



SCM & PROCUREMENT CONFERENCE REPORT

02-03 MAY 2019

IN COLLABORATION WITH
THE CFO FOUNDATION & KZN COGTA



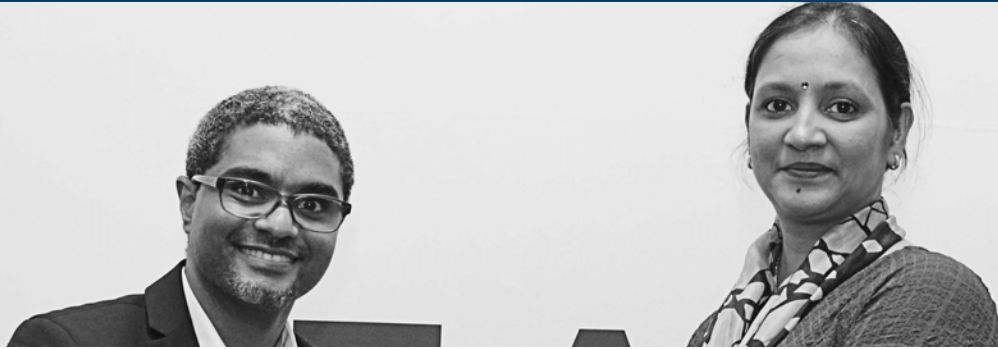
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The conference was chaired by Mr Emmanuel Ngcobo (CIGFARO KZN Chairperson). Staff support was provided by: Ms Nosipho Dladla (eThekweni Municipality), Ms Leann Peters (iLembe District Municipality), Mrs Nompumelelo Shezi (KZN COGTA), Mr Sbonga Xaba (eThekweni Municipality), Mr Skhumbuzo Chamane (iLembe District Municipality), Mr Halalisani Nxumalo (iLembe District Municipality), Ms Sinenhlanhla Mgobhozi (iLembe District Municipality), Mr Lindokuhle Tembe (The CFO Foundation), and Mr Nkosinomusa Mkhize (KZN SALGA).

The conference planning committee consisted of the entire CIGFARO KZN Provincial Committee: Emmanuel Ngcobo; Adil Nunkumar; Sbusiso Zakwe; Riaz Jhetam; Snegugu Mthembu; Sbonga Xaba; Leann Peters; Nompumelelo Shezi; Nkosi Mkhize & Dr. Mal Reddy. We would like to especially thank the invited speakers and delegates who came to Coastlands Umhlanga from more than 25 Municipalities, as well as over 150 people who participated in the intensive two days of discussions.

This overview document was prepared by a team consisting of: Emmanuel Ngcobo (CIGFARO), Nkosinathi Nkwanyana (The CFO Foundation), Lindokuhle Tembe ((The CFO Foundation), and Arinze Obiora (The CFO Foundation). We thank the conference speakers (include speakers) for their written contributions. We also thank Nobuhle Media for several of their photos that appear in this report. Further updates, as well a videos and powerpoint presentations, may be found on the website: www.cigfaro.co.za

CONFERENCE SPEAKERS



Mr. Skhumbuzo Mgobhozi – COGTA KZN



Prof. Ozias Ncube – UNISA



Ms Joey Krishnan – CoGTA KZN



**Mr. Sandile Ndlovu – King Cetshwayo
Distric Municipality**



Ms. Erin Simpson – Auditor General SA



Mr. Sandile Mahlaba – Microsoft

CONFERENCE SPEAKERS



Mr. Nsikelelo Gcwabaza - Nsikelelo Gcwabaza Leadership Foundation



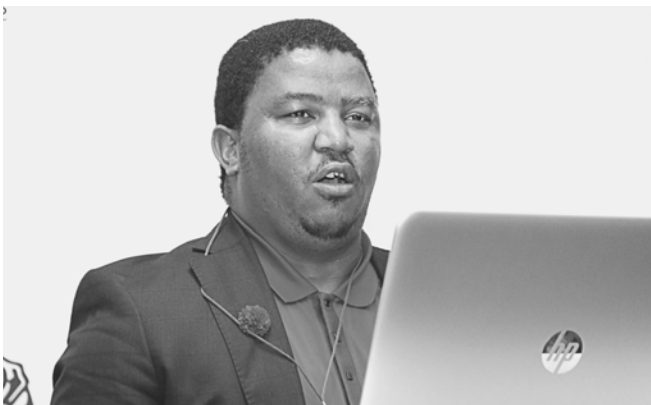
Dr. Mal Reddy – DUT Lecturer



Mr. Malusi Shezi – ZESH Group



Mr. Taru Mafungwa - HOD Procurement & Contracts, CCG Systems



Mr Sduduzo Ngema - Procurement Performance Institute



Mr. Mqungebe Ngobese – GEH Consulting

INTRODUCTION

This overview document summarizes the experience of the high-level conference targeted at promoting efficient Supply Chain Management systems within local Municipalities and Government Departments in general: The SCM and Procurement Conference, convened by the Regional Office for KwaZulu-Natal of The Chartered Institute of Government Finance Audit and Risk Officers (CIGFARO) in collaboration with the CFO Foundation and the KZN Cooperative Governance and Traditional Affairs, in Durban, KwaZulu-Natal on 02 May to 03 May 2019.

BACKGROUND AND RATIONALE

The rationale behind the Supply Chain Management & Procurement Conference is to examine the following key areas of Supply Chain Management:

- Strategic role of SCM Practitioners in ensuring cost-effectiveness and cost-containment during these tough times of sluggish economic conditions and financial constrains facing Municipalities.



INTRODUCTION CONT'

- Best Practices in dealing with frivolous objections from the aggrieved unsuccessful bidders and work stoppages due to confrontations with business forums. Most projects are delayed due to companies lodging baseless objections which stifle the project implementation and expenditure. Following the implementation of the 2017 Preferential Procurement Regulations, there was a sudden rise of business forums demanding a stake in projects implementation, institutions that were not ready to deal with this situation were adversely affected whilst trying to figure out a plan of addressing these conflicts.
- Digitisation and systems development to achieve e-Procurement and sound procurement process in light of the fourth industrial revolution. The minimisation of human involvement and automation of the SCM process will lead to more transparency and fairness in the SCM system. Electronic processing will enhance record management, back-up/filing and monitoring of the SCM process.
- Improving and managing working relations amongst SCM practitioners and other role-players (User Departments, Auditors, Experts, Suppliers/Service Providers, Business Forums, Statutory bodies, etc.). Often, there are conflicts that arise out of the SCM processes, resulting in SCM practitioners being blamed for delays in the SCM processes whilst there was poor project planning from User Departments. There must be efforts towards cooperating in a proactive manner to deal with any matters that often lead to conflicts and SCM being used as a scapegoat.
- The SCM role in achieving clean audits (compliance), socio-economic transformation, efficient service delivery and value for money. If all SCM processes are followed correctly, this will minimise irregular, fruitless and wasteful expenditure. Most of the corrupt practices emanate out of the SCM process interferences. SCM practitioners need to ensure that PDI's especially black people benefit from the SCM processes so as to help address triple challenges facing the country.

CONFERENCE PROGRAMME

The conference was broken down into a two-day programme including guest speakers' presentations, panel discussions and Q&A sessions.

The first day (02 May 2019) of the Conference saw the discussion on the following topics:

1. The state of the Public Sector procurement and frameworks for public procurement oversight;
2. SCM Regulations and implementing innovative procurement strategies;
3. Improving the capacity and performance of procurement officials;
4. Ethical leadership and improvement of public procurement governance, compliance and accountability;
5. Procurement best practices and strategic sourcing;
6. Collective effort in ensuring a properly functioning SCM and procurement process.



The second day (03 May 2019) of the Conference saw the discussion on the following topics:

1. Towards sustainable value and compliance in SCM;
2. Digitisation and systems development to achieve e-Procurement and sound procurement processes;
3. Enterprise Development, strategic sourcing and impediments of SCM Best practices;
4. SCM/LED role in local SMME development and improvement of public procurement achievements on sustainable economic, social and environmental development
5. Transformational leadership in Public Sector procurement.

CONFERENCE PROCEEDINGS



CONFERENCE PROCEEDINGS

DAY ONE - SESSION ONE



OPENING

The conference was opened by Mr Emmanuel Ngcobo, Chairperson of CIGFARO KZN Branch, who welcomed the participants and reiterated the organisation's commitment to maintaining sustainable financial management and good governance in the management of public finances as a key human rights issue. There are many challenges that face SCM practitioners in the execution of their duties e.g. political interference, lack of clear legislative frameworks, and if these issues go unaddressed can have adverse effects in the functioning of SCM to achieve the desired economic transformation and basic service delivery to the masses. Mr Ngcobo briefly described the work being carried out at CIGFARO in relation to promoting SCM practices and systems which are fair, equitable, transparent, competitive and cost-effective. He also expressed his appreciation to the conference organisers, wished the participants a productive exchange of ideas and encouraged delegates to engage in active and open discussions.



CONFERENCE PROCEEDINGS

DAY ONE - SESSION ONE



Session 1: The state of the Public Sector procurement and frameworks for public procurement oversight

Prevention of irregular, fruitless and wasteful expenditure through avoiding SCM Regulations Contraventions

The conference began with a discussion about the state of the public sector procurement in KwaZulu-Natal, and what SCM Regulation contraventions that occur in most government institutions. The topic was presented by **Mr Skhumbuzo Mgobhozi: UIFW Expenditure Support, KZN CoGTA.**

In all spheres of government, Supply Chain Management is one of the most critically elements of service delivery, and as a result improper handling of the SCM processes can hinder the entire value chain. In the current government landscape, SCM has been central to all the challenges that we face in service delivery. It is a battleground, where undue political influences can lead to SCM contraventions. The questions facing every SCM practitioner in government institutions are;

1. How can we eliminate SCM Contraventions in the SCM or Procurement Process through enforcing compliance with legislation?
2. How can we address irregular expenditure incurred during the procurement process through the implementation of consequence management?

CONFERENCE PROCEEDINGS

DAY ONE - SESSION ONE

According to the Auditor-General report, in 2017/2018 financial year, 54 municipalities across the province of KZN registered a number of non-compliance issues ranging from:

- 83% of municipalities were found to have failed to properly implement effective management of procurement and contracts;
- 66% of municipalities were found to have failed to prevent unauthorised, irregular and fruitless and wasteful expenditure, thereby contravening section 62(1)(d) of the MFMA;
- 52% of municipalities were found to have failed to implement effective Management of consequences, thereby comply with the provisions of section 32(2) of the MFMA;
- 41% of the municipalities were found to have failed to ensure that Creditors are paid within 30 days, thereby failing to comply with section 65(2)(e) of the MFMA
- Material non-compliance with legislation on implementing consequences increased from 46% to 50% during the financial year.

These 54 municipalities also registered a number of Non-compliance issues with supply chain management legislation, registering a



regression in supply chain management compliance, whereby the Auditor General made the following findings:

- Not able to audit procurement of R124 million due to missing or incomplete information;
- Noncompetitive and unfair procurement processes detected at 86% of municipalities;
- False declarations of interest made by 245 suppliers;
- R2,1million in awards to employees and Councillors

CONFERENCE PROCEEDINGS

DAY ONE - SESSION ONE

Consequently, 83% of the municipalities ended up with material findings on SCM, with only 2% without any findings. Non-compliance with supply chain management legislation is a widespread challenge in municipalities. Unfair or uncompetitive procurement processes manifest themselves leading to higher prices or potential losses and exclusion of preferential suppliers (including local suppliers), which undermine the country's social transformation goals. From the Audit sample taken, the most common findings were:

- 56% of municipalities were found to have failed to obtain Three written quotations in contravention with SCM Regulations 17(1)(a)
- 40% of municipalities, bid documentation did not stipulate the minimum threshold for local production and content thereby compromising Proudly SA Campaign;
- 41% of municipalities were found to not have allowed Competitive bidding process, thereby contravening the provisions of SCM Regulations 19;
- 31% of the municipalities embarked on procurement processes where No declaration of interest submitted by provider in contravention of SCM Regulation 21(c);
- 21% of municipalities did not select Supplier scoring highest points/ with

lowest quotation – no justification or reasons provided in contravention of SCM Regulations 29(5)(b) read with Section 114 of the MFMA;

- 21% of municipalities appointed suppliers without tax clearance.

Irregular expenditure resulting from non-compliance with the MFMA and the MSA cannot be condoned by Council and approval must be sought from the National Treasury in terms of S170 of the MFMA, having complied with S32(4) of the MFMA.

Irregular expenditure resulting from non-compliance with the Public Officer Bearer's Act cannot be condoned and such irregular expenditure must be recovered from the political officer bearer concerned in terms of s167(2) of the MFMA. A council, after writing off the expenditure, may condone irregular expenditure resulting from a contravention of the SCM policy provided that the contravention is not also a contravention of the MFMA or the SCM Regulations, in which case only the National Treasury can condone a contravention or non-compliance with the SCM Regulations.

CONFERENCE PROCEEDINGS

DAY ONE - SESSION ONE

SCM Regulations and Implementing Innovative Procurement Strategies - Associate Professor Ozias Ncube, UNISA Graduate School of Business and Leadership

How do we optimise the utilisation of municipal assets? And how do we dispose of them after life? These are key questions from a responsibility point of view. More critically, on one side we have a systems issue, and on the other we have the policies and compliance issue. These two are supposed to be complementary, but more often than not, they end being a constraint to efficient functioning of SCM. The processes and policies we have in place are not enabled by the systems that we have put in place. It creates a paralysis in our day to day process in ensuring adequate service delivery.

Today our responsibilities as Supply Chain practitioners is moving away from being purely operational and technical to being extremely strategic. The question then is how do we prepare ourselves to get to that strategic position? Therefore, we need to invest in understanding the supplier market in order to strategically address SMME development issues, support enterprise and supplier development initiatives. Then as SCM practitioners we will be able to provide a 360-view to municipalities to understand how they can deal with their issues on servicing the community.



We need to ensure that the processes that we've adopted are sound, can withstand scrutiny, are viable in ensuring that we achieve our strategic objectives.

Satisfying the needs of the internal clients

- resource the project
- create belief and credibility in process and systems used for delivery

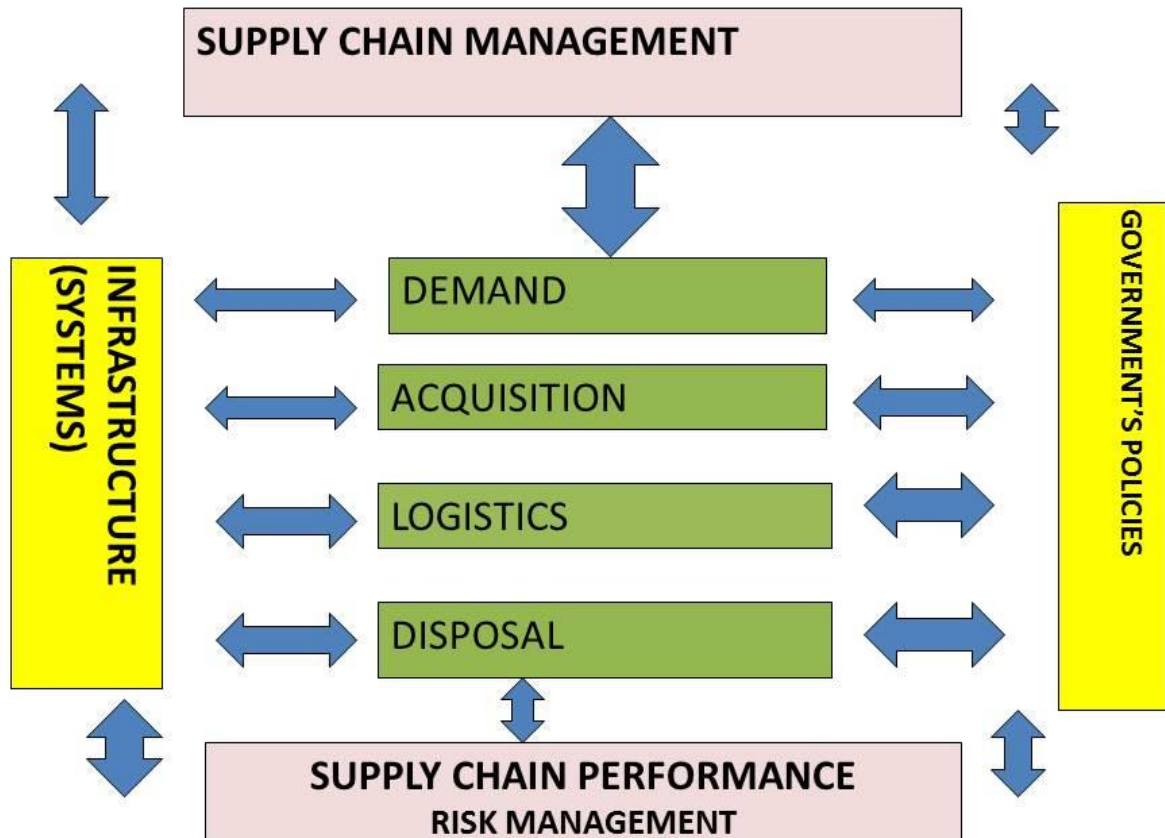
Manage the supply chain effectively and efficient

- cost effective (leverage spend)
- ensure compliance with supply chain policy and regulations

CONFERENCE PROCEEDINGS

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POLICY IMPLEMENTATION



SOURCE: (SCM Policy Framework Model): Source (Policy Strategy to Guide Uniformity in Procurement Reform)

STRATEGIC ROLE OF SCM

- Cost-effectiveness and cost-containment is imperative because of sluggish economic conditions and financial constraints.
- Improve the current state in Municipalities of poor revenue collections and reliance on grant funding
- Responsible spending by SCM practitioners within available budgets in order to ensure financial viability of municipalities.

COST CONTAINMENT FOCUS

Demand Management

- Demand planning, Category identification, Supply market intelligence, Budget considerations

Acquisition

- SCM practitioners are Custodian of the procurement process and the implementation of the procurement strategy
- Key decision that needs to be made is whether to focus on cost of project or value delivered

CONFERENCE PROCEEDINGS

DAY ONE - SESSION ONE

BEST PRACTICES: GOVERNANCE CONSIDERATION

CHALLENGES

Frivolous objections from the aggrieved unsuccessful bidders

- Most projects are delayed due to companies lodging baseless objections which stifle the project implementation and expenditure.

Work stoppages due to confrontations with business forums.

- Following the implementation of the 2017 Preferential Procurement Regulations, there was a sudden rise of business forums demanding a stake in projects implementation
- institutions that were not ready to deal with this situation were adversely affected whilst trying to figure out a plan of addressing these conflicts

ROLE OF THE GOVERNANCE

- Oversight Role
- Adjudication of proposals from the evaluation committee (approve or reject the recommendations)
- Ensure that procurement process is fair and transparent
- Take overall accountability of the process managed by executives
- Ensure that procurement policies are “fit for purpose”
- Conduct periodical probity checks of the procurement process before approval
- Review of the RFP process



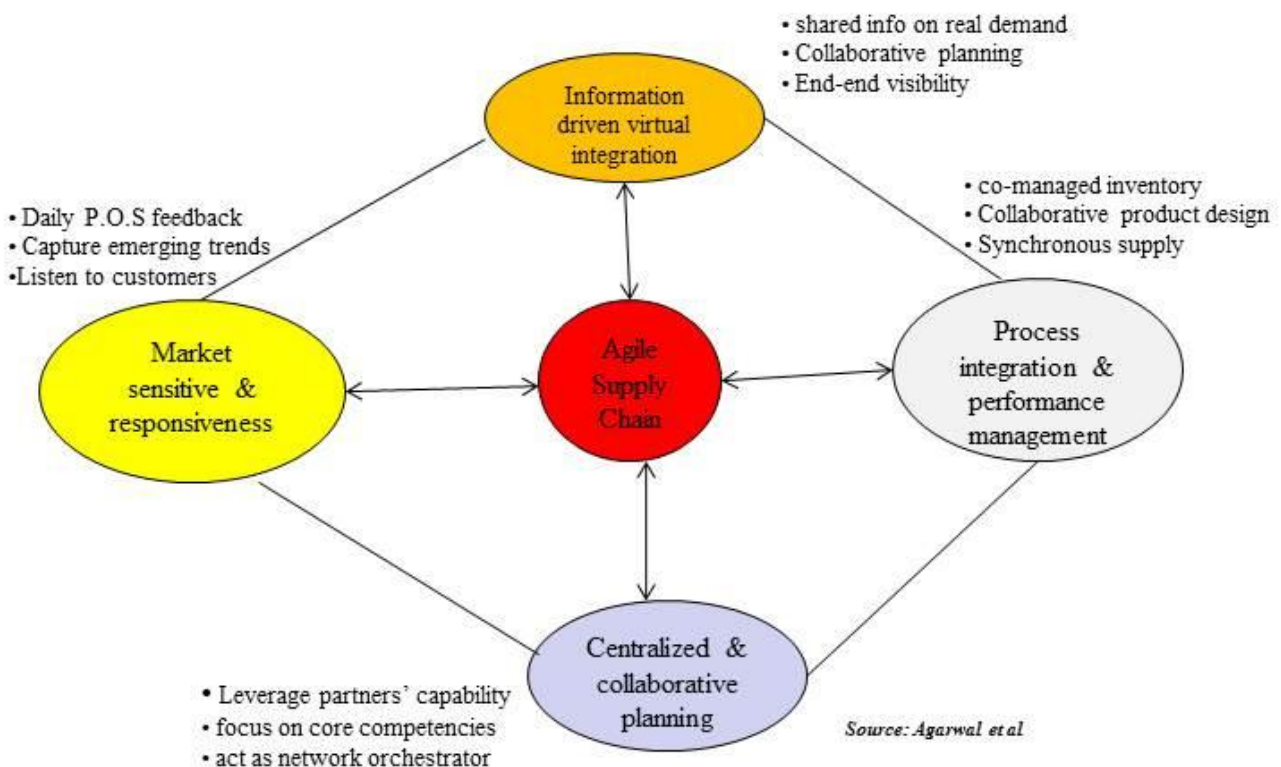
CONFERENCE PROCEEDINGS

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SCM Practitioners' role in the achieving clean audits minimise irregular, fruitless and wasteful expenditure, ensure efficient service delivery and value for money, and ensure that PDI's especially black people benefit from the SCM processes so as to help addresses triple challenges facing the country.

SCM Practitioners should also be responsible for improving and managing working relations with key stakeholders i.e. User Departments, auditors, experts, suppliers/service providers, business forums, statutory bodies etc. Also manage the conflicts that arise out of the SCM processes resulting in the SCM practitioners being blamed for delays whilst there was poor project planning by User Departments. Cooperating and coordination of the SCM process is thus imperative in order to proactively to deal with any SCM matters and the scapegoating of SCM function.

CHARACTERISTICS OF AGILE SUPPLY CHAIN



CONFERENCE PROCEEDINGS

DAY ONE - SESSION ONE

IMPLICATIONS FOR COMPETENCY AND CAPABILITY

SCM Practitioners require a new skills set in order to adopt innovative strategies in addressing the current challenges that arises in the Supply Chain Management process i.e. they must have commercial acumen, have greater understanding of SCM technology (e.g. e-procurement), must be driven by research and analytics, have the ability to undertake supply chain and value chain analysis, and must understand the key principles of strategic sourcing.

A DRIVE TOWARDS ACHIEVING EFFICIENCY AND EFFECTIVENESS IN SCM

STRATEGIC

- Value for Money
- Efficiency and Effectiveness
- Shared Accountability
- Compliance balanced with performance

TACTICAL

- Level of process commensurate to the level of risk to the organisation
- Commodity focus
- Balance of strategic and technical skills
- Overall capacitation for the SCM function
- Processes, guidance and governance that ensures objectivity
- Collaborative relationships and structures
- Performance measures and regular reporting
- SCM seen as a value creator

SCM practitioners must actively move away from the current state of affairs where focus has largely been focused on heavy processes to ensure control, Governance structures, focus on technical and tactical skills to get it right, authoritative guidance, risk averse culture, blame and 'us versus them' mentality which instead has been causing frustration and tension for all, low overall accountability for end-to-end results, and the SCM function seen as a back-office function.

CONFERENCE PROCEEDINGS

DAY ONE - PANEL DISCUSSION



Improving the capacity and performance of procurement officials

Joining the Panel discussion was **Ms Joey Krishnan (Chief Director - Municipal Finance, CoGTA KZN)**, **Mr Sandile Ndlovu (Senior Manager - Supply Chain Department, King Cetswayo Municipality)**, and **Associate Professor Ozias Ncube (UNISA Graduate School of Business and Leadership)**

Ms Joey Krishnan began the panel discussion by highlighting the importance of addressing the capacity of Supply Chain Management. Though SCM practitioners are academically qualified, it is important that they continue educating themselves with the current changes in SCM as a whole and public procurement in particular. The second level of capacity that needs addressing is institutional capacity. Are the SCM units in which practitioners function properly structured. Institutional capacity looks at the department organogram, having the appropriate people in place to do the work, and also it looks at the policies and procedures that need to be in place in order for the Supply Chain department to function properly.

Additionally, at the third level of capacity that needs to be considered is environmental capacity. The number one issue that we need to take into consideration are the politicians, as elected officials, they have significant influence on how the municipality service delivery. The second environmental issues to consider are the accounting officers, and the business units that we serve. Also, suppliers play a key role in ensuring that the procurement process works well. Capacitating the suppliers on the procurement process is important because it can help improve the procurement process.

CONFERENCE PROCEEDINGS

DAY ONE - PANEL DISCUSSION



As SCM practitioners we need to assist suppliers in service delivery because if we overlook this function, we lose potential. Also, we need to be strategic in our sourcing of services, and understand how it will ultimately affect the municipality.

Mr Sandile Ndlovu indicated the importance of capacitating Municipality officials especially on the current policy reviews. The next step would then be to workshop the elected politicians on the policies once they have been approved. Another strategy to adopt would be to conduct a procurement indaba for the municipality suppliers and train them on the current SCM policies and bidding processes.

In addressing the question of "how do we match the academic qualification with practical on-the-job-training?" Associate Professor Ncube, highlighted that Universities have not done enough when it comes to public sector supply chain. He then indicated that there has been progress made in providing appropriate qualifications where learners will in achieve a degree in public Supply Chain Management. This curriculum revitalisation has been possible due to the pressure being applied by DTI on public institutions. National Treasury had also been pushing for a Supply Chain Council which will be providing licence to practice as a Supply Chain practitioner. Once passed, it will also provide a path towards upskilling current practitioners in order to keep up with the current SCM environment.

CONFERENCE PROCEEDINGS

DAY ONE - PANEL DISCUSSION



The first question from the audience was from Mr. Sandile Buthelezi from eThekweni Municipality, where he questioned what should be the role of professional bodies in protecting SCM practitioners in the execution of their duties? Associate Professor Ncube suggested that the promulgating of the Supply Chain Council would aggregate from an end-to-end point of view and have a single voice for the SCM practitioners.

Mrs Nolubabalo Nqola from Ray Nkonyeni Municipality asked, *what can you suggest for government officials when suppliers are clearly overcharging the municipality while as a practitioner you are aware that the same product is available at a significantly lower price?* From a desire point of view, we have to drive a sense of understanding of the cost structure in such that we are not at the mercy of the suppliers. Mr Ndlovu indicated that the biggest challenge is that currently, government departments is not allowed to buy directly from the manufacturer.

Mr. Nduduzo Ngema, from Procurement Performance Institute indicated the importance on advancing a submission in the Procurement Bill process that has a specific interest of local government.

In closing the panel discussion, Ms Joey Krishnan, highlighted the role that organisations such as CIGFARO and the CFO Foundation in partnership with CoGTA can play in lobbying for better SCM legislation and the passing of the Procurement Bill. As SCM practitioners it is important to build relationships with suppliers in order get fair pricing and ensuring that there is not lag in service delivery. While we wait for legislation and regulation, we need to find ways of sharing solutions with other SCM practitioners in other municipalities and government departments.

CONFERENCE PROCEEDINGS

DAY ONE - SESSION TWO

Ethical Leadership and improvement of public procurement governance, compliance and accountability

Accountability for financial and performance management continues to deteriorate - Presented by Ms. Erin Simpson (Auditor-General South Africa)

The auditor-general presented their findings on the indicators, root causes, impact and measures taken in addressing deteriorating accountability.

1. In the second year of administration, audit outcomes continue to regress, disregard for compliance with legislation continues. The most common non-compliance areas in Local KZN Municipalities were identified as;

- Management of procurement and contracts(83% of Municipalities)
- Quality of financial statements (77% of Municipalities)
- Prevention of unauthorised, irregular and fruitless and wasteful expenditure (65% of Municipalities)
- Management of consequences (50% of Municipalities)
- Creditors not paid within 30 days (38% of Municipalities)
- Asset management (37% of Municipalities)
- Strategic planning and performance management (27% of Municipalities)



2. Non-compliance with supply chain management legislation is widespread. As a result AG was not able to audit procurement of R124 million due to missing or incomplete information. AG also found Uncompetitive and unfair procurement processes at 86% of municipalities, False declarations of interest made by 245 suppliers, and R2.1 million in awards to employees and councillors. Unfair or uncompetitive procurement processes

CONFERENCE PROCEEDINGS

DAY ONE - SESSION TWO

most often lead to higher prices or potential losses and exclusion of preferential suppliers (including local suppliers), which undermine the country's social transformation goals. The most common findings were;

- Three written quotations no involved (54% of KZN municipalities)
- Bid documentation did not stipulate the minimum threshold for local production and content (40% of KZN municipalities)
- Competitive bidding not invited (38% of KZN municipalities)
- No declaration of interest submitted by provider (29% of KZN municipalities)
- Supplier scoring highest points/ with lowest quotation not selected – no justification (21% of KZN municipalities)
- Procurement from suppliers without tax clearance (21% of KZN municipalities)

3. Irregular expenditure remains high. Annual irregular expenditure increased from R2,33 billion to R2,94 billion in 2017/2018 financial year. 93% (R2,738 billion) were payments or expenses in 2017-18, R2,522 billion represents non-compliance in 2017-18, and R216 million is expenditure on ongoing multi-year contracts irregularly awarded.

How can irregular expenditure on multi-year contracts be reduced?
Through condonement or cancellation of contracts irregularly awarded.

7% (R199 million) for payments or expenses in previous years only uncovered and disclosed for the first time in 2017-18. Irregular expenditure of previous years is not properly dealt with through investigation; followed by condonement, recovery or write-off of the expenditure. Top 5 contributors to the accumulated irregular expenditure (constituting 57% of the R8 348 million). These municipalities also did not investigate all instances of prior year irregular expenditure with the exception of eThekweni Metropolitan Municipality;

- Umkhanyakude District Municipality – R1 623 million
- eThekweni Metropolitan Municipality – R1 277 million
- uMzinyathi District Municipality – R1 010 million
- Harry Gwala District Municipality – R460 million
- Uthukela District Municipality – R375 million

CONFERENCE PROCEEDINGS

DAY ONE - SESSION TWO

4. Material non-compliance with legislation on implementing consequences increased from 46% to 50%. Most common findings were that investigations of unauthorised, irregular and/or fruitless and wasteful expenditure were not taking place:

- Irregular expenditure – 23 municipalities (44%)
- Fruitless and wasteful expenditure – 20 municipalities (38%)
- Unauthorised expenditure – 14 municipalities (27%)

5. Inadequate investigations are being performed. Inadequate follow-up of allegations of financial and supply chain management misconduct and fraud with 77% of the Investigations took longer than 3 months, 15% of Allegations not properly investigated, 8% of Allegations not investigated, and 8% of Disciplinary proceedings not instituted for confirmed cases of fraud/misconduct.

6. Increasingly difficult environment for auditors and other role players in accountability.

AG experience:

- Pressure placed on auditors to change conclusions – to avoid negative audit outcomes or disclosure of irregularities

- Intimidation and threats towards auditors Protest actions at municipalities had impact on audit process and delayed finalisation of audits
- Recommendations made in previous years to improve outcomes and/or investigate irregularities not implemented
- Status of records review and engagements with municipal managers yielded little benefit as recommendations were not implemented – audit outcomes of 14 municipalities regressed

Other role players

- Internal audit units: 64% provide some or limited/no assurance
 - Audit committees: 62% provide some or limited/no assurance
 - Municipal public accounts committees: 71% provide some or limited/no assurance
7. Root causes of the accountability failure.
- Slow responses and/or no responses from management (municipal managers and senior management)/ political leadership (mayors) was evident at all municipalities with unfavourable outcomes.

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DAY ONE - SESSION TWO



- Although councils and mayors are becoming more aware of their important oversight role, some did not hold the municipal managers accountable.
- Political instability led to a lack of cooperation by administrative leadership.
- Lack of consequences for poor performance and transgressions remained the second highest root cause reported at 39% of municipalities with unfavourable outcomes.
- The province has taken steps in investigating instances of UIFW and SCM findings as evidenced by the improvement in this area. Although, these investigations were taking place they were either not investigated properly or completed timeously. Additionally, where investigations were complete, effective disciplinary steps (based on recommendations rising from these investigations) were not taken against officials.
- Instability and vacancies compromised the effectiveness of key internal controls at 29% of municipalities. The stability and vacancy levels in most key positions have shown some improvement, but they were still prevalent enough to prevent a positive impact on the audit outcomes.

8. The role of leadership (Mayor and council, Municipal manager and senior managers, Provincial leadership)

- Tone at the top – ethical leadership, good governance and accountability
- Capacitate and stabilise administration – free from political interference
- Enable and insist on robust financial and performance management systems
- Consistent, appropriate and swift consequences for irregularities

CONFERENCE PROCEEDINGS

DAY TWO - SESSION ONE



Digitization and systems development to achieve e-Procurement and sound procurement processes

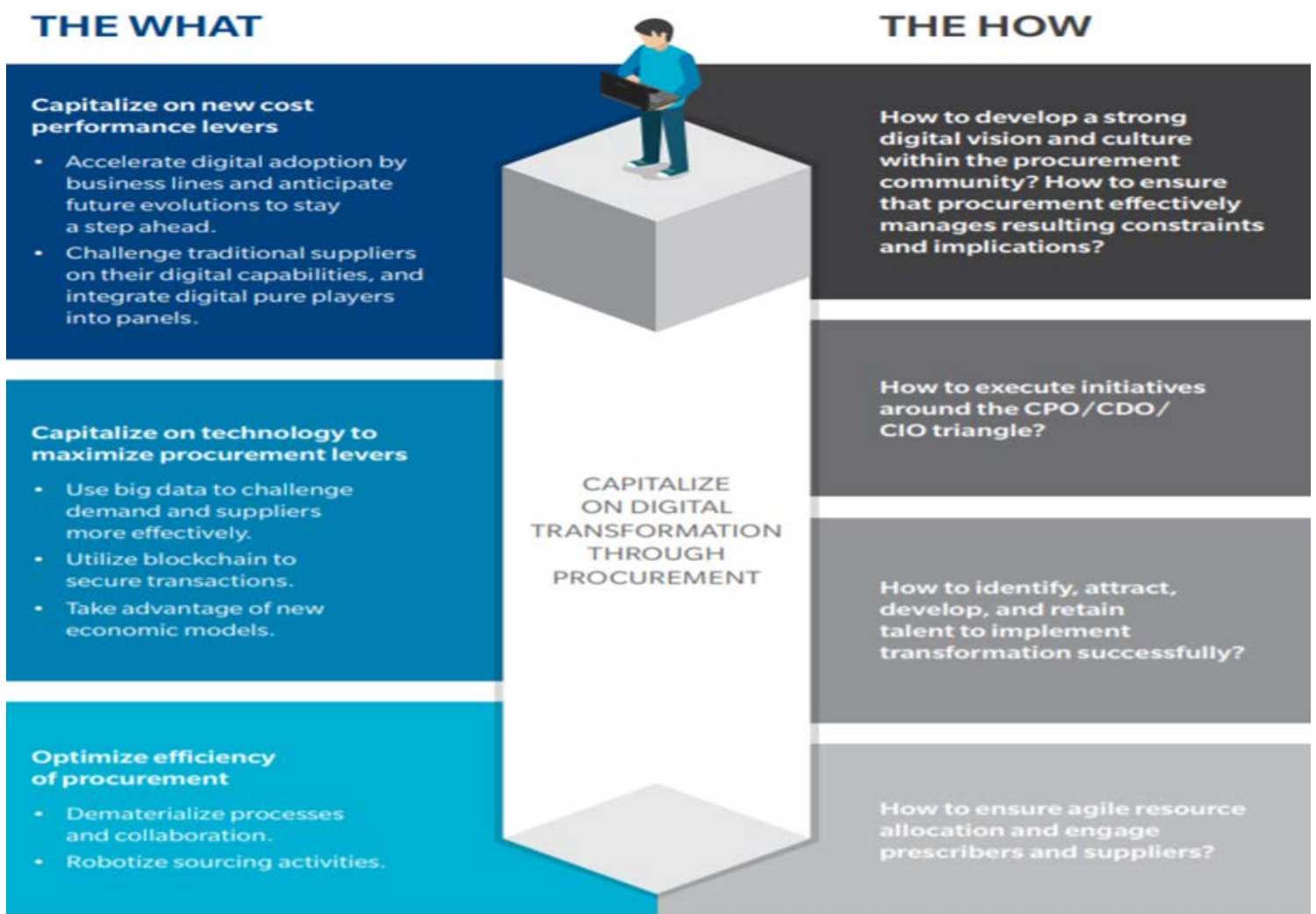
The topic on e-Procurement and Digital Transformation in SCM processes was presented by Mr. Taru Mafungwa: HOD Procurement & Contracts, CCG Systems.

With the advent of the Fourth Industrial Revolution, the key challenges facing SCM practitioners in government departments and SOE's today is how to use digitisation in strengthening governance and strategic sourcing practices to achieve procurement excellence. The goal of Digitising government SCM processes is to achieve e-Procurement processes that will minimise human involvement and increase automation of the SCM processes, which will lead to more transparency and fairness in the SCM system, enhances record management, data storage and monitoring of the SCM processes.

Companies and Government Institutions need to consider the way digital innovation will disrupt not only the way their organizations work today, but the entire value proposition of procurement to their suppliers, customers, and internal process partners. These trends have a significant impact on the way companies and institutions operate. Given the new challenges and concepts, how should procurement be used to capitalize concretely on digital transformation and how should the procurement system be migrated?

CONFERENCE PROCEEDINGS

DAY TWO - SESSION ONE



Procurement in the future:

The traditional role of procurement, like it or not is fast being confined to history. Procurement professionals operate in an intensely complex business landscape dominated by legal compliance, sustainability, and ethical issues which impact not only their commercial activities, but also their brand in a very public business and social world. Today the focus of business in terms of procurement and supply management is increasingly placing the emphasis on the supply aspect. Companies and government institutions need to consider the way digital innovation will disrupt not only the way their organizations work today, but the entire value proposition of procurement to their suppliers, customers, and internal process partners.

CONFERENCE PROCEEDINGS

DAY TWO - SESSION ONE

The Digital Framework present by Krishan K. Batra:

- New procurement value proposition: Enabled through the Fourth Industrial Revolution driven Procurement 4.0, and Procurement as service provider to key suppliers and customers.
- Digital supply chain and supplier management: Supplier risk management and KPIs, Supplier Co-Operation, and Centralized Supplier Management.
- Innovative procurement data utilization: Big Data Analytics, Predictive Markets and Supplier Analysis, Provide Suppliers with Data Analysis to improve design and performance, and Procurement IT Infrastructure Strategy.
- Digital processes and tools: Digitization of Purchase to Pay Process, Automation of Demand Planning, Digital Culture and Transparency, Business Process Outsourcing, and Digital Tools & Interfaces.



Looking at the current skills demand required to fully take advantage of Digital Procurement, competences will have to be developed within government institutions SCM Departments.

CONFERENCE PROCEEDINGS

DAY TWO - SESSION ONE

The introduction of Procurement 4.0 / Digital Procurement will mean developing new value propositions, meeting new business needs, and integrating data across functions and value chains. It will call for using this data proactively and intelligently, while introducing digital processes and tools. Perhaps most importantly, it will require fundamentally reshaping the procurement organization and its capabilities to take on the challenges and opportunities of the expanding global digital revolution.

In conclusion, the Digital Revolution is creating a whole new model for what used to be the Procurement & Supply Chain Management. In these Digital times, successful procurement and sourcing solutions must offer seamless usability, end-to-end collaboration, and cost-saving efficiencies. The Compliance and Audit assemblies need to get to the times of system generated audit sand enforced systems controls. The automation of the procurement process is the future; where budgets are linked the demands and procurement planning, whilst analysing changing markets in real time. Digital Procurement will allow supplier interaction to be efficient, monitored and manageable, with Audit trails and Controls to eradicate ethical and other risk factors.



CONFERENCE PROCEEDINGS

DAY TWO - PANEL DISCUSSION



SCM Processes and the advent of the Fourth Industrial Revolution

Joining the Panel discussion was **Mr Taru Mafungwa (HOD Procurement & Contracts, CCG Systems)**, **Mr Sandile Ndlovu (Senior Manager - Supply Chain Department, King Cetswayo Municipality)**, and **Associate Professor Ozias Ncube (UNISA Graduate School of Business and Leadership)**

Mr. Sandile Ndlovu began by stressing the importance of adopting new e-procurement technologies that specifically caters for public sector procurement. Government has been slow in adopting innovative solution with regards to procurement, as a result public sector SCM processes lag behind the private sector processes. Innovations such as the Central Supplier Database are mainly effective in dealing with issues of compliance on the side of suppliers, while processes of e-tendering only report on what has already taken place. The challenge is that many government department and municipalities still require physical copies of documents and want them to be submitted as an "original" or certified document, and that can slow down SCM processes.

With legislation such as MCOA being introduced, there's a call for seamless integration of all different SCM systems. Instead of using manual processes, the public SCM processes need to be digitised in order to ensure that the procurement process is completed in an efficient and timeous manner.

CONFERENCE PROCEEDINGS

DAY TWO - PANEL DISCUSSION



The first question from the audience was with regards to document management and the effects of cyber threats, such as hacking. *Since these procurement documents contain critical information, what solutions and mechanisms are provided to mitigate these cyber threats?* In addressing the question, Mr Ndolvu highlighted that to mitigate such threats is that internal systems within municipalities can be used in order to ensure greater security and protection of information. Another view is that even when you get hacked, how you respond is also important, especially when it comes to the auditability of the information. Digitisation allows for traceability of information, determining when the system was accessed? who accessed it? and what was accessed? Which are all important factors in ensuring audit trails of information.

Associate Professor Ozais Ncube closed the session by highlighting that we can view procurement processes in a silo mentality, there has to be an end-to-end system that works around security measures of SCM while also ensuring transparency and visibility of SCM processes. The service providers and system developers need to be sensitive of the current fears by SCM practitioners and provide clear solutions that create an appetite for the adoption of such innovations.

CONFERENCE PROCEEDINGS

DAY TWO - SESSION TWO



SCM/LED Role in Local SMME Development

Enterprise Development, Strategic Sourcing, and Impediments of SCM Best Practices - Presented by Nduduzo Ngema (Procurement Performance Institute)

Mr Nduduzo Ngema began his presentation by indicating that the first question we need to ask and answer as government, academia and business, is that who's interest are we driving the radical procurement reform and transformation agenda for? When this is clear, everything else falls into place. All the key stakeholder play their part effectively.

In the current political context, SCM practitioners need to be active in ensuring that they have a say in the policies and legislation being adopted in order to avoid political pressures during the procurement process. SCM practitioners need to do a deep analysis of the SMME's that supplier their departments/municipalities, this strategic analysis will ensure that SCM departments are fully aware of the dynamics and challenges facing these SMME's. This will also allow municipalities to be effective in addressing the economic transformation and integration agenda. SCM practitioners need to have practical strategical sourcing acumen, this includes policy and legislation, knowledge of the supply base and market analysis, procurement strategy implementation, business systems, and practices and performance monitoring.

CONFERENCE PROCEEDINGS

DAY TWO - SESSION TWO



Improvement of public procurement achievements on sustainable economic, social and environmental development - Mr. Mqungebe Ngobese (Goshen Entrepreneurship Hub)

Mr. Ngobese began by indicating that due to the current economic climate, the biggest challenge in the country is unemployment, that is why government has been pushing for SMME development, to address this issue.

All the procurement policies that have been introduced (e.g. MFMA, BBBEE, PPPFA, NSDS, DOL regulations, and SARS incentives) in order to include previously disadvantaged groups. These regulations and policies do not exclude government departments, SCM practitioners must adhere to them as well. SCM Practitioners should understand Industry specific codes (e.g. Construction, BEP) and Bid Conditions on the percentage spend locally where the contract is.

There are benefits of enforcing these policies in local municipalities; it can contribute towards Service Provider compliance and BBBEE scorecard improvements, it limits window dressing, and it enhances meaningful contribution to effect positive change in immediate communities. It also, improves efficiencies in smaller companies through Supplier Development making implementation of Preferential Procurement smoother. Gives a chance to Startups to enter into main stream economy, Increase skill availability in the local area, Improves Local economic activity and curbs economic leakages, and Transforms the local economy

CONFERENCE WRAP-UP

At the end of day two finished off with a presentation on Transformational Leadership by Mr. Nsikelelo Gcwabaza from the Nsikelelo Gcwabaza Leadership Institution. Where he highlighted the important role that SCM practitioners need to perform in leading the transformation they want to see in their SCM departments.

Ms Joey Krishnan closed off the conference by thanking all the speakers, the programme director, and the attendants for their involvement in the SCM and Procurement conference and the discussions that arose during the tow days. She then thanked all the partners and sponsors involved in the conference, i.e. CIGFARO, CoGTA KZN and the CFO Foundation. Lastly she urged the SCM practitioners in attendance to join CIGFARO.

