Chief Albert Luthuli, Letaba, and Lephalale Municipalities. The case study research approach was suitable because the research was conducted in an area where understanding of the phenomenon was limited and few studies had been undertaken on the subject under investigation. This was also the case within South African municipalities, where there was incomplete evidence on why external consultants charged high fees when appointed to provide services. Each municipality faced specific regional, organisational, and contextual challenges that could affect consultancy pricing and the overall management of financial resources. By investigating these differences, the study identified underlying trends and patterns that might not have been evident in a single case study. Furthermore, this approach enhanced the external validity and generalisability of the study's conclusions, offering insights that were relevant to other municipalities encountering similar issues and enriching the broader discussion on financial management within local government.

1.13.3 RESEARCH PLAN

The below table present research plan

TABLE 1.1: Research Plan

Research activity	Duration
Submission of Proposal	26 February 2025
Literature review and approval of proposal	March – April 2025
Ethics approval	April 2025
Data collection and capturing	May - June 2025
Data analyses	July - August 2025
Write-up of thesis	September 2025
Submission of draft thesis	October 2025

1.13.4 TARGET POPULATION

The target population refers to the complete set of individuals or groups that a researcher aims to study and analyse (Willie, 2020). In this study, the target population consists of one thousand one hundred and one employees from three municipalities: Chief Albert Luthuli Local Municipality (366), Lephalale Local Municipality (416), and Greater Letaba Municipality (319) based on the 2023/2024 annual reports. This figure encompasses essential municipal officials, consultants, and pertinent stakeholders engaged in financial management and consultancy services. The selected target population was appropriate for this study because it included individuals directly involved in financial management and consultancy processes within the municipalities, such as key municipal officials, consultants, and relevant stakeholders.

These participants possessed first-hand knowledge and experience of the factors influencing consultancy fees, the management of external services, and the impact of these services on municipal governance and service delivery. By focusing on employees from Chief Albert Luthuli, Lephalale, and Greater Letaba Municipalities, the study was able to capture insights from municipalities with varying geographic, economic, and organisational contexts, providing a comparative perspective that enhanced the validity and relevance of the findings.

1.13.5 SAMPLING STRATEGY

Sampling was a technique used in statistical analysis where researchers selected a specific number of observations from a larger population. This approach allowed the researcher to study extensive groups by focusing on a smaller segment of that population (Berndt, 2020). There were two main types of sampling: probability sampling, which was often used in quantitative studies, and non-probability sampling, which was more suited for qualitative research. For this study, non-probability sampling was employed.

Non-probability sampling was chosen because it allowed the researcher to select participants who had direct knowledge and expertise regarding the factors that led to higher consultancy fees in the selected municipalities. The study focused on two municipalities in Limpopo and one in Mpumalanga. By using non-probability sampling, specifically purposive sampling, the researcher intentionally identified key informants, including municipal financial officers, procurement managers, and consultants. This targeted approach ensured that individuals who could provide valuable insights into the unique conditions affecting the use of consultancy services were included insights that might have been missed using a random sampling method.

Additionally, given the exploratory nature of the study and the practical constraints of time and resources, non-probability sampling was the more appropriate choice. The aim was to gather rich, detailed information from a smaller, focused group of participants rather than to generalise findings to a larger population. Non-probability sampling enabled the researcher to obtain relevant and significant data from those with firsthand experience, making it a practical and effective method to understand the key factors driving high financial management consultancy fees in local municipalities.

1.13.6 SAMPLING TECHNIQUE

A sampling frame referred to the process of selecting a smaller group of participants from the larger population for the purpose of study and analysis (Digaetano, 2013). In this study, the researcher used judgmental sampling, also known as purposive sampling. The researcher applied their own judgement to select participants for inclusion in the study. he selected sampling frame was suitable for this study because it allowed the researcher to focus on participants who possessed relevant expertise and experience directly related to the research topic. By using purposive (judgmental) sampling, the researcher was able to include municipal employees and consultants who had substantial experience in financial management and consultancy contracts, ensuring that the data collected was rich, detailed, and directly applicable to the study objectives. Limiting the sample to participants with more than five years of relevant experience further enhanced the credibility and reliability of the findings, as these individuals were more likely to provide informed insights into the factors influencing consultancy fees. Moreover, this approach was practical given the exploratory nature of the study and the need to gather in-depth qualitative data from participants with first-hand knowledge, rather than attempting to generalise from a broader, less targeted population. The sampling frame enabled the researcher to obtain relevant, high-quality information that directly addressed the research questions.

1.13.7 SIZE

The sample of the study did not comprise minors but included only adults who had been working in the municipalities for more than five years. Fifteen participants, including Chief Financial Officers, Budget Managers, and Supply Chain Managers, were approached to participate in the study. The participants were selected based on their years of experience working in the finance section, specifically dealing with external contract fees. Participants were informed that they would not receive any remuneration for taking part in the study and that their participation was entirely voluntary.

1.13.8 DATA COLLECTION

Data collection was the process of gathering and evaluating information from multiple sources to address research problems (Taherdoost, 2020). In this study, interviews were used to collect data. An interview was a data collection method commonly employed in qualitative research to obtain information from two or more participants through verbal questioning, allowing participants the freedom to express their answers (Du Plooy-Cilliers, Davis, & Bezuidenhout, 2021).

Interviews could be classified as semi-structured, unstructured, or structured. Standardised interviews, sometimes referred to as structured interviews, used the same set of questions for every interviewee, facilitating the process of data collection and identification of trends (Maree, 2019). General interviews, or semi-structured interviews, allowed for more conversational flexibility based on the interviewee's responses (Ruslin, Saepudin, Firdiansyah, & Hijrah, 2022). Unstructured interviews were conversational and informal, with no pre-planned questions posed by the researcher (Du Plooy-Cilliers, Davis, & Bezuidenhout, 2021). In this study, data were gathered using semi-structured interviews and an interview guide, which enabled participants to articulate their thoughts, opinions, and experiences in their own words (Lahmer, 2022).

- **ADMINISTRATION OF SEMI STRUCTURED INTERVIEWS**

The data collection instrument was structured into four separate sections. The first section collected demographic information about the participants. The second section focused on questions related to the first research objective, while the third section addressed questions associated with the second objective. The fourth section encompassed questions linked to the study's third objective, and the final section explored questions relevant to the fourth objective. To ensure a thorough understanding, a semi-structured interview format was employed, involving at least five individuals from each municipality.

Before commencing data collection, the researcher obtained formal approval from the appropriate municipalities. Following approval, a consent letter was drafted to secure participants' agreement to take part in the study. A formal invitation was subsequently sent via email to confirm participants' availability and their preferred location or platform for the interview. Additionally, the researcher requested participants' permission to record the interviews. The interviews concluded when no additional information could be obtained. With the assistance of the administrator, the researcher arranged interview times that accommodated participants' schedules. Each interview was expected to last between 20 and 30 minutes, and participants were explicitly informed that they would not receive any compensation for their participation, which was entirely voluntary.

The study did not involve sharing data with third parties. All information gathered from participants was used exclusively for academic research and kept strictly confidential. No data were disclosed to or accessed by external individuals or organisations outside the research team. Participants' identities were anonymised, and all records were securely stored and safeguarded in accordance with ethical research standards.

1.13.9 DATA ANALYSIS

Data analysis refers to organising data to make it ready for analysis is the starting point in quantitative data analysis process (Mothobi, Edoun, & Naidoo, 2024). Thematic analysis was used to analyse data. The analysis of data obtained from semi-structured interviews predominantly employs a qualitative method known as "thematic analysis." In this approach, researchers carefully examined the responses, pinpoint recurring themes, and organise them to derive significant insights from the unstructured textual data submitted by participants.

- **THEMATIC ANALYSIS**

Thematic analysis was a qualitative research method used to systematically organise and analyse complex data sets (Dawadi, 2020). Using thematic analysis, the researcher identified, examined, and interpreted themes from the data. The researcher first transcribed data that had been tape-recorded from the semi-structured interviews into a Word document. The transcription was organised with line numbers and page numbers for easy reference. The researcher then reviewed the transcribed data for cleaning and coding and subsequently identified recurring themes related to the factors contributing to high consultancy fees and poor procurement practices within local municipalities.

1.13.10 DELIMITATIONS OF RESEARCH

Delimitations refer to the boundaries set by the researcher to narrow the scope of the study (Creswell & Creswell, 2018). In this study, the delimitations included the selection of three specific municipalities Chief Albert Luthuli in Mpumalanga, and Greater Letaba and Lephalale in Limpopo. Only municipal officials, financial managers, and consultants with more than five years of relevant experience were included. The study focused exclusively on financial management consultancy services, consultancy fees, and procurement practices, excluding other municipal functions or service areas. These delimitations helped to focus the study and ensure that the research objectives were addressed within a manageable scope.

1.13.11 LIMITATIONS OF THE STUDY

Limitations are constraints that were beyond the researcher's control and may have affected the study's findings (Creswell & Creswell, 2018). In this study, limitations included potential biases from participants who may have provided socially desirable responses, limited access to some confidential municipal records, and time constraints that restricted the number of interviews conducted. Additionally, the study was limited to three municipalities, which may reduce the generalisability of the findings to other municipalities in South Africa.

1.13.12 ASSUMPTIONS OF THE STUDY

Assumptions are conditions that the researcher accepted as true for the purpose of the study (Merriam, 2009). In this study, it was assumed that participants provided honest and accurate responses during the interviews. It was also assumed that the municipal documents and reports used as secondary data were reliable and up to date. Furthermore, the researcher assumed that the selected participants had sufficient knowledge and experience to provide insights into the factors influencing consultancy fees and financial management practices.

1.13.13 ETHICAL CONSIDERATIONS

In the realm of business and management, the ethical considerations surrounding the methodology of research are often deemed more significant than the specific subject matter being investigated (Remenyi, 1998:110). This methodological inquiry encompasses three key dimensions: the collection of data, the challenges related to data processing, and the application of the results. It is essential for participants involved in business management studies to be informed about various aspects and to receive a set of guarantees (Sekaran, 1992, cited in Remenyi, 1998).

- **ENSURE PARTICIPANTS HAVE GIVEN INFORMED CONSENT.**

It is imperative to explain to the participants why the data was needed and what would happen to it after the study is concluded. An invitation email with the information letter was sent to participants during the research study. Prior to the interview, the participants signed the consent form which was an agreement to voluntarily participate within the study.

- **ENSURE PARTICIPANTS DO NOT SUFFER ANY HARM.**

Participation was entirely voluntary, and no individual was compelled by senior management or executives to take part. Participants were made aware that they could withdraw from the study at any time without any negative consequences. During the interviews, participants were informed that the data would be used solely for research purposes and that they would be notified of any changes in data handling, allowing them to provide or withdraw their consent accordingly.

- **MAINTAIN CONFIDENTIALITY AND ANONYMITY.**

Confidentiality and privacy were crucial elements of this study. The focus of privacy was on limiting the type of information released about study participants. The researcher was responsible for protecting the participants' public image (Cacciattolo, 2015). Participant data was managed in a confidential and anonymous manner, and the researcher monitored potential access to the data and controlled the information shared with third parties. To protect participants' identities, unique codes were assigned to each participant. Data was stored for a period of five years. Electronic data was kept on a password-protected computer, accessible only to the researcher, while hard copies were stored in a locked cabinet and shredded after five years.

- **OBTAIN PERMISSION AND APPROVAL.**

Letters of permission were requested and obtained from three local municipalities in Limpopo. The approval of this permission letter warrants the integrity of the research and warrants that it would be protected from any unethical activity.

1.13.14 PROPOSED CHAPTER OUTLINE

Chapter 1: Introduction and Background– Present the introduction focuses on the research topic, background of the problem, problem statement, aim of the study, study objectives, research questions, significance of the study. The chapter ends with conclusion.

Chapter 2: Literature Review – This chapter present the compressive literature assessing some of the factors that contributes to high rate of consultancy fees within the South Africa local municipalities. The study explains the theoretical frameworks concerning financial management consultancy fees within local municipalities. The research further identifies existing gap in the literature and identify the areas that requires additional investigations to improve understanding and address the challenges that related to consultancy services.

Chapter 3: Research Methodology – Present Chapter Three: Research Methodology which investigate the research design, research philosophy, research strategies, target population, sampling, research instrument, pilot study, data collection, data analysis and ethical considerations.

Chapter 4: Data Analysis – Present data collection, findings, data interpretation and the discussion of the results.

Chapter 5: Presentation of Research Findings – present the findings and the discussion of the findings.

Chapter Summary

The chapter provided an overview of the study and outlined the primary research question, the research problem, and the research objectives. It also outlined the significance and relevance of this study for readers, analysts, and other scholars. In an effort to place the study in context and examine the factors contributing to high consultancy fees behind the three municipalities, some background was presented. The literature review, which is covered comprehensively in the next chapter, provides an in-depth analysis of related research. The research gap that necessitated this study is also highlighted.

CHAPTER TWO - LITERATURE REVIEW

2.1 INTRODUCTION

Chapter two presents a comprehensive review of the literature relevant to the factors driving high consultancy fees in financial management, with a particular focus on local municipalities. This chapter seeks to position the study within the broader context of financial management practices, governance challenges, and procurement dynamics, providing a foundation for understanding the determinants of consultancy costs. By reviewing existing research, this chapter highlights the gaps in the literature, particularly the lack of empirical studies that examine consultancy fees at the municipal level, and explores how governance quality, local economic conditions, and institutional practices influence these costs.

The chapter begins by examining the role and significance of financial management consultancy in municipal operations, including areas such as financial planning, audit compliance, and procurement advisory. It then explores the various internal and external factors that affect consultancy fees, including governance structures, regulatory frameworks, market dynamics, and regional economic conditions. Additionally, the chapter reviews previous studies on procurement practices, financial oversight, and the effectiveness of consultancy services, highlighting both national and provincial perspectives while emphasising the limited research at the local level.

The insights gained from this review serve as the theoretical and empirical basis for the research, guiding the investigation into how localised governance and economic factors contribute to high consultancy fees in the selected municipalities. In doing so, the chapter provides a clear rationale for the study and demonstrates the significance of examining consultancy costs in the context of municipal financial management.

2.2 THE SIGNIFICANCE OF FINANCIAL MANAGEMENT CONSULTANCY IN MUNICIPAL OPERATIONS

According to Section 152(1)(a) and subsection (2) of the Constitution of South Africa, municipalities are mandated to ensure the delivery of essential services to communities while building sufficient financial and administrative capacity to fulfil this mandate. The Constitution further emphasises that municipalities must prioritise basic needs through effective administrative structuring and budget planning. Local government represents the sphere of government closest to the people, acting as a critical link between citizens and the state (Kurniawan, Rakhmawati, Abadi, Zuhri & Sugiyanto, 2017). Municipalities are therefore responsible for delivering basic services and creating opportunities for citizens through the provision of infrastructure, services, and support, thereby contributing to a sustainable economy and improved quality of life (Kim & Warner, 2016; Kurniawan et al., 2017).

Financial management is central to achieving this constitutional mandate of effective service delivery (Hattingh, 2020). It ensures that adequate funds are available to implement council policies and deliver services effectively to communities (Khumalo, 2015), while also guaranteeing that resources are utilised efficiently and responsibly.

Hattingh (2020) highlights a strong correlation between sound financial management and effective service delivery, noting that municipalities with robust financial practices are better equipped to deliver relevant services to their communities. Conversely, poor financial management often results in delayed service delivery, increased community protests, and negative impacts on local economic stability and municipal financial affairs (Mashabela & Thusi, 2024). Inadequate financial practices can also lead to adverse audit findings, which undermine a municipality’s ability to attract funding. The Municipal Financial Management Act (MFMA) No. 56 of 2003, implemented in 2004, provides guidelines for accounting officers on managing municipal financial affairs (Hosoi, 2023). Prior to the MFMA, municipalities frequently relied on one-line budgets, incomplete reports, and missed deadlines, resulting in poorly informed financial decisions (Treasury, 2011).

Given the critical role of financial management in ensuring effective service delivery, financial management consultancy has become essential in strengthening municipal performance (Mbatha, 2020). Consultants assist municipalities in improving budgeting processes, ensuring compliance with the MFMA, enhancing procurement practices, and optimising resource allocation. Through these services, municipalities are better positioned to fulfil their constitutional obligations, improve service delivery outcomes, safeguard public resources, and respond effectively to the growing needs of local communities (Fourie & Opperman, 2023).

Financial management consultancy further enhances the efficiency, accountability, and sustainability of municipal operations. Municipalities often face complex financial challenges such as budget constraints, revenue shortfalls, irregular expenditure, and limited internal capacity to manage financial systems effectively (CIGFARO, 2023). Financial management consultants provide specialised expertise, analytical support, and strategic guidance that help municipalities strengthen their financial governance frameworks and align their practices with legislative and regulatory requirements such as the MFMA (Mishi, Mbaleki, & Mushonga, 2022).

Consultants also contribute to improved financial planning and decision-making processes by offering objective assessments of a municipality's financial position, identifying inefficiencies, and recommending strategies for cost control and resource optimisation (Shozi, 2023). They support the implementation of financial management information systems, the design of effective budgeting frameworks, and the enhancement of internal control mechanisms to ensure compliance and transparency (Mabelane, Mongwe, Mbuvha, & Marwala, 2023). Through these interventions, municipalities can maintain fiscal discipline and deliver essential services more sustainably.

2.3 THE ADVANTAGES OF EFFECTIVE MUNICIPAL FINANCIAL MANAGEMENT PRACTICES

Effective financial management has the potential to transform municipalities by facilitating timely and accurate reporting, which ensures that updated financial information is readily available to support well-informed decision-making. Consistent and regular reporting enables municipalities to maintain accurate records of their budgets, detailing expenditure levels and the funds available for future projects (SALGA, 2021) It also helps to sustain adequate cash flows for both capital and operational activities through the efficient reallocation of financial resources (Sazi & Pillay, 2024)

Sound financial management practices provide municipalities with the information necessary to support the decision-making process. The municipal executive plays a key role in approving and overseeing the budget, ensuring that sufficient funds are available to meet the municipality's objectives and service delivery mandates (Van Rouge, 2020). Access to reliable and comprehensive financial data makes it easier for decision-makers to reach consensus, thereby improving coordination, governance, and overall operational efficiency (SALGA, 2021).

According to Butt, Hunjra, and Rehman (2010), organisations that adopt strong financial management practices tend to achieve higher levels of operational efficiency. In municipalities, such efficiency can be realised through prudent budgeting that avoids both overspending and underspending. Underspending suggests that the municipality is failing to deliver essential public services, while overspending indicates weaknesses in expenditure control mechanisms (SALGA, 2021).

Furthermore, effective financial management contributes significantly to municipalities obtaining clean audit outcomes and fulfilling their responsibility to meet community needs and priorities (Matlala & Uwizeyimana, 2020). To achieve and sustain these outcomes, municipal decision-makers should continuously develop their financial management skills, engage in ongoing strategic planning, and demonstrate a strong commitment to maintaining the financial health and sustainability of their municipalities (Patience & Nel, 2021).

2.4 FACTORS INFLUENCING HIGH CONSULTANCY FEES.

There are 278 municipalities in South Africa (Republic of South Africa [RSA] 2000). Municipalities can be divided into three categories: local, district, and metropolitan. It is challenging for South African municipalities to achieve performance goals and conduct clean audits (Auditor-General, 2022). The auditor general's office frequently reports on shortcomings, highlighting four crucial areas that require attention such as asset management, financial management and reporting, SCM, and governance.

2.4.1 Insufficient Skills and Capacity

Inadequate skills and limited institutional capacity are among the most significant factors affecting the performance of local governments in South Africa (Moji, Nhede, & Masiya, 2022). When municipalities lack adequately qualified personnel, the likelihood of financial mismanagement and operational errors increases substantially (Abdulai, Salakpi, & Nassè, 2020). This situation often arises when officials are appointed to critical positions without meeting the minimum competency requirements or possessing the technical expertise necessary to perform their duties effectively. Research further shows that while women in local government generally possess basic administrative skills, many councillors are appointed based on their community involvement rather than their professional qualifications (Moji et al., 2022). Such appointment practices contribute to weak financial oversight, inefficient resource use, and persistent governance challenges.

To address these deficiencies, the South African government introduced the Municipal Regulations on Minimum Competency Levels in 2007. These regulations specify the minimum qualifications required for municipal managers, chief financial officers (CFOs), senior managers, and supply chain management officials. However, despite these measures, non-compliance has persisted. Nkgaopele and Mofokeng (2024) observe that appointments often disregard these regulations, resulting in the recruitment of unqualified individuals. Similarly, Moloi (2012) warns that the failure to follow proper procedures has led to the appointment of unsuitable personnel who compromise internal controls and governance structures. (Jarbandhan, 2022) attributes this to the practice of cadre deployment, where appointments are made based on political loyalty rather than merit, undermining democratic and good governance principles.

According to the Auditor-General (2014b), a significant number of municipalities and municipal entities did not meet the required competency standards at the end of the 2012/2013 financial year. Although the regulations allowed incumbents to attain the required skills through training and education during a phased implementation period, many municipalities failed to comply even after the extended deadline provided by the National Treasury. The continued appointment of underqualified personnel has weakened internal control environments and contributed to poor financial management outcomes.

The persistence of under-skilled and under-trained municipal officials continues to hinder the efficiency and effectiveness of local government (Mamogale, 2016). Studies by CoGTA (2009) and Deloitte (2012) identify a lack of technical and administrative expertise as the main reason municipalities struggle to meet the needs of their communities. Koma (2010) reinforces that improving service delivery requires strengthening both administrative and technical capabilities. Furthermore, Makwetu (2014) calls for urgent reforms in contract and supply chain management to address recurring weaknesses. Van Helden, Grönlund, Mussari, and Ruggiero (2012) note that due to these gaps, public sector managers frequently rely on consultants to provide the necessary expertise and experience. However, because skill transfer is often poorly formalised, municipalities remain dependent on consultants, leading to long-term capacity stagnation.

In response to this challenge, the National Treasury issued a circular in 2016 emphasising cost control and requiring municipalities to conduct a skills gap analysis before appointing consultants. This directive aimed to ensure that consultancy services are used only when internal resources are insufficient and that contracts include clear provisions for skill transfer. The circular also placed accountability on municipal managers and CFOs to ensure that financial reporting consultants are used effectively and contribute to capacity building (Auditor-General, 2021). Despite these measures, many municipalities continue to experience deficiencies in financial management, information technology, and infrastructure planning, limiting their ability to manage resources effectively and produce credible financial statements.

According to the Auditor-General (2021), municipalities continue to depend heavily on consultants to prepare financial statements and review accounting records for major financial issues. In the 2019/2020 financial year alone, over R1 billion was spent on consultancy services for financial reporting. However, this significant investment has not yielded proportional improvements in audit outcomes. Persistent issues such as inexperienced municipal staff, limited training, unclear audit objectives, weak report-writing skills, and low motivation have undermined the effectiveness of consultancy support. Consequently, while consultants provide temporary relief for municipalities facing skills shortages, their impact remains limited in the absence of a structured and enforceable skills transfer framework.

Overall, the shortage of skilled personnel and insufficient institutional capacity remain central challenges in local government performance. Although financial management consultants play an important role in bridging technical gaps, the overreliance on external support without sustainable capacity-building measures weakens long-term institutional resilience. Addressing these shortcomings requires stricter enforcement of competency regulations, improved recruitment practices, continuous professional training, and a more deliberate focus on developing internal financial expertise within municipalities.

2.4.2 High Vacancy Rate

High vacancy rates and staff turnover have become persistent challenges for municipalities across South Africa, undermining effective governance and service delivery (LGSETA, 2019). Vacancy rates reflect the number of unfilled positions within an organisation, while turnover rates measure the frequency at which employees leave. Together, they have created significant operational hurdles for municipalities. According to Kgobe and Selepe (2024), high vacancy rates place additional pressure on existing employees, leading to heavier workloads, low morale, and burnout. Staff members in filled positions are often forced to assume extra responsibilities to compensate for vacant posts, which reduces productivity and effectiveness. Their study also indicates that prolonged turnaround times in filling vacant posts hinder municipal operations, highlighting the need for more effective vacancy management to enhance organisational efficiency and performance. The Auditor-General of South Africa (2023) reports that Chief Financial Officers (CFOs) serve an average of only 45 months in their positions, while municipal finance departments continue to face an average vacancy rate of 20%.

The problem of insufficient human resources in local government is further compounded by high staff turnover, often triggered by frequent leadership changes, particularly following elections (CoGTA, 2009:66). The Municipal Demarcation Board (as cited in Ramutsheli & Janse van Rensburg, 2015) also raised concerns about the impact of leadership instability on municipal performance. Such instability disrupts continuity, weakens institutional memory, and hinders the execution of long-term financial and developmental plans. According to Sibonde and Dassah (2020) the increased workload caused by high vacancy rates contributes to staff fatigue, low motivation, and diminished commitment to achieving municipal objectives. Similarly, Makwetu (2014) found that extended turnaround times in filling key positions impede municipal functionality and weaken performance management systems.

Empirical evidence from multiple reports confirms that both vacancy and turnover rates have been recurring issues across municipalities. The South African Local Government Association (SALGA, 2010: ix) identified CFO turnover as a major concern affecting financial stability and continuity in several municipalities. Data from the Auditor-General (2014b:59; 2015b:77) shows that senior management vacancy rates increased from 18% in 2012/13 to 20% in 2013/14, while finance unit vacancies rose from 16% to 18% over the same period. Many municipalities also rely heavily on acting appointments, with key positions such as municipal managers, CFOs, and heads of Supply Chain Management (SCM) being filled on an acting basis for more than six months (Auditor-General, 2014b:58–59). This lack of tenure stability undermines accountability and decision-making, as acting officials often lack the authority or confidence to implement long-term financial reforms. The Auditor-General (2015b:77) cautions that prolonged acting appointments can compromise institutional control and weaken service delivery outcomes by diffusing accountability and reducing the clarity of roles and responsibilities.

The persistent vacancy crisis has also contributed to municipalities' growing dependence on external consultants. Instead of leveraging support from district municipalities or building internal capacity, local municipalities increasingly turn to private consultants for assistance with financial management, reporting, and compliance. The Auditor-General (2022) reported that municipalities spent approximately R1.26 billion on consultancy services for financial reporting in the 2020/2021 financial year, and these expenditures nearly doubled between 2021 and 2023. This growing reliance on consultants underscores the link between high vacancy rates, limited internal capacity, and the escalating costs of outsourced financial expertise. While consultants temporarily fill technical and administrative gaps, excessive dependence on them reflects deeper systemic issues in recruitment, retention, and skills development within local government.

Overall, high vacancy rates erode the institutional stability and operational effectiveness of municipalities. They reduce accountability, weaken financial management systems, and increase reliance on costly external consultancy services. Addressing these challenges requires municipalities to strengthen human resource planning, accelerate recruitment processes, implement retention strategies for skilled personnel, and ensure that acting appointments are temporary and well-monitored. Building stable and competent financial management teams is essential for improving governance, enhancing service delivery, and reducing the long-term financial burden associated with consultancy dependence.

2.4.3 Poor Financial Management and Reporting

Sound financial management and transparent reporting are vital for municipalities to achieve their service delivery mandates. According to Nkuna and Sebola (2019), local governments require financial resources to fulfil their responsibilities as the hub of service delivery. These resources belong to the people and must therefore be managed in an open and accountable manner. Financial management, performance, and reporting form the backbone of municipal governance, ensuring that decisions are based on accurate and timely financial information. Wessels et al. (2021) argue that effective financial management significantly influences municipal performance, noting that outdated financial policies, weak institutional capacity, poor record-keeping, and ineffective asset management systems are key contributors to municipal failure. These weaknesses not only impede service delivery but also erode public trust and compromise the ability of municipalities to achieve clean audits and fiscal sustainability.

However, many municipalities in South Africa struggle to meet even basic financial governance standards. Ryan (2020) notes that most municipalities are technically insolvent, with liabilities exceeding assets and insufficient cash flow to meet operational costs. According to the National Treasury Ratings Africa (2020) municipal financial sustainability index, 146 municipalities experienced serious financial reporting issues, and 54 recorded operating deficits exceeding 5% of their total direct revenue. The National Treasury further reported that 82 municipalities defaulted on debt repayments during the 2019/2020 fiscal year violating Section 140(2) of the MFMA, which requires financially distressed municipalities to implement recovery plans. Despite this, 82 municipalities were found to be operating without such plans, making it impossible for them to meet their financial obligations or deliver services effectively (National Treasury, 2020a). These findings underscore the severity of financial instability and the absence of effective recovery mechanisms within local government.

The collapse of VBS Mutual Bank in 2018 further exposed the extent of poor financial management and weak oversight within municipalities. Several municipalities suffered significant financial losses after unlawfully investing in the bank (Glasser & Wright, 2020). The same authors attribute ongoing financial crises to weak internal controls, poor revenue collection, and unchecked expenditure. Political interference and dysfunction have also worsened municipal financial instability, as seen in municipalities such as Nelson Mandela Bay and the City of Tshwane, where leadership struggles disrupted financial governance (Glasser & Wright, 2020). According to Nzama, Moloi and Marx (2023), municipalities often fail to collect sufficient revenue to cover operational needs. The Auditor-General of South Africa (AGSA, 2021) reported estimated losses of R182.3 million due to unbilled revenue and R149.4 million from unrecovered debts. Additionally, municipalities lost nearly R979.3 million in interest and penalties due to late payments to Eskom, water boards, and other service providers, as well as R54.7 million in incorrectly calculated tax payments. These losses reflect chronic financial mismanagement, weak oversight, and ineffective debt recovery mechanisms.

Human resource issues have further exacerbated poor financial performance. Laubscher (2012) notes that post-1994 restructuring and affirmative action policies led to a loss of institutional experience, as skilled officials left and were replaced by politically connected but underqualified individuals (Moji et al., 2022). This practice, known as *cadre deployment*, has been linked to nepotism and weak governance structures. Poor internal supervision and excessive remuneration for underperforming officials have also strained municipal budgets. For instance, even poorly performing municipalities such as Mangaung awarded bonuses to senior officials during the 2010/2011 fiscal year despite audit failures (Auditor-General, 2011; 2020a). The Matjhabeng Municipality in the Free State, for example, could not provide proof of expenditure for R248 million. Such practices reflect a lack of accountability, transparency, and fiscal discipline within municipal administrations.

Despite regulatory frameworks such as the Municipal Finance Management Act (MFMA), poor financial accountability and transparency continue to hinder good governance (Mbatha, 2020). The Auditor-General (2021) consistently reports that municipalities fail to maintain proper financial records and controls, resulting in repeated audit disclaimers and adverse opinions. None of the municipalities under review received clean audits for the 2019/2020 fiscal year, primarily due to poor record-keeping and irregular expenditure. Furthermore, according to Ratings Afrika (2024), 44% of municipalities continue to operate with unfunded budgets where expenditures exceed revenue highlighting a systemic failure in fiscal planning and control. Municipal managers and chief financial officers are expected to ensure accurate reporting and effective internal controls, yet many rely heavily on external consultants to compensate for capacity gaps (Nzama, Moloi & Marx, 2023).

The Auditor-General (2022) revealed that municipalities spent approximately R1.61 billion on financial reporting consultants during the 2021/2022 fiscal year, up from R1.36 billion in 2020/2021. The most common consulting services included asset management (34%), tax services (29%), and financial statement preparation (26%) (Auditor-General, 2020b). In Moqhaka Municipality, for example, despite employing 83 financial officials, additional consultants were hired at a cost of R26.8 million in 2019/2020—representing 5% of total municipal expenditure. These figures underscore the growing dependence on consultants to perform functions that should fall within the scope of municipal officials. While consultants can enhance reporting accuracy, their use often reflects underlying systemic weaknesses, including a lack of skills, poor planning, and inadequate internal controls.

Auditing, a critical element of financial oversight, remains inconsistent across municipalities. Gasela (2021) observe that irregular and reactive auditing contributes to financial mismanagement. (Mishi, Mbaleki, & Mushonga, 2022) stresses that regular auditing exposes fraud, waste, and incompetence, enabling corrective measures before problems escalate. However, municipalities frequently fail to implement audit recommendations, perpetuating cycles of poor performance and irregular expenditure. The International Standards of Supreme Audit Institutions (ISSAI, 2013) framework, applied under Section 14 of the Public Audit Act (2004), requires municipalities to produce financial statements that adhere to uniform reporting standards. Malefane (2019) highlight that standardised financial reporting strengthens internal controls, promotes accountability, and enhances transparency yet many municipalities continue to fall short of these expectations.

Finally, broader structural factors also contribute to financial management difficulties. Nzama, Moloi and Marx (2023) highlights that the 2000 municipal demarcation process, which reduced the number of municipalities from 830 to 257, created administrative areas too large for effective oversight and budgeting. This restructuring complicated financial management and contributed to inefficiencies in service delivery. The combined effects of weak internal controls, political interference, inadequate skills, and structural constraints have entrenched poor financial management and reporting across municipalities, eroding fiscal sustainability and public confidence in local governance.

2.4.4 Governance Failures

The term "governance" was first used in international literature in 1989, when the World Bank concentrated on the role and function of the state in the development agenda (Grindle, 2004). The "manner in which power is exercised in the management of a country's economic and social resources for development" is the definition of governance given by the World Bank (1992:1). Since the year 2000, the international community has focused on good governance, which emphasises the management of the public sector, accountability, openness, and the legal foundation for growth above all else, according to the World Bank (1992). In summary, Kofi Anan's perspective on good governance which has been widely accepted in the academic community is pertinent. "No amount of charity will set on the path of prosperity without good governance, without the rule of law, and without predictable administration," he stated (Kofi Anan, cited in Adejumobi 2011:11). These elements are incorporated in Chapters 7 and 10 of the constitution as the tenets of public administration in the Republic of South Africa because they serve as the foundation for the constitutional framework for local government. When it comes to making sure that certain of these practices specifically, financial management and accountability are encouraged, the Auditor-General is essential.

Understanding governance requirements and being able to differentiate between excellent and bad governance are enhanced by internal controls. Public sector governance, according to the International Federation of Accountants (2013:47), includes all administrative, legal, political, and economic procedures put in place to guarantee that the goals are defined and met. It also entails collaboration amongst all parties involved in policymaking, including communities (Pillay 2004:587). Achieving good governance requires the participation of all stakeholders, who must consider the community that will be impacted by the decisions taken by those in charge of governance. The national and provincial institutions are required by The Batho Pele/People First principles are applied in Chapter 12 of the White Paper on Transforming Public Service Delivery, 1997, to monitor how services are provided to communities through governance structures (Nzama, Moloi, & Marx, 2023). Good governance is a crucial outcome to guarantee that the services are provided to the communities in an efficient manner. Good governance, according to the Institute of Directors in Southern Africa (2009), is about having effective leadership and is linked to following the law. According to (Marx, et al., 2009), good governance is characterised by openness, responsibility, accountability, and equity. Thusi and Selepe, (2023) further mentions that the South African public sector is characterised by several issues, including a lack of a culture of good governance, dishonesty, unethical practices, a lack of skills and the incapacity of leaders to hold themselves accountable, ineffective implementation, and a lack of monitoring of internal controls. Consequently, inefficient governance results from the failure to manage risks and avoid fraud (Moyo, Nwosu, Enwereji & Ogundele, 2024). These managers are the ones who drive internal control in terms of the requirements of sections 57 of the PFMA and 105 of the MFMA since they are responsible for supervising internal control operations within their respective functional areas and levels of influence. Together, they bear responsibility for sustaining good governance standards, ensuring effective and efficient operations, and ensuring financial reporting is reliable and compliant with internal control regulations. As a result, Price Waterhouse Coopers and the Institute of Directors in Southern Africa (2011:6) suggest that, in contrast to state institutions, the private sector is at the forefront of governance improvement.

According to (Wessels, Khwaza, & Ijeoma, 2021) there is a leadership crisis in local government, which frequently leads to weak accountability systems, misappropriation of public funds, deterioration of public accountability, administrative disarray, corruption, and a lack of consequence management. Another study that looked at politics and conflicts in South Africa came to the same conclusion (Author in Press, 2024), and the authors go on to say that good administrations are a direct result of strong leadership. Any organisation's ability to function depends critically on its leadership. The technique of influencing people, inspiring, motivating, and guiding their actions to accomplish collective or organisational goals is known as literature. The municipality has its own democratically elected leadership in the context of local government. One of their responsibilities is to address governance shortcomings and provide the standard for how things ought to be done (Van Der Waldt ,2021). Municipal leaders are supposed to make sure that the administration of a municipality aligns its operations with the vision, objectives, and goals of the elected council since they are the ones who hold the executive and legislative powers under section 152 of the Constitution. As mentioned by (Wessels, Khwaza, & Ijeoma, 2021), municipal leadership is also expected to make sure that financial prescripts are followed in the behaviour of finance officials; if they are not, consequences must be managed.

The most recent local government elections in South Africa took place in November 2021. The audit's findings indicate that their performance has not been getting better. The most recent AGSA report for the 2019/2020 fiscal years still mentions similar problems that were discovered after the 2016 elections, which indicates that the audit results of 76 municipalities had gotten worse over the previous three fiscal years, from 2016/2017 to 2018/2019 (Auditor-General, 2020. Only 31 municipalities' audit results had improved as a result. Lack of sound governance, executive leadership instability, improper executive hires, inadequate oversight by municipal leadership, a weak internal control environment, and financial mismanagement might be categorised as the main areas of concern. All of these are the outcome of poor governance. Defects in the internal control environment make it difficult for municipalities to obtain unqualified audits (Mofolo, 2015). The significance of internal control procedures in producing unqualified audit results is illustrated by (Mbewu and Barac, 2017).

Establishing a governance structure within a municipality, defining and distinguishing the functions of officials, mayors, and council members as well as the procedures for openness and oversight are all made possible by the Municipal Systems Act (RSA 2000). When considering the act, the municipal manager not only serves as the municipal accounting officer but also takes on the position of CEO (Masegare & Ngoepe, 2018). According to local government law, the accounting officer is responsible for a variety of tasks. Therefore, South African municipalities are governed by sound legislation. However, as seen by the consistently subpar audit results, most municipalities have not implemented this law in practice. For instance, (Mathiba & Lefenya, 2019) admit that despite the existence of these laws, municipalities continue to perform poorly financially and lack accountability. Furthermore, most municipalities do not support public accountability, transparency, or good governance (Mathiba & Lefenya, 2019) which has a detrimental impact on how well municipalities operate. Therefore, it is crucial to determine the crucial actions that municipalities with subpar governance procedures may take to prevent them from attaining clean audit results and improved performance (Magagula, Mukonza, Manyaka, & Moeti, 2022). (Motubatse, Ngwakwe, & Sebola, 2017) also states that clean audits require good governance and leadership. According to (Auditor-General, 2015), if the three main problems stated below are not addressed, the advancement of clean audits in some municipalities may be jeopardised. The political leadership and senior management of municipalities are the primary culprits; they react slowly to improving crucial internal controls; there are no consequences for poor performance and instability; and there are long-standing vacancies in important local leadership roles (Mathiba, 2020).

Based to the literature, strong financial management techniques, such as accurate financial reporting and openness and transparency in local government finance management, are crucial to the success of good governance. According to (Maserumule, 2005:194), all these elements, including municipal political and administrative decision-making, "are aimed at enhancing the quality of lives of members of society." (Venkateswaran, 2014:93 in eds) cautions that financial reports, which include aggregate data on municipal revenues and expenditures, should not be undervalued. The auditing process is therefore a crucial component of local or municipal government, as is the independent confirmation of the data in these reports.

There's a clear link between corruption, poor governance, and the failure to deliver essential services (CIGFARO, 2023). When corruption takes hold, it siphons off resources, which weakens both governance and service delivery, ultimately reducing the effectiveness of these crucial functions. In South Africa, a robust set of laws, regulations, policies, procedures, and systems has been put in place to foster efficient and effective governance, all aimed at providing top-notch services. The King IV report describes corporate governance as the process of ethical and effective leadership by the Council, with a focus on achieving outcomes like an ethical culture, strong performance, effective control, and legitimacy (Institute of Directors South Africa, 2024). It's the duty of municipal managers and senior management to ensure that municipal funds are used for the benefit of all residents. They also need to cultivate an ethical atmosphere for municipal officials, enforce accountability, and ensure there are consequences for any misconduct. Internal audit units and audit committees play a crucial role in offering an impartial assessment of how well municipal controls and processes are working (Auditor General, 2022). Sadly, many municipalities fall short by not conducting thorough needs assessments before bringing in consultants, lacking adequate financial controls to keep an eye on consultancy spending, and showing insufficient oversight, which often leads to budget overruns.

2.4.5 Lack of Consequence Management

According to Abdulai, et al., (2021) Internal auditors require a long time to review a lot of records and other documents, which negatively affects output levels. As a result, auditing faces challenges such fraudulent financial reporting and audit failures, according to Abdulai et al. (2021). Furthermore, audit committees cannot put pressure on municipal administrations to provide required financial reports promptly or at all. As a result, the committees have few options to work with and their requests for information are frequently ignored (Toxopeüs, 2019). Toxopeüs (2019) asserts that this has a substantial impact on their capacity to promptly report to the council on institutional and financial performance.

The undesirable state of declining audit outcomes, according to former Auditor General Kimi Makwetu's most recent report on the performance of South Africa's municipalities, indicates that different local government role players have been slow to implement and, in many cases, have even disregarded the AGSA's recommendations (AGSA 2019). Auditor General Kimi Makwetu claims that most municipalities have seen a reduction in accountability as well as financial and performance management because of this. Auditor General Kimi Makwetu criticised the absence of consequences for high-ranking government officials who embezzled public funds in unapproved, ineffective, inefficient, and irregular operations in a 2018 AGSA media release statement (AGSA 2018). In addition, Auditor General Makwetu criticised the fact that his 2011/2012 municipal audit results showed a lack of strong leadership to address the lack of accountability by imposing legal penalties on those who broke fundamental procedures that hindered efficient municipal governance (AGSA 2018:1). Auditor General Makwetu continued to state that the audit's findings revealed a reversal and that the same problems with accountability and governance that had been brought up over the years had not been resolved. Mr. Makwetu claimed in a different statement that some municipalities had not yet investigated the unauthorised, irregular, and unnecessary spending from the prior year and had not determined who was in charge or could be held accountable in order to retrieve the money as required by the MFMA (AGSA 2019:3). The misappropriation of funds will continue for the foreseeable future in Mr. Makwetu's deduction unless consequences are put in place, and audit results will either remain

According to the Auditor General Report (2020), consequence management is critical to upholding accountability in the public sector. Organisations are viewed as ineffective and useless in the absence of consequence management. This assertion is supported by (Mathiba, 2020), which states that to attain accountability, organisations must establish standards and train teams to adhere to them. According to the Auditor General Report (2018), public officials are expected to be accountable, to clearly communicate their expectations, to monitor whether those expectations are being met, and to impose the consequences for any deviations. The Chartered Institute of Government Finance Audit and Risk Officers (CIGFARO) was also provided with a system for efficient consequence management in the public sector by the Auditor General Report (2018). Public managers should plan, carry out, monitor, and act to implement consequences in the public sector, according to the consequence management concept (Auditor-General, 2018). Managers should establish planning objectives that are attainable by every unit and make sure that everyone is aware of them. In terms of action, managers are expected to set up information and communication technologies (ICT), internal and external control measures, and basic financial management controls. These managers are responsible for examining deviations that do not follow the management's established standards (Matheus, Janssen, & Janowski, 2021). Management must act by enforcing the law's provisions against defaulters when there is a departure from established norms and existing legal precedents (Moji, Nhede, & Masiya, 2022). To enforce accountability and order in all areas of public performance and administration, this idea ought to be implemented by all public sectors (AG, 2018). The incapacity of municipalities to attain good financial accountability is a result of the municipal leaders' failure to take this element seriously (Mothupi, Musvoto, & Lekunze, 2022). The financial wrongdoing that has risen to several billions of Rand in the various municipalities, including unapproved, wasteful, and irregular spending, is highlighted in the study's introduction (Sebola, 2021). The incapacity to encourage consequence management in the relevant municipalities has been identified as the reason behind the growing lack of financial accountability (Enwereji & Uwizeyimana, 2019). Therefore, it is thought that this factor must be considered to guarantee that municipal accountability is encouraged.

According to conclusions extrapolated from Auditor General reports from 2013 to 2015, South African municipalities consistently report poor findings (Matlala, Factors influencing the implementation of the Auditor-General's recommendations in South African municipalities', Unpublished masters dissertation, 2018). The AGSA presented these results in 148 municipalities during the 2015/2016 fiscal year, according to (Matlala, Factors influencing the implementation of the Auditor-General's recommendations in South African municipalities', Unpublished masters dissertation, 2018). This means that around half of these municipalities did not investigate any of the findings, while 25% of municipalities merely investigated some of them. Additionally, according to (Matlala, Factors influencing the implementation of the Auditor-General's recommendations in South African municipalities', Unpublished masters dissertation, 2018), the AGSA reported negative findings in 145 municipalities for the 2016/2017 fiscal year, with 71% of those findings occurring in 2015/2016. This shows that local councils were unable to take sufficient and long-term corrective action and did not investigate all instances of unapproved, irregular, pointless, and wasteful spending that were reported in the previous year. Over the past few years, the AGSA has consistently warned the government about the declining state of local government, which has severely strained the financial stability of state funds, according to the consolidated general report on the local government audit outcomes, MFMA 2019/2020 (AGSA 2021:14). The AGSA (2015:85) believes that when officials are not held responsible for their conduct, the public believes that their behaviour and the outcomes it produces are acceptable.

There are some serious legislative and administrative violations happening at both the political and administrative levels, yet the follow-through on consequence management is pretty much non-existent. This ongoing lack of accountability and repercussions is a key reason why 60% of municipalities are facing disappointing audit results. To recover the losses caused by these authorities and to deter others from breaking the law, committing fraud, wasting resources, and shirking their duties, municipalities really need to put effective consequence management in place for infractions and failures to perform (Auditor-General, South Africa, 2023). With tight budget constraints, municipalities should make the most of hiring consultants to help with financial management and reporting. The Auditor-General of South Africa (AGSA) has flagged 41 cases of material irregularities linked to financial losses due to poor resource use, resulting in little to no benefits from the money spent. Still, there's a glaring lack of accountability and consequence management for the officials responsible for these irregularities and wasteful spending. According to the Auditor-General (2023), an audit of 46 municipalities found that seven (15%) failed to report complaints over R100,000 to the South African Police Service as required, and 13 (28%) didn't even investigate the claims. The most common issue was municipalities not looking into unauthorised, irregular, and wasteful spending, showing that not enough action is being taken to recover, write off, approve, or condone these expenditures as the law demands.

2.4.6 Improper Supply Chain Management Processes

Improper Supply Chain Management (SCM) processes remain one of the most persistent challenges undermining effective financial governance and service delivery in South African municipalities. According to Abdulai et al. (2021), internal auditors often spend extensive time reviewing large volumes of records and documentation, which slows down auditing processes and reduces productivity. This inefficiency contributes to delays in financial reporting and creates opportunities for false financial reporting and audit failures. Furthermore, Toxopeüs (2019) highlights that audit committees frequently lack the authority to compel municipal administrations to submit financial information on time or respond to non-performance. Consequently, these committees often operate with limited information, weakening their ability to provide timely reports to councils on institutional and financial performance. This structural weakness within municipal SCM and oversight systems compromises accountability and transparency across the financial management chain.

The decline in municipal audit outcomes, as highlighted by former Auditor-General Kimi Makwetu, demonstrates the slow pace of reform and the persistent disregard for the Auditor-General of South Africa's (AGSA) recommendations. According to AGSA (2019), municipalities continue to show a downward trend in accountability, financial management, and performance oversight. Mr. Makwetu repeatedly criticised the absence of consequences for senior officials involved in unauthorised, irregular, fruitless, and wasteful expenditure, as well as the failure to impose disciplinary measures for these offences (AGSA, 2018; 2019). The lack of strong leadership to enforce accountability, he noted, has resulted in recurring governance and financial management failures. Moreover, many municipalities have failed to investigate or recover irregular expenditures from previous years, contravening the requirements of the Municipal Finance Management Act (MFMA).

This persistent lack of consequence management perpetuates financial mismanagement and erodes public confidence in municipal governance.

Effective consequence management is central to upholding accountability and restoring integrity in public financial management. The Auditor-General (2020) emphasises that without proper consequences for poor performance or misconduct, public institutions risk becoming ineffective and unaccountable. Mathiba (2020) supports this view, arguing that accountability can only be achieved when clear performance standards are established, communicated, and enforced. The Auditor-General's 2018 Report introduced a framework for consequence management, later adopted by the Chartered Institute of Government Finance Audit and Risk Officers (CIGFARO), outlining that public managers must plan, monitor, and act decisively to address deviations from expected performance. This includes setting achievable objectives, establishing robust internal and external controls, and enforcing corrective measures when standards are breached (Matheus et al., 2021; Moji, Nhede & Masiya, 2022). Unfortunately, municipalities have been slow to implement these measures, leading to a rise in financial wrongdoing, which Sebola (2021) estimates to have reached several billions of rand in unauthorised and irregular expenditure.

The Auditor-General's consolidated reports (2013–2019) show that these weaknesses are systemic and widespread. According to Matlala (2018), between 2015 and 2017, a large proportion of municipalities either failed to investigate audit findings or did so only partially. For the 2015/2016 fiscal year, the AGSA found that around 50% of municipalities did not investigate any findings, and 25% investigated only a few. By 2016/2017, negative findings persisted in 145 municipalities, demonstrating a lack of long-term corrective action. The MFMA 2019/2020 Consolidated General Report (AGSA, 2021) further highlighted that the declining state of local government has placed severe strain on public finances. The AGSA (2015:85) warned that when officials are not held accountable for misconduct, it sends a message to the public and other employees that such behaviour is acceptable, thereby normalising corruption and inefficiency.

At both the political and administrative levels, there is clear evidence of legislative and procedural violations, yet follow-through on accountability remains weak. The Auditor-General (2023) revealed that approximately 60% of municipalities continue to record poor audit outcomes due to recurring issues of unauthorised, irregular, fruitless, and wasteful expenditure. Despite these findings, few municipalities implement corrective action or recover lost funds. The AGSA identified 41 cases of material irregularities linked to financial losses resulting from poor resource utilisation, yet most responsible officials faced no disciplinary action. In a sample of 46 municipalities, 15% failed to report fraud-related complaints exceeding R100,000 to the South African Police Service (SAPS), while 28% did not investigate the claims at all (Parliamentary Monitiring Group, 2023). This widespread failure to act on financial misconduct demonstrates that accountability systems remain largely symbolic, with little enforcement or deterrence.

The absence of strong consequence management and proper SCM oversight has also led to inefficiencies and increased financial losses, which in turn heighten municipalities' dependence on external consultants. With constrained budgets and weak internal capacity, municipalities often resort to hiring consultants to address audit findings, manage procurement systems, and compile financial statements. However, as noted by the Auditor-General (2023), this has produced limited improvement, as consultants frequently address symptoms rather than systemic governance failures. The continued mismanagement of public funds coupled with irregular, wasteful, and unauthorised expenditure—reflects not only weaknesses in SCM processes but also a deeper failure of ethical leadership, institutional control, and compliance enforcement.

To restore credibility and efficiency in municipal SCM processes, municipalities must strengthen internal audit capacity, enforce consequence management, and implement transparent procurement systems that adhere to the MFMA and Public Finance Management Act (PFMA) principles. Building leadership accountability, institutional discipline, and an ethical culture of compliance is essential to reversing the cycle of mismanagement, irregular expenditure, and audit failure that continues to undermine local governance

2.6 THE CONCEPT OF OUTSOURCING BY GOVERNMENT INSTITUTION

Outsourcing, as defined by Badenhorst-Weiss and Nel (2008), refers to the process of acquiring goods and services that were previously performed internally by an organisation from external suppliers. It often involves the transfer of activities, assets, or personnel to an external service provider under a contractual arrangement. The defining features of outsourcing include the movement of in-house activities to external providers, the establishment of long-term relationships between the parties involved, and the exposure of the buyer to new cost and risk profiles associated with the external service delivery arrangement. Within public sector institutions, outsourcing has emerged as a strategic management tool designed to improve efficiency, reduce costs, and allow management to focus on core functions.

According to Bejleri et al. (2022), government institutions typically outsource either non-core support functions such as maintenance, catering, or administrative services—or, in some cases, critical operations where internal capacity is insufficient. The former aims at cost reduction, while the latter often takes the form of public-private partnerships (PPPs) designed to bridge capacity gaps. Outsourcing is thus not merely a cost-cutting exercise but a capacity-enhancing mechanism, particularly relevant in sectors where skill shortages and administrative inefficiencies hinder effective service delivery. In the South African context, outsourcing has been framed within the principles of the White Paper on the Transformation of the Public Service (WPTS) commonly known as the *Batho Pele White Paper* which advocates for public-private collaboration, rationalisation, and restructuring to create a more efficient and citizen-oriented public service (Badenhorst-Weiss & Ambe, 2011).

The Guidelines for Public-Private Partnerships (PPPs) classify outsourcing arrangements into various contractual forms, including short-term service contracts (e.g., cleaning and maintenance), management contracts (e.g., water supply management), leases, and longer-term concession or build-operate-transfer (BOT) agreements (Badenhorst-Weiss & Ambe, 2011). These contractual structures are designed to distribute operational risk, improve service quality, and enhance institutional performance. Notably, successful examples of outsourcing in South Africa such as the Department of Home Affairs outsourcing its first-line contact centre demonstrate how such initiatives can lead to significant improvements in efficiency, technological capacity, and service delivery. According to Meyer (2008), this outsourcing initiative resulted in a 536% increase in capacity to handle customer queries, with multilingual support and enhanced technological systems.

In the municipal sphere, the concept of outsourcing has become particularly relevant due to chronic human resource shortages, financial mismanagement, and weak institutional capacity. Many municipalities suffer from high vacancy rates in key positions especially within finance departments and frequent turnover of Chief Financial Officers (CFOs). This lack of skilled personnel has forced municipalities to increasingly depend on external consultants to manage core financial functions such as financial reporting, supply chain management, and audit preparation. In theory, this outsourcing should strengthen municipal capacity and ensure compliance with the Municipal Finance Management Act (MFMA); however, in practice, the opposite has often occurred. Municipalities have become *dependent* on consultants for recurring tasks, leading to escalating consultancy fees without measurable improvement in financial performance or audit outcomes (Auditor-General, 2022; Nzama, Moloi & Marx, 2023).

Outsourcing in this context reflects both the benefits and risks described in outsourcing theory. On one hand, it allows municipalities to access specialised skills, enhance compliance, and temporarily fill operational gaps. On the other hand, it exposes them to new risks, including cost inflation, loss of institutional knowledge, and reduced accountability. As Badenhorst-Weiss and Nel (2008) warn, outsourcing shifts the risk profile of an organisation especially in public institutions where governance and monitoring mechanisms are weak. The long-term reliance on consultants for core financial functions can erode internal capacity, weaken accountability, and undermine institutional sustainability. The Auditor-General (2023) has raised concern that despite municipalities spending over R1.6 billion on financial consulting services in 2021–2022, many continue to receive qualified audit opinions and fail to implement corrective measures, indicating that outsourcing has not translated into improved financial governance.

Moreover, municipal outsourcing practices often blur the line between strategic partnerships and crisis-driven contracting. Many municipalities engage consultants not as part of a planned outsourcing strategy but as a reactive measure to address audit findings, comply with reporting deadlines, or compensate for staff shortages. This reactive outsourcing, driven by administrative incapacity, tends to be costly, unsustainable, and poorly monitored. Inadequate contract management and weak oversight structures already evident in municipal supply chain management (SCM) processes further compound the risks of wasteful expenditure and irregular contracting (Toxopeüs, 2019; AGSA, 2019).

Resistance to outsourcing also exists within local government. Concerns about potential job losses, loss of data control, and reduced managerial authority make many municipalities hesitant to fully commit to external partnerships (Bejleri et al., 2022). However, the pressing need for technical expertise, combined with the institutional requirement to produce credible financial statements and comply with audit standards, continues to drive outsourcing decisions. As Mutiangpili (2010) notes, governments face the dual challenge of integrating data systems and maintaining public data integrity while leveraging private sector expertise. Thus, while outsourcing remains an important tool for improving municipal operations, its implementation must be carefully governed to avoid dependency, data security breaches, and long-term erosion of institutional autonomy.

In summary, the outsourcing of financial management and consultancy services in South African municipalities aligns with broader global public-sector reform trends that seek efficiency through external partnerships. However, in the South African context marked by poor financial management, inadequate supply chain governance, and high vacancy rates outsourcing has often evolved into a symptom of institutional weakness rather than a strategic tool for reform. Without strong contract management, transparent procurement, and effective oversight, outsourcing risks perpetuating inefficiency, escalating costs, and weakening the very institutional capacity it was intended to strengthen. Therefore, the challenge lies not in whether outsourcing should occur, but in ensuring that it is strategically aligned, transparently managed, and sustainably integrated into the governance framework of municipalities.

2.7 THEORETICAL FRAMEWORK

The study is grounded in three key theoretical perspectives Agency Theory, Participatory Budgeting Theory, and New Public Management (NPM) Theory which collectively provide the foundation for understanding the dynamics of financial management, accountability, and consultancy dependence in South African municipalities. The integration of these theories offers a multidimensional understanding of how governance, decision-making, and fiscal management practices shape municipal performance and the rising cost of outsourcing consultancy services. The insights gained from these theories guide the empirical investigation into how localised governance structures, financial capacity constraints, and institutional behaviour contribute to excessive consultancy fees in selected municipalities.

2.7.1 Application of Agency Theory

Agency theory is central to this study as it explains the relationship between principals (citizens and municipal councils) and agents (municipal officials, managers, and consultants) who act on their behalf. In a municipal context, the theory helps to unpack the accountability and trust relationship between those who govern and those who execute financial responsibilities. As depicted in the principal-agent relationship, municipal finance officers, managers, and external consultants are expected to act in the best interests of the principal the local community represented by the council by ensuring sound financial management and transparent decision-making (Gailmard, 2012; Selepe & Magagula, 2023). However, agency problems often arise when information asymmetry exists that is, when principals lack full visibility over the agent's actions. This is particularly relevant where municipalities outsource financial management and reporting functions to consultants. According to Jensen and Meckling (1976), divergent goals, differing levels of risk tolerance, and information gaps can cause conflicts of interest between principals and agents. In the case of South African municipalities, this misalignment manifests when consultants hired to improve financial reporting and compliance act in their own interest by charging excessive fees or failing to transfer skills, thereby undermining long-term capacity development.

Applying agency theory in this study helps assess how monitoring mechanisms, incentive structures, and governance systems can minimise agency problems between municipalities and consultants. It provides an analytical framework for understanding why municipalities become over-reliant on consultants, and how weak oversight, poor contract management, and inadequate internal controls contribute to high consultancy costs and poor performance. Furthermore, it clarifies the role of municipal executives (as agents) in ensuring that funds allocated for consultancy services yield measurable value for the public (the principal). The theory thus reinforces the importance of transparency, accountability, and performance monitoring as mechanisms for ensuring that external agents align their actions with municipal objectives (Khaile & Davids, 2021).

2.7.2 Application of Participatory Budgeting Theory

The study also adopts Participatory Budgeting Theory to examine how municipalities allocate funds for consultancy services and how community involvement or the lack thereof influences financial decision-making. Participatory budgeting emphasises the democratic engagement of citizens and stakeholders in determining how public funds are spent (Gilman, n.d.; Masiya & Makanza, 2009). In this context, it provides a framework for assessing whether municipalities make inclusive, transparent, and needs-based budgeting decisions when allocating resources to external consultants.

In theory, participatory budgeting enhances accountability and fosters public trust by allowing communities to contribute to budget decisions that affect them directly (Khutkyy, 2017; Pape & Lerner, 2016). However, in practice, many municipalities make top-down financial decisions without adequate consultation, which often leads to misallocation of resources — such as spending excessively on consultancy services while neglecting service delivery priorities. Applying participatory budgeting theory in this study highlights the disconnect between budgetary planning and community priorities and shows how strengthening participatory mechanisms could reduce wasteful expenditure on consultants by aligning financial decisions with citizen needs. Moreover, this theoretical lens complements the requirements of the Municipal Systems Act (2000) and the Municipal Finance Management Act (MFMA, 2003), both of which emphasise public participation, transparency, and fiscal accountability. The theory's application helps to evaluate how municipalities can use participatory budgeting processes to rationalise consultancy spending, improve oversight, and ensure that financial resources directly contribute to developmental outcomes.

2.7.3 Application of New Public Management (NPM) Theory

While not explicitly detailed in your previous text, the New Public Management (NPM) Theory forms the third conceptual pillar of this study. NPM aims to improve public sector organisations' efficiency, effectiveness, and service quality by adopting market-based approaches and performance-oriented management techniques. (Abdullahi, 2024). This theory is crucial for understanding why municipalities increasingly turn to outsourcing and consultancy services as part of their modernisation and reform strategies.

In the South African local government context, NPM principles underpin the move toward outsourcing technical and financial functions to private consultants, based on the belief that the private sector offers superior expertise and efficiency (Munzhedzi, 2020). However, this study reveals a paradox: while outsourcing aligns with NPM's drive for efficiency, in practice, it often results in cost escalation, dependency, and weakened internal capacity. The application of NPM theory allows the researcher to critically assess whether the reliance on consultants truly enhances municipal performance or merely shifts public responsibilities to private entities without delivering value for money (Indahsari & Raharja, 2020). By linking NPM with agency theory, the study examines how performance contracts, monitoring systems, and incentive structures can be designed to ensure that consultants deliver measurable improvements in financial management and service delivery. Furthermore, combining NPM with participatory budgeting theory underscores the need to balance managerial efficiency with democratic accountability, ensuring that outsourcing decisions do not alienate citizens from the budgeting process or erode public trust (Kraai, Ndevu, & Matsiliza, 2023).

2.8 RESEARCH GAP

Several scholars have conducted studies examining the financial performance of local governments in South Africa. For instance, Glasser and Wright (2020) focused on municipal financial distress, providing insights into the challenges faced by municipalities in maintaining fiscal stability. Similarly, Mishi, Mbaleki, and Mushonga (2022) explored the level of efficiency within municipalities and investigated how financial mismanagement specifically unauthorised, irregular, fruitless, and wasteful expenditure affects operational efficiency. Shaidi (2013) examined the causes of service delivery protests in South African municipalities, highlighting how inefficiencies and governance failures can impact public service outcomes.

While these studies provide valuable insights into municipal financial management and service delivery challenges, they primarily concentrate on general fiscal performance, mismanagement, and public dissatisfaction. There remains a notable gap in the literature regarding the specific factors that contribute to the escalating costs of external consultancy services and the subsequent impact of these costs on service delivery to citizens. Despite the increasing reliance of municipalities on external consultants to manage specialised functions, limited research has systematically examined how consultancy fees affect municipal financial stability, operational efficiency, and the quality of services provided to communities.

This study seeks to address this gap by investigating the factors driving high consultancy rates and analysing their implications for service delivery in selected municipalities in Limpopo and Mpumalanga. Furthermore, it aims to explore how these factors influence the overall financial stability of these municipalities, thereby contributing to both practical and theoretical understanding of municipal financial management in the South African context. By focusing specifically on consultancy expenditure, a critical yet underexplored aspect of municipal finances this research provides a nuanced perspective that extends beyond the findings of previous studies, offering evidence-based recommendations for improving fiscal prudence and service delivery outcomes.

2.9 CONCLUSION

Chapter 2 has offered an extensive examination of the theoretical frameworks that support this study, emphasising their significance in comprehending financial management and consultancy practices within South African municipalities. The chapter illustrated that Agency Theory is pivotal for analysing the dynamics between principals (municipalities and citizens) and agents (municipal officials and external consultants), especially in tackling issues related to accountability, information asymmetry, and the misalignment of interests. Agency Theory serves as the perspective through which the study investigates the challenges linked to outsourcing consultancy services, such as elevated fees, subpar performance, and inadequate oversight. The incorporation of Participatory Budgeting Theory further situates the study by highlighting the necessity of citizen and stakeholder involvement in municipal financial decision-making. This theory emphasises the requirement for inclusive, transparent, and accountable budgeting processes to guarantee that public funds including those allocated to external consultants are in harmony with community priorities and enhance service delivery. Moreover, New Public Management (NPM) Theory elucidates the overarching governance and administrative rationale for outsourcing municipal functions, accentuating the pursuit of efficiency, performance, and modernisation. When combined with Agency and Participatory Budgeting theories, NPM offers a framework for comprehending both the anticipated advantages of consultancy services and the potential risks of dependency, cost escalation, and diminished internal capacity. The chapter also examined the limitations of Agency Theory, including its presumption that principals are inherently virtuous while agents are inherently self-interested, which may not entirely reflect the complexities of municipal governance. Likewise, the practical implementation of participatory budgeting encounters obstacles where community engagement is either weak or applied inconsistently. The methodology adopted in the study is presented in the following chapter.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 INTRODUCTION

Research methodology refers to a systematic framework that delineates the procedures a researcher follows to collect, analyse, and interpret data to address a specific research problem. This structured approach ensures that the study is conducted in an organised and methodical manner, thereby enhancing the reliability and validity of the research findings (Swarooprani, 2022). The primary objective of research methodology is to provide clarity to the audience regarding key aspects of the study, including the rationale for conducting the research, the definition of the research problem, the formulation of hypotheses, the selection and collection of data, the choice of analytical techniques, and other related methodological considerations (Goundar, 2019).

There are ten sections in this chapter. The study's chosen research approach is described in the first section, and the research design is covered in the second. The study's underpinning research philosophy is covered in the third section, while the research strategy employed is presented in the fourth. The fifth section describes the target population, followed by the sixth section, which explains the sampling procedure. The seventh section elaborates on the data collection instruments used, and the eighth section presents the data analysis software and techniques applied. The ninth section addresses the methods employed to ensure the trustworthiness of the study, and the final section discusses the ethical considerations observed throughout the research process.

3.2 RESEARCH APPROACH

A research approach can be understood as a general plan or framework for conducting a study. It refers to the procedure chosen by the researcher to collect, analyse, and interpret data (Taherdoost, 2020). There are various research approaches that researchers can chose from, thus quantitative, qualitative, and mixed methods and are discussed in detail below:

3.2.1 Qualitative research approach

Qualitative research aimed to understand qualities, attitudes, and opinions, focusing on people's feelings, perceptions, and experiences regarding specific subjects (Swarooprani, 2022). It explored real-world problems in depth, providing insights that numerical data alone could not reveal. Unlike quantitative research, which collects measurable data and often tests hypotheses, qualitative research generated hypotheses by examining participants' experiences, behaviors, and perceptions (Swarooprani, 2022). It addressed questions of "how" and "why" rather than "how many" or "how much."

Qualitative research could be conducted as a standalone study relying entirely on qualitative data or as part of a mixed-methods approach, combining qualitative and quantitative data. At its core, it relied on open-ended questions that could not be easily quantified (Brannan & Brannan, 2022). Its design was often non-linear, reflecting the exploratory nature of the research process. A key strength of qualitative research lay in its ability to describe and explain human behaviour, uncovering processes and patterns that were difficult to measure numerically.

3.2.2 Justification of adopted qualitative research approach

The qualitative research approach was adopted because it emphasises understanding qualities, attitudes, and opinions, allowing the study to explore participants' feelings, perceptions, and experiences regarding high financial consultancy fees in local municipalities. Unlike quantitative research, which relies on numerical data, qualitative research enables the investigation of "how" and "why" questions, providing deeper insights into complex real-world issues that cannot be easily measured. This approach allowed participants to express themselves freely, capturing both verbal and non-verbal aspects of their experiences, and facilitated the identification of patterns, processes, and underlying factors influencing municipal financial decisions. Specifically, it helped to identify key factors driving high consultancy fees in two local municipalities in Limpopo and one in Mpumalanga, as well as to assess the impact of internal municipal financial management capacity on the reliance on consultants.

Furthermore, qualitative research offers flexibility in data collection and the ability to uncover ambiguities, new insights, and nuances that might be overlooked by conventional methods, making it the most appropriate approach for understanding the lived experiences and perspectives of study participants (Swarooprani, 2022). From an academic perspective, adopting a qualitative approach aligns with established research frameworks that emphasise context-rich, participant-centered inquiry, ensuring that findings reflect the complexity and depth of human behaviour in organisational settings (Islam & Aldaihani, 2022).

3.3 RESEARCH DESIGN

A research design is essentially the plan or structure of a study that serves as a roadmap for collecting and analysing data. Developing an appropriate research design is a critical step in the research process, as it guides researchers in determining the most effective methods to achieve their objectives while maintaining the integrity of the study. Research design provides a systematic framework for addressing research questions and dictates the analytical approaches required to achieve the intended outcomes (Khanday & Khanam, 2019). Without a clearly defined design, a researcher lacks direction and risks compromising the quality of the study. Throughout the research process, it is essential to minimise potential sources of error to ensure the validity and reliability of the study's findings (Sarwono, 2022). Research designs are typically categorised into three main types: explorative, descriptive, and explanatory.

Descriptive research aims to identify and describe the characteristics, patterns, and functions of a given population. Surveys and observations are commonly employed within this design. Its defining features include a structured and orderly approach, an emphasis on accuracy, and reliance on knowledge of pre-existing problems (Asenahabi, 2019). Since the objective of the present study was not to describe participant characteristics, a descriptive design was deemed inappropriate.

Exploratory research, on the other hand, is conducted to investigate issues that are not yet well defined. It helps in selecting the most suitable research design, data collection techniques, and participant selection methods (Cater et al., 2023). Exploratory research is cautious in drawing firm conclusions, as it often reveals that perceived problems may not be substantial. This type of research frequently employs qualitative methods, such as informal conversations with participants, reviewing existing literature, or analysing secondary data. More formal exploratory techniques include focus groups, in-depth interviews, projective methods, case studies, and pilot studies (Du Plooy-Cillers, Davis, & Bezuidenhout, 2021). The study adopted exploratory research design.

3.3.1 Adopted Research Design

This study adopted an exploratory research design due to its inherent flexibility, which allows researchers to gain in-depth insights into emerging issues or dynamic research contexts. Exploratory research is particularly suitable for studies where existing knowledge is limited, and the research aims to uncover patterns, relationships, or factors that may not yet be well understood (Du Plooy-Cillers, Davis, & Bezuidenhout, 2021).

The choice of an exploratory design was justified for several reasons. First, it enabled the identification of key ideas and validation of assumptions in areas undergoing continuous change, such as staff skills development and municipal financial management. Second, exploratory research is instrumental in guiding researchers to determine which aspects warrant deeper investigation and which research questions are most pertinent (Jain & Tiwari, 2020).

In the context of this study, the exploratory approach facilitated a nuanced understanding of the factors contributing to high financial consultancy fees in three local municipalities in South Africa. It allowed for the identification of key drivers of high consultancy fees in two municipalities in Limpopo and one in Mpumalanga, assessment of the impact of internal municipal financial management capacity on reliance on external consultants, analysis of how procurement policies and contracting processes influence consultancy costs, and comparison of consultancy fees across municipalities, considering differences in size, capacity, and economic conditions.

Given the expanding use of consultants, high staff turnover, and ongoing challenges in municipal skills development, an exploratory design was particularly appropriate. It enabled the researcher not only to identify underlying factors contributing to high consultancy costs but also to propose actionable strategies for municipalities to improve financial management and reduce dependency on external consultants. The exploratory research design provided the necessary flexibility and depth to investigate a complex, evolving phenomenon, making it the most suitable choice for this study.

3.4 RESEARCH PHILOSOPHY

Research philosophy refers to a set of beliefs and assumptions about the nature of reality and the development of knowledge within a particular area of study. It guides researchers in understanding how knowledge is generated and interpreted (Tamminen & Poucher, 2020). While the knowledge gained in any study may not necessarily result in groundbreaking theories, it contributes to the expansion of understanding by addressing specific problems or questions. The nature of the knowledge being investigated plays a crucial role in determining the appropriate research philosophy for a study (Chege & Otieno, 2020).

This study adopted an interpretivist research philosophy. The interpretivist paradigm emerged as a response to the limitations of applying the positivist approach to human and social phenomena (Du Plooy-Cillers, Davis, & Bezuidenhout, 2021). It emphasises understanding individuals within their social contexts, acknowledging the influence of environmental and social factors on human behaviour. According to Maree (2019), interpretivist research recognises that people create shared meanings through interaction and that social reality is inherently subjective.

The interpretivist approach was particularly suitable for this study because it allowed the researcher to engage directly with participants and gain insight into their perspectives and experiences regarding the factors contributing to high financial consultancy fees in local municipalities in South Africa. Through interviews, participants were able to share their unique backgrounds, experiences, and daily practices within the municipal environment. This approach enabled a nuanced understanding of the challenges faced by municipalities and the impact of consultancy fees on the public sector, providing rich, contextually grounded insights that could not be captured through purely quantitative methods.

3.5 RESEARCH STRATEGY

According to Jain and Tiwari (2020), a research strategy outlines the overall direction of a study and the methodology employed. It provides a structured framework by detailing the process of selecting subjects, the methods for engaging with participants, and the techniques for analysing collected data.

This study adopted a case study research strategy. Case study research enables the researcher to obtain in-depth and rich information about organisations, events, or individuals concerning a specific topic of interest (Coombs, 2022). Kekeya (2022) further noted that case study designs are particularly suitable for understanding complex situations. Case studies can be conducted as either single-case or multiple-case designs. In a single-case study, only one case is examined, whereas multiple-case studies involve the analysis of two or more cases (Coombs, 2022).

For this study, a multiple-case study research strategy was employed. This approach allowed the researcher to collect detailed qualitative data from each municipality, facilitating a comprehensive analysis of the complex factors influencing consultancy fees. The methodology supported an in-depth examination of how financial management consultancy services were acquired, negotiated, and managed, providing substantial data to inform evidence-based conclusions. The rich, contextual information obtained from each municipality enabled the development of robust recommendations tailored to the specific needs and challenges of local governments, thereby enhancing financial sustainability and improving the management of external consultancy services.

3.5.1 Justification of multiple case study research strategy.

The multiple-case study research design was deemed appropriate for this study as it allowed for an in-depth examination of the factors contributing to high consultancy fees within three municipalities: Chief Albert Lithuli, Letaba, and Lephalale. The case study approach is particularly suitable in contexts where there is limited understanding of the phenomenon under investigation and where few studies have been conducted on the topic. This situation reflects the South African municipal context, where there is insufficient evidence explaining why external consultants charge high fees when providing services to local government entities.

Each municipality experiences unique regional, organisational, and contextual challenges that may influence consultancy pricing and the management of financial resources. By adopting a multiple-case study design, the research was able to explore these differences systematically, enabling the identification of underlying trends and patterns that may not have been evident in a single-case study. Furthermore, this approach enhanced the external validity and generalisability of the findings, providing insights that could be relevant to other municipalities facing similar challenges. Ultimately, the use of multiple cases enriched the broader understanding of financial management practices and the factors driving consultancy costs within South African local governments.

3.6 POPULATION AND SAMPLING STRATEGY

The following section will provide a detailed explanation of the research population and the sampling technique employed in this study.

3.6.1 Target Population

The target population refers to the complete set of individuals or groups that a researcher intends to study and analyse (Willie, 2020). According to Du Plooy-Cillers, Davis, and Bezuidenhout (2021), the population of a study comprises individuals who are best suited to provide insights and respond meaningfully to the research questions. In this study, the target population consists of 1,101 employees from three municipalities: Chief Albert Luthuli Local Municipality (366), Lephalale Local Municipality (416), and Greater Letaba Municipality (319), as reported in the 2023/2024 annual reports. This population includes key municipal officials, consultants, and other relevant stakeholders involved in financial management and consultancy services.

This target population is particularly appropriate for the study because it encompasses the individuals directly responsible for and involved in the financial management processes under investigation. By focusing on this group, the study ensures that the collected data is both relevant and reliable, reflecting practical insights and experiences that are central to addressing the research questions. Furthermore, including employees from multiple municipalities enhances the representativeness of the findings, allowing for a more comprehensive understanding of practices and challenges across different municipal contexts.

3.6.2 Sampling Strategy

Sampling is a statistical analysis technique whereby researchers choose a certain number of observations from a bigger population. This method focuses on a smaller, more manageable subset, enabling researchers to examine large populations (Berndt, 2020). Sampling methods are generally classified into two main types: probability sampling, which is commonly used in quantitative research, and non-probability sampling, which is more suited to qualitative studies. In this study, non-probability sampling was employed.

Non-probability sampling was chosen because it enabled the researcher to select participants who possessed direct knowledge and expertise regarding the factors contributing to higher consultancy fees in the selected municipalities. The study focused on two municipalities in Limpopo and one in Mpumalanga. By utilising non-probability sampling, specifically purposive sampling, the researcher intentionally identified key informants, including municipal financial officers, procurement managers, and consultants. This targeted approach ensured that the participants selected could provide valuable insights into the specific conditions affecting the use of consultancy services in these areas insights that might not have been captured through random sampling methods.

Furthermore, given the exploratory nature of the study and the practical constraints of time and resources, non-probability sampling was the most appropriate choice (Memon, Thurasamy, Ting, & Cheah, 2025). The aim was to gather rich, detailed information from a focused group of participants rather than to generalize findings to a broader population. This method allowed the researcher to obtain relevant and significant data from individuals with firsthand experience, thereby facilitating a deeper understanding of the key factors driving high financial management consultancy fees in local municipalities (Digaetano, 2013).

3.6.3 Sampling Technique

A sampling frame refers to the process of selecting a smaller group of participants from a larger population for the purpose of study and analysis (Digaetano, 2013). In this study, the researcher employed judgmental sampling, also known as purposive sampling, which allowed participants to be selected based on the researcher's informed judgment. The target population was chosen specifically for their relevant knowledge and experience related to the topic under investigation.

Purposive or judgmental non-probability sampling enabled the researcher to intentionally select participants who could provide the most meaningful and relevant insights (Digaetano, 2013). In this study, participants with more than five years of work experience within the municipalities, particularly those involved in financial management and consultancy contracts, were selected to take part. This approach ensured that the participants possessed both practical expertise and direct exposure to the processes and challenges under investigation.

The selected sampling method was highly appropriate for the study because it focused on individuals most capable of providing detailed and informed responses. By targeting experienced municipal officials and consultants, the researcher was able to gather rich, in-depth data that closely aligned with the research objectives. Furthermore, purposive sampling increased the efficiency of the study by concentrating on participants whose insights were most relevant to understanding the factors influencing high consultancy fees in local municipalities, thereby enhancing the reliability and validity of the findings.

3.6.4 Size

The sample for this study comprised only adults who had been employed by the municipalities for a period exceeding five years; minors were not included. A total of fifteen (15) participants, including Chief Financial Officers, Budget Managers, and Supply Chain Managers, were approached to take part in the study. The researcher looked at 5 participants in each of the three municipality and participants were selected based on their extensive experience within the finance departments, particularly in managing and overseeing external contract fees.

All participants were informed that their involvement in the study was entirely voluntary and that they would not receive any form of remuneration for their participation. This approach ensured ethical compliance while allowing the researcher to gather insights from individuals with relevant expertise and firsthand knowledge of financial management and consultancy practices within the municipalities.

3.7 DATA COLLECTION

Data collection was the process of gathering and evaluating information from multiple sources to address research problems (Taherdoost, 2020). In this study, interviews were used to collect data. An interview is a data collection method commonly employed in qualitative research to obtain information from two or more participants through verbal questioning, allowing participants the freedom to respond in their own words (Du Plooy-Cilliers, Davis, & Bezuidenhout, 2021).

Interviews are classified as structured, semi-structured, or unstructured. Structured, or standardised, interviews used the same set of questions for all participants, facilitating the collection of comparable data and the identification of trends (Maree, 2019). Semi-structured, or general, interviews allowed for greater conversational flexibility based on participants' responses (Ruslin, Saepudin, Firdiansyah, & Hijrah, 2022). Unstructured interviews were informal and conversational, with no pre-determined questions posed by the researcher (Du Plooy-Cilliers, Davis, & Bezuidenhout, 2021).

In this study, data were collected using semi-structured interviews guided by an interview protocol, which enabled participants to articulate their thoughts, opinions, and experiences in their own words (Lahmer, 2022). This approach provided a balance between consistency across interviews and the flexibility to probe deeper insights relevant to the research objectives.

3.7.1 Administration of semi structured interviews

The data collection instrument was structured into four distinct sections. The first part collected the participants' demographic data. The second section addressed questions related to the study's first research objective, while the third section focused on questions corresponding to the second objective. The fourth section encompassed questions linked to the third objective, and the final section explored questions relevant to the fourth objective. To ensure comprehensive data collection, a semi-structured interview format was employed, involving at least five participants from each municipality.

Prior to data collection, the researcher obtained formal approval from the relevant municipal authorities. Following this approval, a consent letter was drafted to secure participants' agreement to take part in the study. A formal invitation was subsequently sent via email to confirm participants' availability and their preferred location or platform for the interview. Additionally, participants' permission was sought to audio-record the interviews. Interviews concluded once no further information could be obtained. With the assistance of administrative staff, the researcher scheduled interview times that accommodated participants' availability. Each interview lasted between 20 and 30 minutes. Participants were explicitly informed that they would not receive any compensation for their participation and that involvement was entirely voluntary.

The study did not involve sharing any data with third parties. All information collected from participants was used solely for academic research and maintained with strict confidentiality. No data were disclosed to or accessed by individuals or organisations outside the research team. Participants' identities were anonymised, and all records were securely stored in compliance with ethical research standards.

3.8 DATA ANALYSIS

Data analysis involves organising and preparing collected data to facilitate meaningful interpretation and derive valuable insights, representing a critical step in the research process (Mothobi, Edoun, & Naidoo, 2024). In this study, both thematic and comparative analyses were employed to examine the data. Using thematic analysis, the researcher systematically reviewed participants' responses, identified recurring patterns and themes, and organised these themes to extract significant insights from the unstructured textual data. Comparative analysis was subsequently applied to highlight similarities and differences across responses, enhancing the depth and rigor of the findings.

3.8.1 Thematic Analysis

Thematic analysis is a qualitative research method used to systematically organise and interpret complex data sets (Dawadi, 2020). In this study, thematic analysis was employed to identify, examine, and interpret recurring themes in the data. The researcher first transcribed the audio-recorded data from the semi-structured interviews into a Word document. The transcriptions were organised with line numbers and page numbers to facilitate easy reference. The researcher then carefully reviewed the transcribed data to clean and code it, ensuring that relevant information was accurately captured. Subsequently, similar codes were grouped together to identify overarching themes. These themes reflected the key factors contributing to high consultancy fees and poor procurement practices within the local municipalities. This systematic process allowed the researcher to extract meaningful insights and patterns directly from participants' experiences and perspectives.

3.8.2 Comparative Analysis

Comparative analysis is a method used to examine phenomena by identifying similarities and differences across cases or contexts (Mokhtarian Pour, 2016). In this study, comparative analysis was employed to evaluate the differing structures of consultancy fees, financial management practices, and procurement strategies across the three municipalities:

Chief Albert Luthuli, Greater Letaba, and Lephalale. The analysis focused on how factors such as governance quality, financial stability, and regional economic conditions influenced variations in consultancy fees. By systematically comparing these municipalities, the study identified both commonalities and differences, which helped to reveal trends and underlying factors contributing to increased consultancy costs. The insights gained from this analysis informed recommendations aimed at improving procurement practices and enhancing the overall effectiveness and value of consultancy services within the municipalities.

3.9 DATA STORAGE AND PROTECTION

Data collected from the semi-structured interviews were securely stored on a password-protected computer, accessible only to the researcher. Physical copies of the data were kept in a locked cabinet and scheduled for destruction after five years. Similarly, electronic data will be permanently deleted after the same period. Participants were informed that they could request access to the study's findings if they wished to review them.

3.10 PILOT STUDY

A pilot study was a small-scale investigation conducted to test the reliability and validity of the research instrument, ensuring that it accurately measured what it was intended to measure (Shakir & Rahman, 2022). Through the pilot study, the researcher was able to identify questions that required modification or clarification. Ten participants were selected to take part in the pilot study based on their availability and convenience. These participants completed the pilot study during their lunch breaks to minimise disruption to their work schedules. The individuals who participated in the pilot study were not included in the main data collection process. The findings from the pilot study were used to revise and refine any questions that participants had identified as unclear, thereby enhancing the clarity and effectiveness of the research instrument for the main study.

3.11 TRUSTWORTHINESS

Since the primary aim of qualitative research was to examine and understand a particular phenomenon within its context, trustworthiness was adopted as the standard for assessing the study's validity and reliability (Du Plooy-Cilliers, Davis, & Bezuidenhout, 2021).

According to Grove and Gray (2019), the credibility of a research study must be evaluated through its transferability, dependability, confirmability, and overall trustworthiness.

3.11.1 Credibility

When participants were able to recognise the reported findings as reflecting their own experiences, it indicated that the qualitative research findings were credible (Ugwu & Eze Val, 2023). In this study, semi-structured interviews were audio-recorded, providing a reliable reference to the original data. This approach allowed participants the opportunity to confirm that their authentic perspectives had been accurately represented in the result.

3.11.2 Transferability

When participants were able to recognise the reported findings as reflecting their own experiences, it indicated that the qualitative research findings were credible (Ugwu & Eze Val, 2023). In this study, semi-structured interviews were audio-recorded, providing a reliable reference to the original data. This approach allowed participants the opportunity to confirm that their authentic perspectives had been accurately represented in the result.

3.11.3 Dependability

Dependability is defined as the use of data audit trails that connect data collection, analysis, and the themes identified within the data (Du Plooy-Cilliers, Davis, & Bezuidenhout, 2021). In this study, the researcher systematically coded and identified recurring themes that emerged from the participants' responses during the semi-structured interviews, which were fully transcribed. All labelled transcriptions are provided in Annexure F of the research report to ensure transparency and traceability of the analysis process.

3.11.4 Confirmability

Confirmability refers to the neutrality and objectivity of the data, ensuring that the researcher's biases or personal preferences do not influence the findings (Jengwa, 2021). In this study, identical questions were posed to each participant using an interview guide. The researcher also asked follow-up questions when participants were unable to respond to certain aspects of the initial questions. To facilitate understanding and ensure accurate responses, questions were rephrased as needed. For transparency, all interview transcriptions included these follow-up questions. Confirmability was further ensured by allowing peers to review the study reports and all relevant data, thereby guaranteeing that the findings remained objective and unbiased.

3.12 ELIMINATION OF BIAS

The researcher minimised potential bias by ensuring that the research questions were clear and by maintaining a neutral stance throughout the data collection process. No offensive or leading questions were posed to participants. Purposive non-probability sampling was employed to reduce selection bias, allowing for a diverse range of perspectives to be represented. Data collection continued until a point of saturation was reached, where no new information or insights emerged from the participants' responses.

3.13 ETHICAL CONSIDERATIONS

In the realm of business and management, the ethical considerations surrounding the methodology of research are often deemed more significant than the specific subject matter being investigated (Remenyi, 1998). This methodological inquiry encompasses three key dimensions: the collection of data, the challenges related to data processing, and the application of the results. It is essential for participants involved in business management studies to be informed about various aspects and to receive a set of guarantees (Sekaran, 1992, cited in Remenyi, 1998).

3.13.1 Ensure Participants have Given Informed Consent

Informed consent referred to the process by which participants were fully aware of the objectives and focus of the study before agreeing to take part (Du Plooy-Cilliers, Davis, & Bezuidenhout, 2021). It was a key ethical consideration in research involving interviews, as participants were required to voluntarily provide permission to participate (Gray, 2019). In this study, participants were informed about the purpose of the research, the nature of the data being collected, and how the data would be handled following the conclusion of the study. An invitation email accompanied by an information letter was sent to participants prior to data collection. Before commencing the interviews, participants signed a consent form indicating their voluntary agreement to participate. The informed consent process assured participants that their identities would remain anonymous and that pseudonyms would be used to safeguard confidentiality. Participants were also made aware that they could withdraw their consent at any stage during the interview process and that no compensation would be provided for their participation.

To further ensure that participants were fully informed about the study and their role, copies of the information letter, Annexure A, were provided, and an informed consent form, Annexure H, was signed by each participant. The consent form also granted permission for the interviews to be audio-recorded for the purposes of the research.

3.13.2 Ensure Participants Do Not Suffer Any Harm

Although avoiding harm in research involving interviews can be challenging, the type of interaction with participants depended on the nature of the study and the subject matter under investigation (Du Plooy-Cillers, Davis, & Bezuidenhout, 2021). To address ethical considerations, study participants did not experience any harm during the research. Participants were not coerced by senior management or executives to take part in the study, and no information was collected under duress. It was made clear to participants that there would be no consequences if they chose to discontinue participation at any stage. During the interviews, participants were informed that the data would be used solely for research purposes and that they would be notified of any changes in how the data was handled, allowing them to provide renewed consent if necessary.

3.13.3 Maintain Confidentiality and Anonymity

Confidentiality and privacy were key considerations in this study. Privacy focused on limiting the type of information disclosed about study participants. The researcher was responsible for safeguarding the participants' public image (Cacciattolo, 2015) and ensured that all participant data was managed in a confidential and anonymous manner. Measures were taken to control potential access to the data and to monitor the sharing of information with any third parties. To protect participants' identities, unique pseudonyms were assigned to each participant. Data were stored for a period of five years. Electronic data were kept on a password-protected computer, accessible only to the researcher, while hard copies were stored in a locked cabinet and shredded after the retention period.

3.13.4 Ensure Participant Privacy

The privacy of the participants was preserved by anonymising all interview records. All references to the participants' names and personally identifiable information were eliminated, and their names changed to participate 1 up to 7.

3.13.5 Obtain Permission and Approval

Formal letters requesting permission to conduct the study were submitted to the three municipalities in Limpopo, all of which granted approval.

Chapter Summary

The study's research design, methodologies, and the justification behind adopting a qualitative approach were all explored in this chapter. This chapter provided insights about the study's research approach. Non-probability sampling was chosen because it enabled the researcher to select participants who possessed direct knowledge and expertise regarding the factors contributing to higher consultancy fees in the selected municipalities. A total of fifteen (15) participants were selected, five (5) from each municipality and interviews were used to gather qualitative data. Thematic analysis was used to aid in the researcher's interpretation of the results. The study's limitations and ethical concerns were also covered.

CHAPTER 4: DATA ANALYSIS

4.1 INTRODUCTION

The aim of this study was to examine the factors contributing to high financial management consultancy fees: a case study of three local municipalities in South Africa, two in Limpopo and one in Mpumalanga. The data gathered from semi-structured interviews is analysed in this chapter, which is divided into three parts. An outline of the demographic chracteristics of the participants is given in the first section. The data analysis in relation to the study objectives is presented in the second section. The chapter concludes with a summary of the key findings in the final section.

4.2 RESPOND RATE OF THE PARTICIPANTS

Although ten people consented to participate in the study, only seven (7) took part. Despite providing consent, three (3) participants were unable to attend their scheduled appointments due to other work commitments. This resulted in a response rate of 70%, which indicates a moderately high level of participation. While the reduced number of respondents may slightly limit the breadth of perspectives captured, the data from the seven participants still provided sufficient insights to address the research objectives and draw meaningful conclusions.

4.3 DEMOGRAPHICS OF THE PARTICIPANTS

The first section presents the participants' general characteristics, usually referred to as demographic questions. To make it clear to the reader who the study findings pertain to and shed light on the generalisability, the fundamental features of the participants are intended to provide them information about the number and kind of research participants. The participants' age, gender, years of service, and educational background were their general characteristics. The years of service are the initial attribute of the participants.

The first demographic question was on age of participants.

Table 4.3.1: Age of Participants

Age	%
35-40	72%
41-45	28%
Total	**100**

According to Table 4.1, seventy-two percent (72%) of the participants were between the ages of 35 and 40, while twenty-eight percent (28%) were between the ages of 41 and 45. This age distribution indicates that the majority of participants were in the mid-career stage, suggesting that they likely possessed substantial professional experience and familiarity with financial management and consultancy processes. Consequently, the perspectives provided by these participants are expected to be informed and relevant, enhancing the credibility and depth of the study's findings.

The second demographic question was on the Gender of the participants.

Table 4.3.2: Gender of Participants

Gender	%
Male	43%
Female	57%
Total	**100**

According to Table 4.2, forty-three percent (43%) of the participants were male, while fifty-seven percent (57%) were female. This distribution indicates a relatively balanced representation of genders, which helps ensure that the study captured diverse perspectives and experiences. The inclusion of both male and female participants enhances the comprehensiveness of the findings and supports a more nuanced understanding of the factors contributing to high financial management consultancy fees.

The third demographic question was on the participants years of service.

Table 4.3.3: Years of services

Years	%
1 - 5 Years	0%
6 -10 Years	43%
11 - 15 Years	14%
16 - 20 Years	43%
Total	**100**

Table 4.3 presents the years of service of employees working in local government. Forty-three percent (43%) of the participants had ten years of experience, fourteen percent (14%) had thirteen years, and forty-three percent (43%) had twenty years of experience. No participants had less than five years of service. These results indicate that all participants possessed extensive experience within the municipal environment, particularly in financial management and consultancy-related roles. The high level of experience among participants enhances the reliability and depth of the study's findings, as their insights are informed by substantial professional exposure and practical knowledge of the factors influencing consultancy fees.

The fourth demographic question was on the educational background of the participants.

Table 4.3.4: Educational Background

Level of Education	% of participants
BCom Accounting Degree	57%
Advance/ Post Graduate Diploma accounting sciences	29%
National Diploma in Accounting	14%
Total	**100%**

According to Table 4.4, fifty-seven-point fourteen percent (57.14%) of participants held a BCom Accounting degree, twenty-eight-point fifty-seven percent (28.57%) held an advanced postgraduate diploma in accounting sciences, and fourteen-point twenty-nine percent (14.29%) held a National Diploma in Accounting. These results indicate that most participants possessed formal and advanced qualifications in accounting, suggesting a strong foundation of technical knowledge relevant to financial management and consultancy practices. This educational background enhances the credibility of the study's findings, as participants are well-equipped to provide informed and accurate insights into the factors contributing to high consultancy fees within local municipalities.

The following section presents the analysis of the general research questions in relation to the study's objectives. Analysis of the information gathered from semi-structured interviews is presented in the second section. To maintain their anonymity, participants were assigned unique names during the interviews, e.g., Participant 1.

4.4 DATA ANALYSIS

The researcher asked the participants to describe the role of financial management consultants and key factors that contribute to high financial management consultancy fees in the municipalities and participants respond are provided below:

Theme 1: Skills shortage or lack of expertise

"Participants mentioned: 1, 5, and 7 stated that "there is a shortage of skills, and sometimes projects are not properly monitored. This happens because people lack the relevant expertise; as a result, the municipality often outsources individuals, even in areas such as IT, to oversee various processes".

The findings revealed that a significant contributing factor to the high consultancy fees within local municipalities was the persistent shortage of skills among municipal officials. Participants 1, 5, and 7 highlighted that inadequate skills and poor project monitoring often compelled municipalities to outsource specialised functions, even in technical areas such as information technology (IT).

"There is a shortage of skills, and sometimes projects are not properly monitored. This happens because people lack the relevant expertise; as a result, the municipality often outsources individuals, even in areas such as IT, to oversee various processes". Participant 5.

"The municipality hire consultants because there is lack of willingness to learn from the municipal officials. Participant 4.

"The lack of skills, particularly in IT and Accounting, is a major issue when the municipality hires staff". Participant 2.

"The rates charged by these professionals vary significantly some are very expensive and it is often difficult to transfer skills because many officials lack the necessary qualifications in these fields." Participant 6.

These findings are consistent with existing literature, which indicates that capacity constraints and inadequate technical expertise remain critical challenges facing local municipalities in South Africa (Koma, 2019; Masiya, Davids, & Mangai, 2019). According to Madumo (2020), municipalities often depend on external consultants to compensate for internal capacity deficits, particularly in areas requiring specialised financial management and IT expertise. However, this dependence leads to increased consultancy costs and limits institutional knowledge retention. Furthermore, Naidoo (2021) observes that the inability of municipalities to attract and retain skilled professionals contributes to inefficiencies and over-reliance on consultants, thereby escalating operational costs.

The lack of skill transfer identified by participants aligns with the arguments of Cloete (2020), who asserts that consultants frequently perform core functions without empowering municipal staff, perpetuating a cycle of dependency. The absence of structured capacity-building initiatives and inadequate motivation among officials, as noted by Participant 4, also reflect the governance and accountability weaknesses highlighted in the literature (Reddy, 2016). Addressing these issues requires sustained investment in human capital development, improved monitoring mechanisms, and a stronger culture of accountability within municipal administrations.

Theme 2: Lack of capacity

The findings indicated that human resource capacity constraints were a major factor contributing to the high consultancy fees and inefficiencies in local municipalities. Participants 2, 3, and 4 observed that the issue of capacity was closely linked to the qualifications and cost of personnel, noting that "appointing someone with a master's degree would be more expensive than someone with a diploma." This suggests that municipalities often prioritised cost-saving over competence when recruiting officials, leading to the employment of less qualified personnel. Participant 7 further emphasised that the organisational structure is limited which affects certain functions in municipalities. Therefore this highlights how structural limitations within municipalities exacerbate capacity challenges, as lean staffing structures hinder effective distribution of responsibilities and the completion of key financial management tasks.

"There is serious capacity in terms of human resource skills and also the expertise, the organisational structure is limited hence certain functions lag behind, and consultants are hired". Participant 7.

"More than anything it is capacity, appointing someone with a master's degree would be more expensive versus a someone with a diploma. "Participant 3

These findings are consistent with existing literature, which identifies human resource capacity shortages as a persistent challenge within South African local government (Koma, 2019; Masiya, Davids, & Mangai, 2019). According to Madumo (2020), many municipalities lack adequately qualified professionals to manage complex administrative and financial functions, forcing them to rely heavily on external consultants. Reddy (2016) similarly notes that municipalities often recruit underqualified staff due to budgetary constraints and uncompetitive salary structures, resulting in limited institutional capacity and inefficiencies in service delivery.

Furthermore, Naidoo (2021) argues that the imbalance between organisational structures and staffing needs weakens the ability of municipalities to perform specialised functions internally. This is particularly evident in smaller or rural municipalities, where narrow organisational structures typically composed of a Chief Financial Officer, a few managers, and limited junior staff create excessive workloads and skill gaps. The present findings mirror this pattern, as the study revealed that such structural limitations restricted internal capacity, leading to frequent outsourcing of financial management and consultancy functions.

The cost-based hiring practices described by participants also align with the observations of Cloete (2020), who asserts that municipalities often prioritise affordability over competence when appointing officials. This not only limits access to highly skilled professionals but also perpetuates dependence on consultants. Over time, this reliance undermines internal knowledge transfer and institutional sustainability (Koma & Mokoena, 2021).

Theme 3: Lack of gap-analysis and project monitoring

The findings revealed that ineffective project management and insufficient monitoring mechanisms significantly contribute to the escalation of consultancy costs within local municipalities. Participant 2 observed that “consulting projects are poorly managed, and municipalities pay consultants when closeout reports are submitted,” further explaining that payments are often processed “without stringent scrutiny of the invoices.” This indicates a lack of proper oversight and quality assurance processes in consultant engagements. Participant 4 reinforced this point by stating that “there is poor project monitoring because a lot of times consultants allocate time to areas where they are working, and there’s no management to monitor the number of hours spent on those deliverables.” This suggests that the absence of robust time-tracking and performance evaluation systems allows consultants to operate without sufficient accountability.

“Consulting projects are poorly managed, and municipalities pay consultants when closeout reports are submitted” Participant 2.

“The municipality pay because consultants have submitted a closeout report without stringent scrutiny of the invoices” Participant 3.

There is poor project monitoring because a lot of times consultants would be allocating time to areas where they were working and there's no management to monitor the number of hours spent on those deliverables” Participant 4.

Participant 6 highlighted the importance of proactive oversight, noting that “before the consultant is appointed, there needs to be a gap analysis, and not only monitoring of the consultants’ work, but a reduction plan that is reviewed by Treasury.” This view underscores the need for municipalities to conduct proper needs assessments before engaging consultants and to implement mechanisms that ensure continuous evaluation and cost control.

Before the consultant is appointed, there needs to be a gap analysis. And not only monitoring the work of the consultants but take a reduction plan in place which is reviewed by Treasury”. Participant 6.

These findings align with existing literature, which identifies weak contract management, poor oversight, and the absence of performance monitoring as persistent governance challenges within South African municipalities (AGSA, 2022; Reddy, 2016; Koma, 2019). According to Moji, Nhede, & Masiya, (2022), many municipalities lack the institutional capacity to monitor consultancy contracts effectively, resulting in consultants being paid in full regardless of whether deliverables meet the required standards. Similarly, Abdulai, Salakpi, and Nassè (2021) argues that weak enforcement of service level agreements (SLAs) and limited internal audit capacity led to inefficiencies and excessive consultancy costs.

The literature further supports that ineffective monitoring undermines accountability and transparency in financial management (Masiya, Davids, & Mangai, 2019). When project managers fail to compare invoices against SLAs or terms of reference as revealed in this study it creates opportunities for overbilling, inflated costs, and substandard work delivery. Furthermore, the lack of gap analyses prior to consultant appointments, as highlighted by Participant 6, reflects a reactive rather than strategic approach to consultancy engagement, which is also noted by Cloete (2020) as a recurring problem in the public sector.

Theme 4: Consequence management

The findings reveal a persistent lack of accountability and ineffective leadership within the municipality, which significantly undermines its ability to achieve budgetary and governance objectives. Participants' responses illustrate that performance management processes are inconsistently applied and largely confined to senior management levels. Participant 5 noted that performance in the municipality is primarily measured at senior levels, while junior officials do not undergo appraisals. This absence of formal performance reviews or agreements among junior staff makes it difficult to enforce consequence management, creating an environment where underperformance and irregularities go unaddressed.

Performance in the local municipality is measured at senior level; junior officials do not get appraisals thus it will be difficult to even institute consequence management". Participant 5

Participant 6 further emphasised the weakness of accountability mechanisms by stating that stakeholders fail to hold senior management accountable or to exert pressure for effective consequence management. This observation highlights a critical gap in oversight and governance, suggesting that accountability is not only weak at the operational level but also absent at the leadership level. When senior officials themselves are not held responsible, the culture of accountability erodes throughout the institution.

"Stakeholders do not put pressure on senior managers to take accountability and enforce consequence management. Theres is no one holding leadership accountable". Participant 6.

Similarly, Participant 7 indicated that accountability is not clearly embedded in key administrative tools such as Service Level Agreements (SLAs) and project management frameworks. Consequently, when material irregularities or financial losses occur, there is no clear process or responsible individual to be held to account. This lack of structural accountability reinforces the perception that consequence management is either optional or politically constrained.

"Accountability is not derived from SLA and project management hence when there is material irregularities linked to financial losses there is no one to be consequence"
Participant 7.

These findings are consistent with the observations of the Auditor-General South Africa (2023), who reported that approximately 60% of municipalities received poor audit outcomes due to ineffective governance practices, limited oversight, and weak enforcement of accountability. The Auditor-General's findings mirror the issues identified in this study, where the absence of strong, capable, and committed leadership contributes to poor financial governance and irregular expenditure.

Furthermore, the findings suggest that political interference exacerbates these governance challenges. As a politically charged institution, the municipality's decision-making processes and disciplinary actions are often influenced by political dynamics. Participants reported that even when forensic investigations are conducted, managers fail to institute appropriate disciplinary measures. This pattern reflects a broader issue within local government, where political considerations frequently override administrative accountability, thereby weakening institutional integrity.

Theme 5: *Consulting is a business*

The findings highlight a critical challenge in municipal financial management: the over-reliance on external consultants and the resulting lack of capacity and accountability among municipal officials. Participant 5 observed that service providers sometimes withhold information, delaying projects and charging additional fees. Participant 6 added that consultants often prioritise their independence, preferring to operate as private professionals rather than as government employees, which limits knowledge transfer and capacity building.

“In some cases, service providers limit information to the municipal officials, so they delay projects and charge more for such information” Participant 5.

“But people also want to be autonomous, they want to manage their companies and take advantage of government. Consultants prefer to be employed as professionals and not as officials” Participant 6.

These findings are supported by the literature. According to Rich, (2023), the outsourcing of critical financial functions to external consultants without sufficient oversight can weaken institutional capacity, as municipal officials remain dependent on external actors to perform tasks they should ideally manage. This dependency reduces internal skills development and creates risks for transparency and accountability. Similarly, Al Balushi (2021) argues that over-reliance on consultants can foster a culture of impunity and non-compliance, where municipal staff are unable to take full responsibility for financial processes, leaving them vulnerable during audits.

The participants’ accounts also reveal that consultants sometimes perform key financial activities, such as compiling journals and AFS entries, without proper consultation or documentation. This aligns with Enwereji and Uwizeyimana, (2019), who notes that when critical operational knowledge is concentrated in external parties, municipalities lose control over reporting and decision-making, undermining financial governance and accountability. Such practices increase the risk of irregularities and mismanagement, as municipal officials are forced to explain or justify transactions, they did not author or fully understand.

Furthermore, the findings underscore the profit-driven motives of consultants, who prioritise their business interests over institutional development. This reflects broader concerns raised in the literature that consultants may exploit municipal weaknesses, creating a dependency cycle that limits the development of sustainable internal systems (Ylönen & Kuusela, 2019). Without proper training and transfer of skills, municipal officials remain ill-equipped to operate financial management systems independently, which contributes to poor audit outcomes, a concern repeatedly noted by the Auditor-General South Africa (2023).

Theme 6: Improper Supply chain management processes

The AGSA 2020-2021 report highlighted that a significant factor contributing to irregular expenses in municipalities is the failure to comply with supply chain management (SCM) laws. Issues such as poor contract management, unfair procurement methods, and insufficient payment procedures were identified as ongoing challenges. Although procurement is governed by preferential procurement laws and the Municipal Finance Management Act (MFMA), municipalities often fail to implement cost containment measures or proper SCM procedures, particularly when hiring consultants. This non-compliance is evident in the specifications, bid documents, and advertisements preceding the appointment of successful bidders. Participants in the study further illustrated these challenges: Participant 1 noted the absence of a dedicated buyer responsible for monitoring quoted prices against the market, while Participant 2 highlighted that bids often attract only a small pool of interested bidders, undermining proper SCM processes. Participant 7 emphasised that municipalities fail to operationalise cost containment measures, even when circulars and policies exist, and Participant 4 observed that consultants are sometimes retained longer than necessary, contravening supply chain regulations, as CFOs prioritise avoiding the risk of losing their audit opinions. Collectively, these findings underscore systemic weaknesses in procurement governance and the need for stronger oversight and adherence to SCM laws.

"There is no position of a buyer, who will be responsible to monitor the prices quoted and compare to the market" Participant 1.

"When a bid is advertised there is a small pool of bidders that are interested which affects the proper SCM processes" Participant 2.

“Municipalities fail to incorporate cost containment measures; circulars adopted and translate them into policies” Participant 7

“Keeping consultants for a longer period than needed, which contravenes the supply chain regulations because the CFOs are just not willing to take that risk of losing the audit opinion”. Participant 4

The researcher also asked the participants the extent that internal municipal capacity influence the reliance on financial management consultants and participants responded as follows:

Theme 7: Skills and Expertise Gap

The findings reveal that municipalities experience a significant internal capacity gap in managing complex financial functions. Participants noted that there are insufficient skilled personnel to handle tasks such as financial reporting, compliance, budgeting, and auditing, leading to a heavy reliance on external consultants to fill these gaps. One participant remarked, “We don’t have enough skilled staff internally, so we rely heavily on consultants to manage complex financial reporting and compliance tasks,” while another stated, “When the municipality lacks capacity in certain technical areas, such as budgeting or auditing, consultants are brought in to fill the gap.” These insights suggest that internal staff development and skills transfer are limited, leaving municipalities dependent on external support, which can increase operational costs and risk long-term inefficiencies.

“We don’t have enough skilled staff internally, so we rely heavily on consultants to manage complex financial reporting and compliance tasks.” Participant 3

“When the municipality lacks capacity in certain technical areas, such as budgeting or auditing, consultants are brought in to fill the gap.” Participant 6.

This finding aligns with the literature on municipal financial management, which emphasises that limited internal capacity is a key driver of reliance on external consultants (Musonda & Banda, 2018; Van der Waldt, 2016). According to Van der Waldt (2016), municipalities with inadequate technical skills often outsource core financial management functions, not only to ensure compliance with statutory requirements but also to mitigate the risk of audit qualifications. Similarly, Musonda and Banda (2018) argue that while consultants provide necessary expertise, over-reliance can hinder the development of sustainable internal capacity, creating a cycle of dependency that undermines long-term governance and accountability.

The researcher further asked participants to explain how procurement policies and contracting processes impact consultancy costs in local municipalities and participants responded as follows:

Theme 8: Insufficient Staff Training and capacity development

When asked how procurement policies and contracting processes influence consultancy costs, participants highlighted that limited internal capacity, driven by insufficient staff training, increases reliance on external consultants. Participant 5 stated, "Each year we complete the skills development forms, but no training is assigned. The only training attended are those organised by National Treasury," illustrating that formal mechanisms for staff development exist but are not effectively implemented. Similarly, Participant 4 noted, "There is a 1% of the employee cost budget that is allocated to training, but a lot of the training is not really concentrated to finance," highlighting that even when funds are available, they are often misaligned with critical financial management needs. Participant 3 added, "Training happens on a very slow pace because of budget constraints," pointing to financial limitations as a barrier to building internal capacity.

"Training happens on a very slow pace because of budget constraints". Participant 3

"There is a 1% of the employee cost budget that is allocated to training, but a lot of the training is not really concentrated to finance". Participant 4

"Each year we complete the skills development forms, but no training is assigned". Participant 5

Collectively, these insights suggest that procurement policies and contracting processes are indirectly affected by the municipality's internal skills gap. Because staff are not adequately trained, municipalities rely on consultants to perform complex financial functions, which increases consultancy costs. The lack of targeted training also means that even when procurement policies aim to control costs and ensure compliance, municipalities are unable to implement them efficiently without external expertise. This aligns with literature that emphasises a strong link between internal capacity, staff development, and the need for outsourced consultancy in local government (Musonda & Banda, 2018)

Theme 8: Internal Capacity and Procurement Constraints Driving Variations in Consultancy Fees

The researcher further asked the participants to explain how consultancy fees compare across the three municipalities, which differ in size and economic status, and participants responded as follows:

The findings indicate that consultancy fees in municipalities vary significantly depending on size, economic status, and internal governance practices.

Participant 1 highlighted that *"Smaller or less economically attractive municipalities may attract fewer bidders, potentially driving consultancy fees higher due to limited competition,"* suggesting that municipalities with smaller budgets or limited appeal to service providers face higher costs due to a lack of competitive bids.

Participant 3 observed that "Municipalities fail to incorporate cost containment measures; circulars adopted and translate them into policies," indicating that even when policies exist, poor implementation of cost-control measures contributes to increased consultancy expenditures.

Furthermore, Participants 7 noted *that "Keeping consultants for a longer period than needed, which contravenes the supply chain regulations because the CFOs are just not willing to take that risk of losing the audit opinion,"* highlighting a tendency to retain consultants beyond necessity as a risk-avoidance strategy, which further inflates fees.

These findings align with the literature on municipal financial management and procurement. According to Kuruneri, (2025), smaller or resource-constrained municipalities often face higher reliance on external consultants due to limited internal capacity and reduced competition in procurement processes. Similarly, Musonda and Banda (2018) emphasise that weak implementation of cost containment measures and governance frameworks can lead to inefficiencies and increased expenditure on consultancy services. Retaining consultants longer than necessary, as highlighted by the participants, reflects the risk-averse culture in municipalities, where CFOs prioritise audit compliance over cost efficiency a practice noted in several studies as contributing to inflated consultancy costs (Kuruneri, 2025).

The findings suggest that consultancy fees are influenced by municipal size, economic status, procurement competitiveness, cost containment practices, and risk-averse decision-making. Municipalities with weaker internal capacity and governance mechanisms tend to incur higher consultancy costs, highlighting the need for strengthened internal skills development, rigorous cost control, and improved procurement oversight to manage expenditure effectively.

The researcher asked the participants to explain how municipal financial health and budget limitations influence spending on consultancy services and participants responded as follows

Theme 9: Reliance on consultants due to budget shortfalls

The findings highlight that municipal financial health and budget constraints have a direct impact on consultancy spending, largely due to limited internal capacity and financial management challenges. Participant 1 noted that *"Due to limited budget allocation, we often cannot hire enough internal staff which forces us to rely on expensive consultants for complex financial tasks,"* reflecting a common pattern in local government where staff shortages and budget limitations necessitate outsourcing technical expertise (Van der Waldt, 2016).

Similarly, Participant 2 observed that *"Budget constraints mean we have to prioritise certain projects, and consultancy services often take a backseat unless required for compliance or audit purposes,"* emphasising that resource prioritisation often delays or limits consultancy engagement, unless statutory obligations demand immediate attention (Hurl & Werner, 2024.).

Participant 3 stated, "*Poor financial management and insufficient funds make it difficult to implement cost-containment measures, resulting in higher spending on external consultants,"* indicating that ineffective financial governance and weak internal controls exacerbate reliance on costly external services (Tunçalp, 2025).

Participant 4 added that *"When the municipality's finances are tight, we try to balance between paying consultants and developing internal capacity, but often the short-term need for expertise wins out,"* highlighting the trade-off between immediate operational needs and long-term capacity building, a phenomenon noted in studies on municipal financial management (Tunçalp, 2025).

Collectively, these findings align with existing literature showing that budgetary limitations, inadequate internal capacity, and weak financial controls increase dependence on external consultants, often at higher costs, while also limiting opportunities for sustainable skills development within municipalities. This underscores the need for municipalities to strengthen internal capacity, implement effective cost-containment strategies, and improve financial governance to reduce long-term reliance on external consultancy services (Tunçalp, 2025)

Theme 10: Municipalities lack to invest in training

The findings indicate that insufficient and poorly targeted training in municipal finance departments undermines staff competency and negatively impacts the quality of financial services. Participants highlighted that lack of continuous training and limited allocation of resources for finance-specific development restricts staff capacity to perform complex financial tasks effectively. For example, Participant 1 noted that "*Lack of targeted and continuous training limits staff competency, which can negatively affect the quality of financial services delivered by the municipality*," while Participant 2 emphasised that "*Insufficient allocation of training resources specifically for finance staff hinders skill development, compromising the quality and accuracy of financial management and reporting*." Participants 3 also highlighted that "*Training happens on a very slow pace because of budget constraints*," and Participants 4 added that "*Delays in skills development due to financial limitations reduce staff effectiveness, ultimately impacting the overall quality of municipal financial services and compliance with regulations*." These responses collectively demonstrate that budget limitations and inadequate focus on skills development compromise both service quality and regulatory compliance.

This interpretation aligns with existing literature. Amanda, (2024) asserts that municipal service quality is closely linked to internal capacity and staff competency, and that insufficient training can lead to inefficiencies and errors in financial management. Zakaria(2025) further note that skill gaps in finance departments increase dependency on external consultants, raising costs and potentially affecting the reliability of financial reporting. The author further highlighted that financial constraints limiting professional development can reduce compliance with regulations and the overall effectiveness of municipal operations.

Lastly the researcher asked the participants if there are any strategies that municipalities adopt to reduce dependency on costly financial consultants and participants responded as follows:

Theme 11: Training

The findings indicate that municipalities recognise the need for proactive strategies to reduce dependency on costly financial consultants, primarily through structured training, skills transfer, and financial oversight. Participant 1 emphasised that "*Training should be made compulsory and planned every year*," suggesting that regular, mandatory training could strengthen internal capacity and reduce reliance on external consultants. Participant 2 added that "*Skills transfer be made compulsory and that the contracts sign an agreement that consultants agree that they transfer the skills*," highlighting the importance of embedding skills transfer clauses in consultancy contracts to ensure that knowledge is retained within the municipality. Participants 5 stressed that "*Proper monitoring and evaluation of the invoices that the municipalities do not overspend on consulting fees*," indicating that financial controls and oversight mechanisms are crucial in managing consultancy costs effectively.

These findings are supported by the literature. Mphahlele and Zandamela, (2021) notes that structured capacity-building programs and skills transfer are key strategies for municipalities to develop internal expertise and reduce external dependency. Similarly, Ncoyini and Cilliers, (2020). argue that embedding skills transfer requirements in consultancy contracts ensures that municipalities benefit from knowledge retention and sustainable capacity development. Nyombi, (2022) emphasises that financial monitoring and evaluation of consultancy expenditures prevent overspending and improve accountability, which is critical in resource-constrained municipal settings.

4.5 CONCLUSION

This chapter analysed the elements that affect municipal dependence on external financial consultants, the role of internal capacity, and methods to control consultancy expenses. The results indicate that a lack of internal expertise, insufficient targeted training, and budgetary limitations significantly heighten reliance on external consultants for intricate financial tasks. Participants noted that inadequate staff proficiency, slow skills development, and poor execution of capacity-building programs adversely impact the quality of financial services and adherence to regulations. Moreover, the results suggest that the financial health of municipalities, budgetary constraints, and inefficient procurement practices affect consultancy costs, with smaller or financially limited municipalities incurring higher fees due to reduced competition and postponed cost-containment strategies.

Participants pointed out that municipalities frequently prioritise immediate operational requirements over long-term capacity enhancement, thereby reinforcing their dependence on external expertise. The chapter also recognised possible strategies to diminish reliance on expensive consultants, such as mandatory and well-structured training, formalised skills transfer agreements within consultancy contracts, and rigorous monitoring of consultancy spending. These strategies are consistent with existing literature, which emphasises that investing in internal capacity, ensuring knowledge transfer, and establishing strong financial controls are vital for enhancing service quality, cost-effectiveness, and sustainability in municipal financial management.

In summary, the chapter highlights that developing internal financial capacity, improving staff skills, and instituting effective oversight mechanisms are crucial for municipalities to lessen their dependence on external consultants, enhance compliance, and provide high-quality financial services. These findings lay the groundwork for creating practical interventions aimed at strengthening municipal financial management in future chapters. The next chapter present findings and recommendations of the study.

CHAPTER 5: FINDINGS AND RECOMMENDATIONS

5.1 INTRODUCTIONS

This chapter presents the findings on the factors contributing to the high financial consultancy rates in three municipalities in Limpopo. The chapter is organised into three sections: the first section discusses the findings from the literature review, the second section presents the results of the primary research, and the final section provides a summary of the chapter.

5.2 FINDINGS FROM THE LITERATURE REVIEW

- **To identify the factors driving high financial management consultancy fees in the two local municipalities in Limpopo and one in Mpumalanga**

The literature emphasises that political interference and weak consequence management further compound the challenges posed by reliance on consultants. When accountability mechanisms are not enforced and disciplinary measures are inconsistently applied, underperformance and irregularities often go unaddressed (Auditor-General of South Africa, 2023; Reddy, 2016). Participants in the study highlighted that performance evaluations are frequently confined to senior officials, leaving junior staff without formal appraisals or incentives to improve, which fosters a culture of non-accountability. This situation allows both consultants and municipal officials to operate without sufficient oversight, perpetuating inefficiencies and undermining the municipality's capacity to manage critical financial and administrative functions effectively (Naidoo, 2021; Rich, 2023).

Additionally, the literature identifies structural and procedural deficiencies in supply chain management as a key driver of consultancy dependence and inflated costs. Limited procurement expertise, small pools of qualified bidders, and the absence of dedicated roles to monitor market pricing reduce the effectiveness of municipal SCM processes (Cloete, 2020; Auditor-General of South Africa, 2023). As participants noted, keeping consultants longer than necessary or circumventing proper procurement procedures increases expenditure and exposes municipalities to regulatory risks. This reinforces the argument that strengthening internal capacity, implementing cost-containment policies, and enforcing compliance with procurement regulations are critical for reducing over-reliance on external consultants and ensuring sustainable municipal governance (Enwereji & Uwizeyimana, 2019; Ylönen & Kuusela, 2019).

According to (Wessels, Khwaza, & Ijeoma, 2021) there is a leadership crisis in local government, which frequently leads to weak accountability systems, misappropriation of public funds, deterioration of public accountability, administrative disarray, corruption, and a lack of consequence management. Participant 6 further emphasised the weakness of accountability mechanisms by stating that stakeholders fail to hold senior management accountable or to exert pressure for effective consequence management. This observation highlights a critical gap in oversight and governance, suggesting that accountability is not only weak at the operational level but also absent at the leadership level.

Inadequate skills and limited institutional capacity are among the most significant factors affecting the performance of local governments in South Africa (Moji, Nhede, & Masiya, 2022). When municipalities lack adequately qualified personnel, the likelihood of financial mismanagement and operational errors increases substantially (Abdulai, Salakpi, & Nassè, 2020). The persistence of under-skilled and under-trained municipal officials continues to hinder the efficiency and effectiveness of local government (Mamogale, 2016). Participant 5 outlined that there is a shortage of skills, and lack of project management skills. This happens because people lack the relevant expertise thus as a result, the municipality often outsources certain functions and individuals to oversee various processes.

Vacancy rates, which highlight the number of unfilled positions, along with turnover rates, have created significant hurdles for various municipalities across South Africa (Mofolo, 2015). As pointed out by Kgobe and Selepe (2024), high vacancy rates can lead to heavier workloads, which in turn can sap motivation and contribute to employee burnout. According to the Auditor-General of South Africa (2023), Chief Financial Officers typically stay in their positions for an average of 45 months, while the finance departments of municipalities face an average vacancy rate of 20%. Participants 2, 3, and 4 observed that the issue of capacity was closely linked to the qualifications and cost of personnel, noting that “appointing someone with a master’s degree would be more expensive than someone with a diploma.” This suggests that municipalities often prioritised cost-saving over competence when recruiting officials, leading to the employment of less qualified personnel.

- **To what extent do internal municipal capacity influence the reliance on financial management consultants**

Internal municipal capacity is a critical determinant of reliance on financial management consultants. Municipalities with limited human resources, inadequate technical expertise, and constrained organisational structures often lack the ability to perform specialised financial functions internally, necessitating the engagement of external consultants (Koma, 2019; Masiya, Davids, & Mangai, 2019). Madumo (2020) argues that reliance on consultants is particularly pronounced in areas such as financial management and information technology, where municipalities frequently lack staff with the requisite qualifications. This dependence increases operational costs, reduces internal knowledge retention, and limits opportunities for capacity building within municipal administrations.

Further, Naidoo (2021) observes that an imbalance between organisational structures and staffing needs exacerbates the over-reliance on consultants, especially in smaller or rural municipalities with narrow hierarchies and limited personnel. Cloete (2020) emphasises that consultants often perform core functions without transferring skills to municipal staff, creating a cycle of dependency. Weak capacity is also associated with poor governance and accountability, as municipalities fail to implement cost containment measures, monitor project delivery effectively, or ensure adherence to supply chain regulations (Auditor-General of South Africa, 2023; Enwereji & Uwizeyimana, 2019; Reddy, 2016). Consequently, the literature consistently shows that municipalities with stronger internal capacity are better able to perform financial management tasks in-house, reducing both consultancy reliance and costs, while weak capacity perpetuates dependency and inefficiency.

- **To examine procurement policies and contracting processes impact consultancy costs in local municipalities**

The findings indicate that procurement policies and contracting processes significantly affect consultancy costs by influencing internal capacity and staff development. Procurement procedures are often not thoroughly followed, and some staff are new or inexperienced, lacking sufficient understanding of the processes. This skills gap underscores the need for targeted training to ensure compliance, improve efficiency, and reduce unnecessary reliance on external consultants. Without proper training and adherence to procurement protocols, municipalities risk overspending and perpetuating dependence on costly consultancy services. Additionally, failure to implement procurement policies consistently can lead to inefficiencies, delays, and increased financial risks. Strengthening staff capacity and providing continuous, finance-focused training are therefore critical measures to enhance compliance, control costs, and build sustainable internal expertise

- **To compare across the three municipalities of different sizes and economic statuses**

The findings reveal that consultancy fees across municipalities differ considerably due to factors such as municipal size, economic capacity, and the effectiveness of internal governance practices. Smaller or less economically active municipalities tend to experience higher consultancy costs due to limited competition among service providers, as fewer bidders are often interested in such contracts. This limited market competition drives consultancy fees upward, placing additional financial strain on already resource-constrained municipalities. Moreover, the findings indicate that inadequate implementation of cost-containment measures and poor translation of policy directives into practice exacerbate consultancy expenditures. Municipalities that fail to enforce financial control policies effectively are therefore more susceptible to overspending. Additionally, a pattern of retaining consultants for extended periods -often beyond the scope of necessity-emerges as a risk-avoidance measure, particularly where municipal officials seek to maintain compliance or avoid negative audit outcomes. This practice further inflates consultancy fees and undermines financial efficiency. Overall, the findings suggest that economic disparities, weak governance practices, and risk-averse managerial behaviour collectively contribute to the inconsistent and often elevated consultancy costs observed across municipalities.

- **To examine municipal financial health and budget constraints that affect consultancy spending**

The reviewed literature collectively highlights that municipalities often struggle to balance immediate operational priorities with long-term capacity development, a challenge that significantly contributes to their reliance on external consultants. Tunçalp (2025) points out that when municipalities face financial constraints, they tend to prioritise short-term solutions, such as hiring consultants to meet urgent compliance or reporting requirements, rather than investing in sustainable internal capacity. While this approach may temporarily address pressing needs, it perpetuates a cycle of dependency on external expertise and limits institutional growth and self-sufficiency.

Moreover, the literature consistently identifies budgetary limitations, lack of skilled personnel, and weak financial oversight as core factors driving this dependency (Tunçalp, 2025). These weaknesses not only increase consultancy costs but also result in missed opportunities to strengthen in-house financial management skills. Amanda (2024) supports this by emphasising that the quality of municipal service delivery is directly linked to the competency of internal staff, and insufficient training or skill development leads to inefficiencies and financial mismanagement. Similarly, Zakaria (2025) notes that skills shortages within finance departments heighten reliance on consultants, thereby escalating costs and undermining the accuracy and reliability of financial reporting.

The literature also indicates that limited investment in staff training and professional development, often due to financial constraints, reduces compliance with financial regulations and weakens overall organisational effectiveness. Collectively, these findings underscore the importance of strategic investment in human capital, capacity building, and robust financial governance as essential measures to reduce long-term dependence on external consultants and enhance the sustainability of municipal financial management.

- **To recommend strategies that municipalities can adopt to reduce dependency on costly financial consultants**

The literature highlights several strategies that municipalities can adopt to reduce reliance on external financial consultants. Mphahlele and Zandamela (2021) note that structured capacity-building programs and skills transfer initiatives are essential for developing internal expertise and fostering self-sufficiency within municipalities. Similarly, Ncoyini and Cilliers (2020) argue that including skills transfer requirements in consultancy contracts ensures that municipalities retain valuable knowledge and build sustainable internal capacity over time. In addition, Nyombi (2022) emphasises the importance of effective financial monitoring and evaluation of consultancy expenditures, as these practices help prevent overspending and strengthen accountability, particularly in municipalities operating under financial constraints. Collectively, the literature suggests that investing in staff development, institutionalising skills transfer, and implementing strong financial oversight are critical measures for enhancing municipal efficiency and reducing long-term dependency on external consultants.

5.3 FINDINGS FROM PRIMARY DATA

- **To identify the factors driving high financial management consultancy fees in the two local municipalities in Limpopo and one in Mpumalanga**

The findings reveal that high consultancy fees in municipalities are largely driven by a persistent shortage of skills and expertise among municipal officials. Limited capacity in critical areas such as information technology and accounting forces municipalities to outsource specialised functions, often at high costs. Professionals with these skills charge premium rates, and the insufficient qualifications of existing staff hinder effective skill transfer. In addition, a lack of willingness among officials to upskill themselves further entrenches reliance on external consultants. This pattern aligns with literature indicating that capacity constraints and inadequate technical expertise remain significant challenges within South African municipalities, leading to increased dependence on external service providers and limited institutional knowledge retention.

Human resource capacity constraints further exacerbate consultancy costs. Municipalities often prioritise cost savings over competence, employing less qualified personnel due to budget limitations. Lean organisational structures result in uneven task distribution and delays in completing essential functions, necessitating consultant intervention. These findings reflect broader patterns observed in South African local government, where a shortage of qualified professionals and narrow organisational structures weaken internal capacity, reduce efficiency, and drive reliance on external consultants.

Ineffective project management and insufficient monitoring mechanisms also contribute to escalating consultancy costs. Consultants are frequently paid without stringent scrutiny of invoices, and there is little oversight of time allocation or deliverables. The absence of gap analyses and pre-engagement assessments means that municipalities often engage consultants without clear plans for their roles or outputs, creating opportunities for inefficiencies and cost inflation. Literature corroborates these observations, highlighting weak contract management, poor oversight, and limited performance monitoring as persistent governance challenges that increase consultancy expenditures.

The study further highlights weak accountability and ineffective leadership as critical issues. Performance management is largely restricted to senior officials, while junior staff rarely receive formal appraisals, making consequence management difficult. Political interference and lack of enforcement exacerbate these challenges, allowing irregularities and underperformance to persist unchecked. This mirrors findings from the Auditor-General and other studies, which show that governance weaknesses, insufficient oversight, and poor enforcement of accountability mechanisms contribute to financial mismanagement in municipalities.

Consultants themselves often operate with autonomy, prioritising their business interests over municipal capacity development. Instances of withholding information or performing key tasks independently limit knowledge transfer and perpetuate reliance on external expertise. This dynamic reflects broader concerns that over-reliance on consultants can undermine internal skills development, reduce transparency, and create a cycle of institutional dependency, ultimately compromising audit outcomes and financial governance.

Inefficient supply chain management further inflates consultancy costs. Municipalities frequently lack dedicated procurement staff, face limited competition among bidders, fail to implement cost-containment measures, and retain consultants longer than necessary. These deficiencies undermine compliance with procurement regulations and exacerbate dependence on costly external services. Collectively, the findings demonstrate that high consultancy fees result from the interplay of skills shortages, limited human resource capacity, weak project monitoring, ineffective accountability, consultant-driven practices, and flawed supply chain management. Addressing these challenges requires strategic investment in human capital, structured training and skills transfer, strengthened monitoring and accountability frameworks, and improved procurement governance to reduce reliance on external consultants and enhance municipal efficiency.

- **To what extent do internal municipal capacity influence the reliance on financial management consultants**

The findings indicate that internal municipal capacity has a direct and significant influence on the reliance on financial management consultants. Municipalities with limited human resources, inadequate technical expertise, and constrained organisational structures are more likely to outsource critical financial functions. For example, smaller or less economically attractive municipalities attract fewer bidders for contracts, which, combined with limited internal expertise, drives consultancy fees higher and reinforces dependence on external consultants. This shows that weak internal capacity not only increases costs but also limits municipalities' ability to manage financial functions independently.

Additionally, procedural and governance weaknesses within municipalities amplify this reliance. The failure to implement cost containment measures, translate circulars into actionable policies, and monitor contract durations properly reflects gaps in capacity that leave financial management processes vulnerable. Retaining consultants longer than necessary to avoid audit risks illustrates how limited internal skills and decision-making authority force municipalities to depend on external expertise. Overall, the study suggests that the extent of reliance on financial management consultants is closely tied to the adequacy of internal municipal capacity, highlighting the need for targeted skills development, stronger governance, and effective supply chain management.

- **Understand how do procurement policies and contracting processes impact consultancy costs in local municipalities**

The findings indicate that procurement policies and contracting processes significantly affect consultancy costs by influencing internal capacity and staff development. Procurement procedures are often not thoroughly followed, and some staff are new or inexperienced, lacking sufficient understanding of the processes. This skills gap underscores the need for targeted training to ensure compliance, improve efficiency, and reduce unnecessary reliance on external consultants. Without proper training and adherence to procurement protocols, municipalities risk overspending and perpetuating dependence on costly consultancy services. Additionally, failure to implement procurement policies consistently can lead to inefficiencies, delays, and increased financial risks. Strengthening staff capacity and providing continuous, finance-focused training are therefore critical measures to enhance compliance, control costs, and build sustainable internal expertise. Promoting training transfer into jobs in the local municipalities is necessary to carry out the capacity development strategies effectively and efficiently. This will help to ensure that resources are not wasted and that the goals and effects of the strategies are achieved. However, another issue is upon completion of the training, most of employees were not given the chance to apply what they had learnt in training in their current position. This appears to be yet another demotivating factor that hinders the effectiveness of training.

- **To compare across the three municipalities of different sizes and economic statuses**

The findings reveal that consultancy fees across municipalities differ considerably based on factors such as municipal size, economic capacity, and the effectiveness of internal governance practices. Smaller or less economically active municipalities tend to experience higher consultancy costs due to limited competition among service providers, as fewer bidders are often interested in such contracts. This limited market competition drives consultancy fees upward, placing additional financial strain on already resource-constrained municipalities. Moreover, the findings indicate that inadequate implementation of cost-containment measures and poor translation of policy directives into practice exacerbate consultancy expenditures.

Municipalities that fail to enforce financial control policies effectively are therefore more susceptible to overspending. Additionally, a pattern of retaining consultants for extended periods often beyond the scope of necessity emerges as a risk-avoidance measure, particularly where municipal officials seek to maintain compliance or avoid negative audit outcomes. This practice further inflates consultancy fees and undermines financial efficiency. Overall, the findings suggest that economic disparities, weak governance practices, and risk-averse managerial behaviour collectively contribute to the inconsistent and often elevated consultancy costs observed across municipalities.

- **To examine municipal financial health and budget constraints that affect consultancy spending**

The findings reveal that insufficient and poorly targeted training within municipal finance departments significantly undermines staff competency and diminishes the quality of financial services delivered. The lack of continuous professional development and limited allocation of resources for finance-specific training restricts employees' ability to manage complex financial reporting, compliance, and administrative functions effectively. Furthermore, the slow pace of training implementation often a result of persistent budget constraints hampers the timely development of essential skills required for efficient financial management. These shortcomings contribute to reduced staff performance, weakened adherence to financial regulations, and an overall decline in service delivery standards. Collectively, the findings suggest that municipalities' failure to prioritise structured and continuous skills development compromises both operational efficiency and regulatory compliance, thereby reinforcing dependency on external consultants to fill critical capacity gaps.

- **To recommend strategies that municipalities can adopt to reduce dependency on costly financial consultants**

The findings reveal that municipalities acknowledge the importance of adopting proactive strategies to reduce dependence on costly financial consultants. The results show that regular, compulsory training programs are viewed as essential for strengthening internal capacity and minimising reliance on external expertise. Furthermore, the inclusion of formal skills transfer clauses in consultancy contracts is identified as a key mechanism to ensure that knowledge and technical expertise are retained within the municipality, thereby promoting long-term sustainability. The findings also highlight the need for proper monitoring and evaluation of consultancy expenditures to prevent overspending and enhance accountability. Overall, the evidence suggests that structured training, mandatory skills transfer, and strong financial oversight are critical strategies for improving municipal financial capacity and reducing dependency on external consultants.

5.4 RECOMMENDATIONS

For the municipalities address the challenge of hiring high costly consultants, scholars have proposed various recommendations.

- Require all project managers and oversight staff to undergo certified project management training. Conduct regular project monitoring with documented evidence of work completed, milestones achieved, and budget utilisation.

- Adopt spending controls like provincial government practices. Departments submit weekly payment requests with estimated amounts. Monitor adherence to approved budgets and reconcile all expenditures against releases to prevent overspending. Municipal revenue collection may be enhanced by putting in place automated invoicing systems, debt recovery techniques, and flexible payment plans. Public-private partnerships (PPPs) can also maximise service delivery and financial resources and further promoting public participation in budgetary processes

- Appoint proactive leaders who facilitate rather than interfere with consultants' work. Integrate municipal staff into structured programs like the Municipal Finance Management Programme (MFMP) to build finance capacity. Leadership should ensure staff apply skills learned in these programs to improve municipal financial management.

- Require all project managers and oversight staff to undergo certified project management training. Conduct regular project monitoring with documented evidence of work completed, milestones achieved, and budget utilisation.

- To address the low staff morale stemming from insufficient implementation of performance management systems, a strategy for work practices and an enhanced, effectively administered Performance Management System (PMS) should be established for local governance in both municipalities.

- The municipalities must create their own capacity development plan that incorporates the practice of monitoring, assessing the processes, and results of capacity initiatives. In light of this, it is also advised that each municipality establish and operationalise a monitoring and evaluation committee. The committee's primary duties should be to supervise, monitor, and assess the implementation and outcomes of initiatives aimed at increasing the capability of municipal employees.

- In order to help council members and municipal officials understand their duties and obligations with regard to consequence management and accountability, the Treasury created the CMA framework, which should be thoroughly operationalized. Therefore, it is recommended that the executive mayor's office drive the CMA framework's implementation, with assistance from the speaker and municipal managers. Disciplinary boards have to be established in accordance with municipal laws on misconduct. Further there should be a mandate that, subject to measurable performance targets and conditional funding release, all municipalities submit yearly implementation plans for consequence management to the Department of Cooperative Governance and Traditional Affairs (COGTA). These changes are essential to making institutions accountable and establishing municipalities as credible, community-focused service providers.

- Regulations 3(2) and 5 of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings provides guidance on dealing with financial misconduct, fraud and other improper conduct relating to supply chain management. If the municipality fails to investigate the allegation, the national or provincial treasury may intervene or direct that the allegation be investigated. After completing a full investigation, the investigator/investigating team must submit a report to the mayor or accounting officer with any findings, recommendations or disciplinary steps to be taken. The accounting officer must take reasonable steps to institute disciplinary or criminal proceedings against any official who has allegedly committed financial misconduct or a financial offence; and report indicators of fraud, corruption or other criminal conduct to the South African Police Service.

- Cover-quoting, fabrication, and awarding contracts to businesses with state-employed directors were found to be three problems for all municipalities who participated in the study. Therefore, using cross-functional sourcing teams (CFSTs) to handle demand management tasks is recommended. To evaluate potential suppliers before granting a contract, municipalities may consider investing in risk management tools such as the LexisNexis Procure Check.

- To carry out the mandates of the current comprehensive and strong supply chain regulations, municipalities must hire individuals with the necessary training and expertise. To fulfil their responsibilities without acting out of fear or favouritism, people must possess the necessary will and dedication. The comprehensive CIPS Database of Procurement Professionals was developed by the Chartered Institute of Purchasing and Supply (CIPS). The main goal of this database is to provide prospective employers with information about supply chain specialists. Additionally, the CIPS examines and "identifies the most suitable candidates" using the computer-based CIPS competency evaluation process (Smart Procurement, 2012d).

- The strict and consistent involvement of primary stakeholders in Local government was regularly raised by participants such as Local Government Sector Education and Training Authority (LGSETA), the Department of Cooperative Governance and Traditional Affairs (CoGTA), the South African Local Government Association

(SALGA), and the Auditor-General. A comprehensive evaluation survey of the proficiency and experience of HR professionals in each of the 257 municipalities has to be carried out. Regular changes to MSR standards will be informed by insights from Workplace Skills Plans (WSPs), with CoGTA, SALGA, and LGSETA spearheading this ongoing initiative with support from by policy analysts and legal counsel.

- Establish a succession planning policy to lessen the possible negative effects of staff turnover in situations when officials cannot be kept on, as when they retire. To find out why employees are leaving the organisation, municipalities need to have an exit management plan or policy that includes exit interviews. The data acquired from exit interviews need to be utilised efficiently as a strategy to establish a more favourable workplace. Additionally, the data collected may be useful for creating a plan or policy for staff retention.

5.4 CONCLUSION OF THE STUDY

The study concludes that high financial management consultancy fees in the selected municipalities are primarily driven by persistent internal capacity constraints. Limited human resources, inadequate technical expertise, narrow organisational structures, and insufficiently skilled personnel compel municipalities to outsource specialised financial functions. This reliance is further exacerbated by weak project monitoring, ineffective governance, and procedural lapses in procurement and contract management. Smaller or less economically active municipalities face higher consultancy costs due to limited competition and the need to retain consultants longer than necessary to mitigate audit risks. Overall, the interplay of skills shortages, lean staffing, governance weaknesses, and risk-averse managerial practices creates a cycle of dependency on costly external consultants, undermining institutional knowledge retention and operational efficiency.

Internal municipal capacity was found to directly influence reliance on consultants. Municipalities with stronger internal expertise and adequate staffing are better able to perform financial management functions independently, reducing both consultancy reliance and associated costs. Conversely, weaknesses in skills, experience, and organisational structures amplify dependence on external service providers. Procedural gaps, such as inconsistent implementation of cost-containment measures and poor adherence to procurement policies, further magnify this reliance. Economic disparities among municipalities also affect consultancy expenditures, with smaller or resource-constrained municipalities incurring higher fees due to limited competition and prolonged consultant engagement. Collectively, the findings underscore the importance of targeted human capital development, structured skills transfer, effective governance, and rigorous monitoring mechanisms to enhance internal capacity, reduce reliance on external consultants, and improve municipal financial management outcomes.

5.5 Recommendations for future research

- Future research should explore the long-term effectiveness of internal capacity-building interventions in reducing municipal reliance on high-cost consultants. Longitudinal studies could assess whether initiatives such as certified project management training, the Municipal Finance Management Programme (MFMP), and other skills development programmes result in measurable improvements in financial management performance and cost savings over time.

- Further studies are recommended to examine the impact of leadership styles and governance practices on consultant dependency. Specifically, research could analyse how proactive versus interventionist leadership influences project outcomes, skills transfer, staff morale, and institutional knowledge retention within municipalities.

- There is also a need for research into the effectiveness of consequence management frameworks, such as the Consequence Management Accountability (CMA) framework, in improving accountability and reducing financial misconduct. Comparative studies across municipalities that have fully operationalised the framework versus those that have not would provide valuable insights.

- Future research could investigate the role of monitoring and evaluation (M&E) committees in strengthening institutional capacity. This may include assessing how formalised M&E structures influence project oversight, budget control, and the sustainability of capacity development initiatives.

- Another area for future inquiry is the use of technology and automated systems in enhancing municipal revenue collection and financial controls. Research could evaluate the cost-effectiveness of automated invoicing systems, debt recovery tools, and risk management platforms (such as supplier vetting systems) in reducing financial leakages and procurement irregularities.

- Further studies should also focus on human resource management practices, particularly succession planning, staff retention strategies, and performance management systems (PMS). Examining the relationship between staff turnover, morale, and reliance on consultants would contribute to a deeper understanding of internal capacity challenges.

- Lastly, comparative research across different categories of municipalities (urban vs. rural, economically active vs. resource-constrained) is recommended to better understand how economic context, market competition, and institutional size influence consultancy costs and dependence patterns.

5.5 SUMMARY

This chapter examined the factors driving high financial management consultancy fees in two local municipalities in Limpopo and one in Mpumalanga, with a focus on internal municipal capacity, procurement processes, municipal size and economic status, financial health, and potential strategies to reduce dependence on consultants. The findings reveal that high consultancy costs are primarily caused by persistent internal capacity constraints. Limited human resources, insufficient technical expertise, narrow organisational structures, and inadequately skilled personnel compel municipalities to outsource specialised financial functions. Weak project monitoring, ineffective governance, and lapses in procurement and contract management further exacerbate these costs. Overall, the chapter underscores how a combination of skills shortages, lean staffing, governance weaknesses, and risk-averse managerial practices creates a cycle of dependency on costly external consultants.

The chapter also highlights that internal municipal capacity has a direct influence on the reliance on consultants. Municipalities with stronger internal expertise, adequate staffing, and robust governance can manage financial functions independently, reducing consultancy dependence and associated costs. Conversely, weaknesses in skills, procedural adherence, and organisational structures amplify reliance on external service providers. Procurement policies and contracting processes were identified as key factors influencing consultancy costs, with gaps in staff training and inconsistent implementation contributing to inefficiencies and overspending. Additionally, economic disparities among municipalities affect consultancy expenditures, with smaller, resource-constrained municipalities experiencing higher fees. The chapter concludes by emphasising the importance of targeted human capital development, structured skills transfer, effective governance, continuous training, and rigorous monitoring mechanisms to strengthen internal capacity, enhance financial management efficiency, and reduce dependence on costly consultants.

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ANNEXURES

Interview Guide

Annexure E_Interview Questions guide May

Ethical Clearance

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Sample of Participant Consent form

Signed Consent form.pdf