The critical assessment of the challenges faced by Vhembe District Municipality with the implementation of Supply Chain Management policies

By

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DECLARATION

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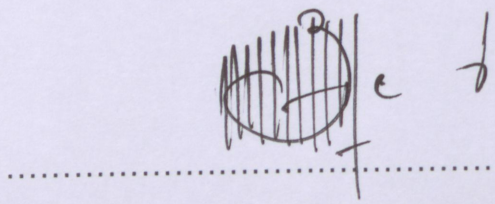

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DEDICATION

I would like to dedicate this thesis to my daughter Masindi Thikho Mutuvhi who was named after my late mother Vho-Masindi Mafunise Mutuvhi. My mother passed on during the registration process of this study.

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To GOD, I thank you for unconditional guidance and blessings to me to be where I am today.

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ABSTRACT

Supply Chain Management has assumed a significant role in an organisation's performance and has attracted serious research attention over the last few years. A literature review reveals a considerable spurt in research in theory and practice of Supply Chain Management, combining and informing on features of Supply Chain Management and distribution management. This integration has resulted in the concept of extended enterprise and the supply chain is now manifesting as the collaborative supply chain across inter-organisational borders to maximize the value across the entire organisation. A large number of research papers have been published in various journals during the last two decades. In this thesis an attempt is made to review the status of literature on Supply Chain Management. A literature classification scheme is proposed.

In the current competitive scenario, Supply Chain Management assumes a significant importance and calls for serious research attention, as public institutions are challenged with finding ways to meet ever-rising public expectations at a manageable cost. To do so, public institutions are expected to understand the needs of stakeholders, their demands and expectations; which parts of their supply-chain process are not competitive; establish improvement goals and rapidly implement the necessary improvements. Specifically efforts need to focus on realising the gap of supply chain practitioners with respect to their capacity, commitment and accountability.

The South African government has instituted initiatives and reform processes that have resulted in the transformation of the local government Supply Chain public procurement. Reforms started after the change in the political dispensation in 1994. Procurement reform processes were supported by the introduction of a number of legislative measures, which include the Public Finance Management Act, 1 of 1999, Municipal Finance Management Act, 56 of 2003, and the Preferential Procurement Policy Framework Act, 5 of 2000.

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The purpose of this research study is to review and analyse the way Vhembe District Municipality handles the Supply Chain Management implementation process. Specifically, the research analyses the capacity, commitment and accountability of officials with respect to the implementation of Supply Chain Management.

A survey questionnaire instrument comprised closed and open-ended questions and an interview guide were developed and administered to collect quantitative and qualitative data. Supply Chain Management policies and related documents were reviewed to determine the way Vhembe District municipality addresses the implementation in line with the requirements for public administration. In total, 37 questionnaires were sent out to the finance team of Vhembe District Municipality who formed the entire population. Ultimately 28 questionnaires were completed and returned by the respondents. Interviews were conducted with the eight respondents, who formed 30% of the target population. The data collected was collated, analysed and conclusion drawn on how Supply Chain Management Implementation within Vhembe District Municipality can be effectively carried out, strengthened and improved.

The content analysis of responses revealed four major findings:

- That Vhembe District Municipality has not paid sufficient attention to the demands and expectations of Supply Chain Management implementation issues.

- There is a lack of capacity of supply chain practitioners to implement the Supply Chain Management process. This is mainly due to insufficient developments or practitioners have not received adequate training in Supply Chain Management. Lack of relevant topics concerning the municipality Supply Chain implementation and ongoing training of officials are emerging as leading issues for consideration by the Vhembe District Municipality.

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- There is lack of commitment displayed by officials. This could be as a result of officials not being clearly aware of and lack understanding of their roles and responsibilities.
- Lack of accountability of officials. Even though the officials acknowledge the existence of policies, procedures, being aware of their roles and responsibilities, these officials are not effectively empowered to carry out their respective roles, responsibility and be held accountable for SCM functions.

Recommendations are made for the Municipality to improve Supply Chain Management implementation through paying more attention to supply chain management functions and issues. Some of the key recommendations include:

(a) Conducting skills audit to highlight the expertise of officials in order to fill the necessary gaps in the implementation of SCM.

(b) Introduce an induction programme that takes practitioners through the municipality's policies, systems, programmes and services as well as Supply Chain Management principles and frameworks in general.

(c) Conduct training needs analysis to identify areas of improvement and topics that officials need training on the implementation and provide ongoing training focusing on specific strategic and regulatory compliance issues to keep the Municipality's SCM officials updated with the important issues

(d) Ensure that officials clearly understand strategic goals of the municipality and regularly involve them in strategic goals formulation, for example IDP, as well as the programmes and activities of the municipality to draw their commitment to their implementation roles and responsibilities.

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(e) Strengthen the performance of Supply Chain committees by clearly documenting and communicating specific roles and responsibilities and capacitating the members of the committees to deliver results in order to hold all officials accountable for the implementation.

These recommendations were made in line with research objectives.

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LIST OF ABBREVIATIONS

AG	Auditor-General
BBBEE	Broad Based Black Economic Empowerment Act, 53 of 2003
CFO	Chief Finance Officer
CPAR	Country's Procurement Assessment Review
FMS	Financial Management System
GRAP	General Recognised Accounting Practice
M & E	Monitoring and Evaluation
MFM	Municipal Financial Management
MFMA	Municipal Finance Management Act, 56 of 2003
MM	Municipal Manager
MSA	Municipal Systems Act, 32 of 2000
MTEF	Medium Term Expenditure Framework
NPM	New Public Management
NT	National Treasury
PFMA	Public Finance Management Act, 1 of 1999
PP	Public Protector

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PPPFA	Preferential Procurement Policy Framework Act, 5 of 2000
RDP	Reconstruction and Development Programme
SCM	Supply Chain Management
SMME	Small, Medium and Micro Enterprises
SWOT	Strength, Weaknesses, Opportunities and Threats
VDM	Vhembe District Municipality

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CHAPTER 1

ORIENTATION AND BACKGROUND OF THE STUDY

1.1. INTRODUCTION

The concept of Supply Chain Management (SCM) was introduced within the public sector as part of the series of budgetary and financial reforms that were initiated by the government in 1994 in an attempt to modernise the management of the public sector. The National Treasury Policy Strategy (2003:4) describes the concept of Supply Chain Management as an integral part of public administration and integral component of financial management to introduce internationally accepted best practice principles, while at the same time addressing government's preferential procurement policy objectives.

The majority of public institutions have commenced with a phased Supply Chain Management implementation strategy focused on addressing the inefficiencies in government's historic system inequities, lack of access, transparency and control for the majority of population. Numerous challenges are experienced in this regard due to the lack of development of a detailed SCM implementation plan, establishment of bid specification, evaluation and adjudication committees, infrastructure and training. A mind-shift was needed from 'rule driven' to 'decision making' approach to results driven. In addition, officials' capacity, commitment and accountability with respect to the implementation of Supply Chain Management remain given the revelation of a number of inefficiencies by Auditor-General reports and media publications.

One of the issues emerging from the municipalities relates to the fact that government has had to meet increasing demands on a number of fronts. Since coming to power, the democratic government has been faced with burning issues relating to poverty, unemployment, inequitable distribution of wealth, lack

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of housing, water, electricity, availability of sufficient health facilities with easy access to affordable and quality health care as well as food security. The scale of the problem is becoming so extensive that the human and financial resources of the government have been overstretched to meet the vast needs of the community.

To address these needs and expectations, public institutions began to implement the tendering process as legislated and enforced by the government. Therefore, Supply Chain Management divisions together with tendering committees were formed. Placing people with relevant skills and expertise onto these committees remain critical for municipalities. Rather than simply having "interested" people comprising the committee membership, expertise is required. A further question arises as to whether in this process of recruitment of public officials and placing members in committees, adequate emphasis is given to commitment to the municipalities' goals. The governance, implementation and monitoring process of the Supply Chain Management initiative is neither scrutinised closely nor considered as a contributing factor to the satisfaction and dissatisfaction of beneficiaries of services and long-term success of the municipalities. Evidence of dissatisfaction among beneficiaries may be seen in the public criticism and protests against the inefficiencies in the Supply Chain Management process, poor service delivery and of projects being left incomplete by contractors.

Arguably, officials are expected to understand the vision and mission of the municipalities; be aware of strategic goals; be familiar with the services provided by the municipality; understand their roles and responsibilities; have capacity to carry out activities and be accountable for their actions. In addition, officials are also expected to provide guidance and leadership in the operational aspects of the organisation such as supervision of the policy implementation process; evaluation of tenders; adjudication and appointment of contractors and service providers. As such, it is logical to presume that considerable expertise, commitment and accountability are required from these officials.

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1.2. BACKGROUND OF THE RESEARCH STUDY

Vhembe District Municipality (VDM) is a category C municipality determined in terms of Section 4 of the Municipal Systems Act, 32 of 2000. The municipality is situated in the northern part of Limpopo Province sharing borders with Zimbabwe in the north, Mozambique in the east and Botswana in the North West. This municipality was established in the year 2000 in terms of Local Government Municipal Structures Act, 117 of 1998. As a demarcated sphere of government VDM is comprised of four local municipalities, namely, Makhado, Musina, Mutale and Thulamela. The district municipality covers an area of 21 407 square km with over 1 240 035 people living in 274 480 households (VDM IDP, 2011:8). The jurisdiction of the Municipality is predominantly rural with critical service backlogs such as the provision of water infrastructure, electricity, health care and housing.

In terms of the provisions of Section 84 (1) of the Municipal Structures Act, 117 of 1998, the municipality has powers and function to develop an Integrated Development Plan (IDP) for the district and prescribe a framework for an integrated development plan for all local municipalities within Vhembe district. In response to some key issues, Vhembe District Municipality institutionalised the participation process to give affected parties access to contribute to the decision-making process. One of the steps taken is to establish an IDP Steering Committee which is chaired by the Municipal Manager (VDM IDP, 2011:2). However, to address the challenges and service delivery backlogs, the Municipality has to observe policies and procedures to implement the Supply Chain Management regulations during the process of procuring goods and services.

The Supply Chain Management system was introduced for national and provincial governments, district and local municipalities, trading entities, and other organs of state as well as national and provincial public entities in 2003. The main objective was to transform government's outdated procurement and

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provisioning practices into an integrated Supply Chain Management function, to introduce a systematic approach for the appointment of consultants to create a common understanding and interpretation of the preferential procurement policy. This is required to promote the consistent application of best practices throughout Government's Supply Chain Management (Jacobson, 2007:1). However news media, Auditor-General (AG) as well as the Public Protector (PP) have been reporting issues regarding conflict of interest, corruption and improper implementation of tendering processes and procedures.

A three-phase implementation strategy was formulated and categorised as firstly pre-tender abolition or preparation phase, secondly post-tender officials abolition or full implementation phase, and lastly the monitoring phase. Subsequently, the Policy to Guide Uniformity in Procurement Reform Processes in Government, the Regulations in terms of Section 76(4)(c) of the Public Finance Management Act, 1 of 1999; Framework for Supply Chain Management, the Supply Chain Management Guide for Accounting Officers / Authorities, Supply Chain Management Practice notes and other supporting legislations were issued and published to assist public institutions and public entities with the implementation of the Supply Chain Management practices.

The consequence is that there is an increasing pressure on the provision of the necessary services by municipalities in order to deal with possible backlogs in procurement. With this demand on government services and the serious backlog problem, government has legislated and enforced the implementation of Supply Chain Management by all government institutions. With the advent of democracy in South Africa, the issue of social and economic transformation became a key priority for country's future sustainability. The concepts of transformation include the delivery of basic services to previously disadvantaged communities (Khoza and Adam 2005:21-22). The government's policies encouraged the distribution of wealth by empowering black owned Small and Medium Enterprises (SME) through policy interventions in the tendering process. As required by the Constitution, 1996 and related legislation,

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municipalities and municipal entities have to be capable of providing services to communities while effectively and efficiently implementing Supply Chain Management policies and procedures. As a result, people with relevant skills, who are committed to the implementation of policies and demonstrate accountability, remain critical in these institutions.

The government acknowledges the fact that there is skills shortage within local sphere of government to the extent that they organised a countrywide capacity building workshop in Polokwane in September 2010. Municipalities are state organs in terms of Section 239 of the Constitution, 1996. However, given the manner in which activities occur within their administration it may negatively impact on the delivery of services (Masondo, 2010:1). "A hope of improving the performance of municipalities need to urgently review their financing, create predictable service delivery and seriously curb the pursuit of power, patronage and nepotism" (Mosiane and Africa, 2010:1). It is questionable whether officials have the capacity, are committed and demonstrate accountability of their actions with respect to the implementation of Supply Chain Management. Mosiane and Darkey (2010) argue that as the municipalities approach the 10-year mark of their Supply Chain Management systems, the audit opinions of the Auditor-General (A-G) offer little cause for celebration. One of the aspects that are always qualified in municipalities is the tendering process and management of assets. The recent killing of the municipality councillor in Mpumalanga was reported to be as a result of corruption in tendering process (The Times, 2011:7). It is important to note that service delivery takes place at local sphere of government; therefore, there is a need for VDM to have competent officials on board.

The significance of Supply Chain Management is recognised widely, both for organisational development and as part of business architecture; as a lever to address the converging interest of competitiveness; speedy development of products; and rendering of services. Supply Chain Management is also a useful

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mechanism for delivering the organisation's services effectively and efficiently (Business Brief, 2009:8).

The purpose of this research is to assess the challenges faced by the VDM with the implementation of Supply Chain Management. More specifically, this research reviews and analyses the capacity, commitment and accountability of the officials responsible for Supply Chain Management. The research also identifies gaps and factors hindering the municipalities to implement Supply Chain Management and makes appropriate recommendations for effective and efficient Supply Chain Management best practices that will benefit the municipality, its officials and the communities it serves will also be investigated.

1.3. PROBLEM STATEMENT

The problem statement of the research study is that the "*implementation of Supply Chain Management directly affects the performance of officials and hence the accountability of the Municipality for quality of service delivery*".

1.4. PROBLEM ANALYSIS

The emphasis of the thesis is to determine the Vhembe District Municipality's capability to implement Supply Chain Management effectively. Issues of Supply Chain Management and accountability have become problematic within municipalities across the country. There have been cases of mismanagement and inability to account for funds spent to National Treasury by the majority of municipalities, due to lack of managerial capacity, commitment and accountability that result in service delivery to communities not being effectively achieved (The Times, 2011:1). Some of these have resulted in service delivery protests by beneficiaries of municipal services. A number of officials within municipalities have been suspended, dismissed and some prosecuted. Municipalities who have developed and implemented effective Supply Chain Management, facilitate the monitoring of systems/process as well as

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demonstrates to the legislatures and communities. This system is more likely to attract long-term funding from the government and generate revenue from developmental levies to meet their objectives.

The past five years have witnessed a decline in service delivery to communities, due to lack of delivery of services by contractors appointed by municipalities, (Sunday Times, 2009:3). A number of municipalities have been experiencing difficulties in sourcing reliable and experienced service providers to deliver basic quality services. This has resulted in municipalities losing money due to several factors including, for example, (a) improper construction of low cost houses, (b) delivery of irrelevant/incorrect product specifications and provision of incomplete services. If one accepts that the lack of capacity and commitment exists, then there is cause for concern since stakeholders expect municipalities to have fully functional procurement systems, effective processes, committed and accountable officials. Nationally, there is pressure on municipalities to deliver quality services efficiently since the government is becoming more sceptical about disbursing funds to municipalities that do not provide efficient services to the public. Some municipalities are faced with the risk of being merged, with some placed under administration. This, in turn, places even more pressure on municipalities to effectively and efficiently implement Supply Chain Management as a mechanism for the delivery of goods and the provision of services, thus, demonstrating the importance of this research.

Historically, most supply chain officials within municipalities have functioned without clear and distinct roles and responsibilities and did not have complete independence from the political executive (Business Brief, 2009:7). Thus both current demand and historic perspective suggest the need to focus on effective Supply Chain Management. Understanding the importance of good governance, public financial management, capacity, commitment and accountability of officials are substantial parts of this research.

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Changes in government and amendment of government legislation have affected the administration of municipalities and the implementation of programmes in a number of ways. Public institutions, therefore, need to familiarise themselves with changes in legislation. They must proactively respond to and position themselves competitively to satisfy the needs of the communities they serve. The changing environment dictates and demands that municipalities become accountable for their actions and in particular for the quality of their services. The changing environment presents some challenges or forces that municipalities need to consider as these changes can have implications on the strategic direction of public institutions (Bakhru, 2004:47).

One of the Vhembe District Municipality's key macro-environmental factors to continually respond to is legislation concerning the implementation of Supply Chain Management when sourcing goods and services. VDM is well positioned to respond to the challenging demand to effectively deliver services. However, the Achilles heel is that together with these demands is the corresponding requirement for improved efficiency in the implementation of Supply Chain Management.

The micro-environmental factor is the capacity and commitment of officials within which VDM operates. Historically, municipalities have represented a positive picture of government and the community. Government influences municipalities through budgeting criteria of which one of the criteria is the grading municipalities. This again raises the critical question repeatedly asked in this chapter that is "to what extent the municipalities meet the Supply Chain Management implementation requirements?" The statement supports the need for this research.

Municipalities in South Africa have been particularly subject to radical change with the advent of a new and democratic government. This is the result of new approaches, procedures and policies. Municipalities have thus been compelled to consider change management, including re-structuring, as a key driver for

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improving the organisation's performance and competitiveness (Sturges, 2001). Re-structuring is however, a hollow response if not related to core management expertise needed to accept and able to implement the new administration needed to meet the new challenges. Thus, change management has to acknowledge a host of related factors, not least of which is the implementation of Supply Chain Management. In addition, the phenomenon of change goes hand in hand with that of strategic focus. Inability to respond to change appropriately, could potentially subject any organisation to the risk of strategic drift.

Inability of municipalities to provide services caused by employing contractors and/or consultants who are unable to meet required standards could be seen as another factor contributing to the state of flux found in public institutions. As a result, the requirements for the recruitment and appointment of officials with the required knowledge and expertise who are committed and accountable to the implementation of Supply Chain Management arise (City Press, 2010:1).

Officials are expected to interpret the policies of council and implement the programmes and deliver the required services. It is, therefore, logical that officials understand and become aware of the stakeholders of the Municipality, their demands and expectations. Failure to satisfy the needs and demands of stakeholders, will thus negatively impact on the long-term success of the municipality. For example, failure in keeping tender records for accountability may have a major impact since officials may not be able to justify queries raised during audits or investigations. The implications are that stakeholders, that is, the community must be satisfied that priorities, goals, demands and expectations of each sub-group are satisfied. It is argued that if these demands and expectations are not recognised and met, they may contribute to municipalities becoming alienated from its community.

Consequently, municipalities' competitiveness depends on its ability to develop core competence concerning key skills and knowledge in administration and

management. An organisation's resources comprise tangible and intangible assets of the organisation, where tangible assets include physical goods, such as, buildings, equipment and financial resources. Intangible assets include the organisation's reputation, its brand and even its organisational culture (Bakhru, 2004:13).

A core competency or capability required for the success of VDM is the know-how with respect to the implementation of Supply Chain Management. For successful implementation, the municipality needs to recruit members who have these capabilities as well as the commitment and who ensure accountability as a administrative principle.

The human resources consist of technical know-how, skills development, capacity for communication and collaboration, motivation, commitment and trust (Grant 2004:177-179). These resources are often a source of sustainable competitive advantage and arguably more so in a municipal environment where service delivery is monitored by individuals at the service level. Quality human resources in municipalities are essential to deliver quality service, ensure long-term sustainability and strengthen decision making abilities. In addition, strong and competent human resources not only attract the community to support the organisation but also build their confidence in the ability of the municipalities to deliver services at an acceptable level.

A resource based analysis, even a limited endeavour such as above, highlights the fact that municipalities are faced with serious challenges to acquire the right resources and at the right time (Masondo 2010:1).

The above discussion implies that response to the changing environment with respect to the implementation of Supply Chain Management to satisfy the stakeholders can be achieved by acquiring capable, committed human resources held accountable through an effective administrative system.

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1.5. AIM OF THE STUDY

The aim of the study is to assess the challenges faced by Vhembe District Municipality with the implementation of Supply Chain Management policies.

1.6. SPECIFIC OBJECTIVES OF THE STUDY

The specific objectives of this research are to:

- Investigate the implementation status of Supply Chain Management within Vhembe District Municipality.
- Determine the capacity of officials of Vhembe District Municipality in carrying out their responsibilities with respect to the implementation of Supply Chain Management.
- Investigate the existence of a monitoring mechanism and to evaluate its influence on officials' commitment and accountability with respect to Supply Chain Management implementation.
- Identify factors hindering the municipality to effectively implement Supply Chain Management.

With respect to the first objective, the implementation status of SCM is measured by the existence of structures established to deal with SCM, namely, existence of SCM committees, SCM policies and procedures, appropriateness of tender adjudication and implementation processes.

Under the second objective, the *capacity* of officials is measured by the relevant Supply Chain Management training that officials have received; the extent to which the training is useful and adequate and the application of the skills and knowledge gained from training programmes to benefit the Municipality's SCM.

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The third objective, the *commitment and accountability* of officials is measured by examining the awareness levels of officials towards Supply Chain Management principles; their exposure to policies and procedures guiding the implementation of SCM; as well as their performance in the implementation of the municipality's programmes through the application of Supply Chain Management principles. Furthermore, commitment is assessed by exploring the awareness of officials about their roles and responsibilities as well as their ability to carry out those roles and responsibilities. Accountability of officials is also measured by ascertaining the official's compliance with SCM legislation.

Capacity, *commitment* and *accountability* are broad concepts and themes which are difficult to measure directly. As such, it is imperative that proxy indicators be used to measure the three identified objectives.

The outcomes of the research are expected to assist Vhembe District Municipality to:

- develop interventions to strengthen Supply Chain Management;
- develop skills and build capacity of municipalities' officials and managers responsible for Supply Chain Management;
- influence commitment and accountability of officials and management; and
- improve a municipality's performance toward service delivery through effective and efficient implementation of Supply Chain Management.

1.7. HYPOTHESIS

The research assumptions pertaining to this thesis are as follows:

- Lack of capacity and commitment of officials responsible for Supply Chain Management in carrying out their responsibilities lead to inefficient

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implementation of Supply Chain Management processes, hence, negatively impacting the municipality's performance resulting in unaccountability.

1.8. RESEARCH QUESTIONS

The investigative questions in support of the research question reads as follows:

- Did the Municipality adopted SCM and its principles?
- Have officials responsible for Supply Chain Management been effectively trained?
- Do the Supply Chain officials understand their roles and responsibilities?
- Are the officials able to carry out their roles and responsibilities effectively?
- Has the municipality adopted the government legislated Supply Chain Management policies?
- Did the municipality adopt an effective monitoring system to manage Supply Chain Management system?
- How realistic are Supply Chain Management guidelines within the municipality?

1.9. SIGNIFICANCE OF THE STUDY

"The significance of Supply Chain Management is widely recognised, both for national development and as part of international business architecture, as a lever to address the converging interest of competitiveness, corporate

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citizenship; social and environmental responsibility. It is also an effective mechanism for encouraging efficiency" (King, 2002:15).

As reported by the news media across the country, the past five years have seen a decline in service delivery by most municipalities with some strategic projects (for example, construction of RDP houses left incomplete and some falling apart before they are occupied) not being effectively completed. The news media in South Africa further reported a number of cases where contractors have been paid without any work done. In some cases, contractors were fully paid for incomplete construction work. In addition, over 50% of the municipalities in the country are reported to have obtained qualified audit reports with a high level of financial non-accountability (Masondo S. The Times, 2010:1). The media reports indicate that for 2009, only four of the 247 municipalities audited by the Auditor-General for the year to the end of June 2009 obtained unqualified audit reports.

This research is important to the municipalities for the following reasons:

The changing environment requires the SCM legislation to be effectively implemented for the provision of goods and services through the implementation of Supply Chain Management.

Government, local communities and other stakeholders such as investors are becoming increasingly concerned about capacity, commitment and accountability of officials in handling SCM as well as the quality and timely service delivery to obtain value for money.

Effective implementation of Supply Chain Management improves service delivery to communities and enhances revenue generation by municipalities (through collection of levies, other duties and more funding from the national government), resulting in long-term sustainability of municipalities and consistent provision of quality services.

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The research recommends ways to strengthen SCM implementation, through development of capacity to officials, and improve their levels of commitment and accountability. The question of capacity is addressed by the relevance and adequacy of training necessary for officials. Commitment and accountability are addressed through the application of policies as well as the implementation of monitoring and evaluation mechanisms and frameworks.

1.10. DELIMITATION OF THE STUDY

The de-limitation of this research relates to the fact that data were collected from one specific geographical area namely, Vhembe District Municipality in Limpopo province of South Africa. Only challenges facing the municipality with respect to the implementation of Supply Chain Management formed part of the study. In addition, only officials who deal with Supply Chain Management directly were included as participants on this research study.

1.11. LIMITATION OF THE RESEARCH STUDY

The limitations of this research are:

- Financial challenge is a constraint for the research to focus on Vhembe District Municipality only.

- Sensitivity of the problem under review – respondents may have felt uncomfortable in responding to sensitive questions regarding SCM implementation within VDM.

- Use of proxy indicators was another limitation.

- Drawing inferences and making generalisations concerning urbanised municipalities may be problematic since the study is restricted to a rural sample.

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- Interventions suggested for improvement may be effective in Vhembe District Municipality, a Category C municipality operating in a rural environment.

However, the research study can be replicated in other Category C district municipalities in South Africa. A theoretical framework for this research is universal.

1.12. RESEARCH METHODOLOGY

Research methodology refers to the process and steps within the research process. Methodology deals with what data needs to be collected, the method of collection, communication and how results are to be analysed to answer the researcher's problem that initiated the research (Collis and Hussey, 2003:113).

According to Vogt (1993) in Collis and Hussey (2003:113), "research design presents an art of planning procedures for conducting a study so as to get the most valid findings." Research design covers such broad issues from research paradigms to methodology and data capturing to analysis. These and other theoretical design issues are discussed in this chapter (Collis and Hussey 2003). Specifically the following topics are covered: research approach, sampling, measuring instruments and data analysis.

Both quantitative and qualitative methods have been applied for the research. A questionnaire was designed and distributed to all research participants. In addition, open-ended interviews were carried out with the target officials. The data collected was collated, analysed and conclusion drawn on how Supply Chain Management can be improved within the municipality.

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1.12.1. Study area

The study was conducted in within the Vhembe District Municipality in the Limpopo Province.

1.12.2. Population and sampling

The population for the study concerning the application of the SCM was drawn from the Finance Department of Vhembe District Municipality within which Supply Chain Management is implemented. All officials within the Finance Department formed the entire population of the study.

1.12.3. Sampling

A typical sample size according to Leedy and Ormrod (2005) for phenomenological research is a minimum of five individuals who have direct experience of the phenomena. This is a process by which respondents are picked out of the population to represent the population in which the study is conducted. According to Watkins (2008:56), research students are often uncertain much about how to determine the size of a representative sample in a small population. Watkins suggests the following guidelines for the selection of a sample size:

- For a sample population (N<50), there is little point in sampling. It is recommended that the whole population be sampled.
- If the population size is around 100, 75% of the population should be sampled.
- If the population size is around 500, 50% of the population should be sampled.
- If the population is around 1000, 35% of the population should be sampled.

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For the purpose of this study, the purposive sampling technique was applied. Purposive sampling is used for a 'purpose'. Municipal officials responsible for Supply Chain Management comprise a small population (N<50) and the purpose of the study is to review and assess the challenges facing VDM with the implementation of Supply Chain Management.

1.12.4. Sampling size

The sample for the research project comprised a maximum of 37 officials from the municipality under review. Target respondents were drawn from the Finance department. The department is responsible for Supply Chain Management implementation within the municipality. Self-administered questionnaires were distributed to the target population and interview guide administered to 30% of the population, although the research covered the total population. The selection criterion for the interviews was created on the basis of functionality, that is, those officials who are responsible for line functions within the Supply Chain Management, namely, the CFO and the Supply Chain committee members. The assumption is that these officials are more closely involved with the business processes as well as participating in decision-making.

1.12.5. Research instruments

A structured questionnaire was designed and distributed to all Vhembe District Municipality's Finance Department officials. In addition open-ended interviews were carried out with the target officials. The data collected was collated, analysed and conclusion drawn on how Supply Chain Management can be implemented and improved within the VDM. Interviews were conducted to explore the issue in-depth and gather sufficient qualitative information, which highlighted challenges of Supply Chain Management within the municipality.

A pilot study was carried out to test the survey questionnaire and to establish the appropriateness of the questions, the terminology used and to explore other

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potential issues that could have arisen in the operationalisation of the study. Two local municipalities within the VDM were used for the administration of the pilot study namely Mutale and Makhado local municipalities. The questionnaire was administered to three officials from each municipality.

1.12.6. Data analysis

Qualitative and quantitative data can be analysed using a variety of techniques. Quantitative data is analysed using frequency tables, cross tabulations, correlations, charts and graphs (SPSS). Qualitative data are analysed through reducing, structuring and quantifying the data and summarising the data using categories (Collis and Hussey 2003:61-66).

The total number of observations or frequencies of the data gathered through administration of a questionnaire were tallied to provide measurements of the number of responses to a particular question. The data were entered into a Microsoft Excel spreadsheet, by grouping them into relevant categories for better comprehension. In addition, percentages were calculated to describe the proportion of the responses in relation to each question. SPSS was used as a tool to analyse quantitative data.

Charts and graphs were used to summarise the responses and to identify patterns and relationships among variables.

1.12.7. Ethical considerations and confidentiality

"In the context of research, '*ethics*' refers to the appropriateness of the researchers' behaviour in relation to the rights of those who become the subject of his/her work, or are affected by it" (Watkins 2008:69). According to Leedy and Ormrod (2001:107-108) in Watkins (2008:69) most of the ethical issues in research fall into one of four categories namely, protection from harm, informed consent, right to privacy and honesty with professional colleagues.

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For this study, official permission was obtained from Vhembe District Municipality and the proposed study was discussed with relevant managers within the municipality (See Annexure 3). Permission was granted to administer a questionnaire and conduct interviews with the officials. Dates and times for conducting the study were agreed upon with all the respondents. Any changes that were necessary for the research were communicated to the participants.

This research study ensured that high ethical standards were observed. Before administering questionnaires and conducting interviews, consent was obtained from each respondent to acknowledge their efforts and to respect their time. The questionnaire responses remained anonymous and names of respondents were not noted down. Respondents were not compelled to answer questions that they found uncomfortable or regarded as being sensitive. Responses will not be linked back to the participants to avoid any negative impact on their professional careers. The findings of the research will be shared with the VDM in the form of a report, once the thesis has been accepted by the University of Venda. As the results will be generic and integrated, no specific persons can be attributed to any set of data.

Only the researcher has access to all the completed questionnaires and interview responses. These reports will be retained and safeguarded by he researcher. The date will be made available to persons outside the VDM only with the approval of the municipality.

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1.13. CLARIFICATION OF CONCEPTS AND TERMS

This section clarifies concepts and terms so the discussions in the text are put into context and understood throughout the study. These key concepts are:

Accounting Officer: Head of department or a Chief Executive Officer of a constitutional institution (PFMA, 1999:23)

Evaluation: An in-depth examination of economic, financial and social effect of a programme or policy initiatives (Allen and Tommasi 2001:448)

Financial Management: The legal and administrative system and procedures put in place to permit government ministries and agencies to conduct their activities so as to ensure correct usage of public funds meeting defined standards of probity, regularity, efficiency and effectiveness. Financial management includes the revenue, management and control of public expenditure, financial reporting, reporting, cash management and asset management (Allen and Tommasi, 2001:450).

Loss: Any negative consequence, financial or otherwise (Knight 1999:55)

Monitor: Refers to checking, supervising, observing critically, or recording the progress of an activity, action or system on a regular basis in order to identify change (Knight, 1999:55).

National Treasury: Means the National Treasury established by section 5 of the Public Finance Management Act, 1 of 1999.

Public Accountability: The obligations of persons or entities, including public enterprise and corporations, entrusted with public resources to be answerable for fiscal, managerial and programme responsibilities that have been conferred on them, and to report to those that have conferred these responsibilities on them (International Organisations of Supreme Audit Institutions 1998:73).

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Public finances: The financial affairs of central, provincial and local government (Hickey & Van Zyl 2002:126).

Public Sector: All institutions owned or controlled by government. These include national, provincial and local government, extra-budgetary governmental institutions and non-financial public enterprises like Eskom (Hickey & Van Zyl 2001:127).

Risk: The chance of something happening that will have an impact upon objectives. It is measured in terms of consequences and probabilities (Knight, 1999:55).

Supply chain performance: Monitor progress undertaken through a retrospective analysis to determine whether the processes have been followed and if the desired objectives were achieved. Usage of the National Treasury template for measuring performance (Ambe 2009:430).

Transparency: The extent to which openness in governance prevails and the extent to which full information on service cost delivery and performance is made available to the public (Abedian, Ajam and Walker 1998:47).

Unauthorised Expenditure: Money that spent for purposes other than for which it was allocated or expenditure in excess of what was allocated (Hickey and Van Zyl 2002:142).

1.14. SUPPLY CHAIN MANAGEMENT AS A PROCUREMENT PROCESS

SCM is an integral part of prudent financial management in the South African public sector management. It introduces internationally accepted best practice principles, while at the same time addressing government's preferential procurement policy objectives (OGC 2005: 11).

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SCM aims to add value at each stage of the process – from demand of goods and services to their acquisition, managing the logistics process and finally, after use, to the disposal of redundant assets. In doing so, it addresses deficiencies in current practice related to procurement, contract management, inventory and asset control and obsolescence planning. Therefore, adopting an SCM policy ensures uniformity in bid and contract documentation and options as well as bidding and procedure standards, among others, will promote standardisation of supply-chain management practices [National Treasury 2003 (a):2].

Supply Chain Management is the process of planning, implementing, and controlling the operations of the supply chain with the purpose to satisfy customer requirements as efficiently as possible. Supply Chain Management spans all movement and storage of raw materials, work-in-process inventory, and finished goods from point-of-origin to point-of-consumption. The definition one American professional association put forward is that, "Supply Chain Management encompasses the planning and management of all activities involved in sourcing, procurement, conversion and logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third party service providers and customers". Supply Chain Management is a systems approach to managing the entire flow of information, materials, and services from raw materials suppliers through factories and warehouses to the end customer (Leenders & Fearon 1997:295).

The 1990's became the era during which Supply Chain Management developed into a critically important business activity. The focus of logistics changed from 'internal efficiency' to 'external relations' between parties in the supply chain (Skoett-Larsen 2000:377). It was also the era in which business and public sector experienced the most dramatic changes. Some of the changes, which impacted most definitely on the further development of the concept Supply

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Chain Management, are summarised by Chandra and Kumar (2000:100) as follows:

- Increasing national and international for the delivery of goods and services.

- Organisation structures are starting to align with processes for the provision of goods and services to final consumers and beneficiaries.

- Reduction in the number of suppliers to have one contractor and consultant responsible to provide entire product components and full services to a required location at a specific period of time.

- Outsourcing of non-core activities to obtain maximum quality of goods or service.

- Sharing of information between vendors and customers to ensure meeting strategic goal of an organisation.

- Shift from mass production to customised products to avoid losses of stock and reducing stock handling costs.

According to the National Treasury's (2004:2), Supply Chain Management Guide for Accounting Officers/authorities procurement practices must be fair, equitable, transparent, competitive and cost effective. It is however questionable if the ideal present the current position, for example:

- If procurement and provisioning procedures are rule driven, and value for money is almost always equated to the lowest price tendered. If so, the emphasis is on monitoring inputs.

- Whether procurement and provisioning activities are not linked to budgetary planning.

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- If Asset management is limited to control of inventory, how can be obtained satisfactory return to the community for the funds invested.
- If Bid documentation is uniform, it should not cause uncertainty to bidders and practitioners.
- If the Preferential Procurement Policy Framework Act, 5 of 2000 and its associated regulations are understood, the policy should be implemented correctly, and procurement practitioners should be able to apply the framework.
- The costs and outcomes of the Preferential Procurement Policy Framework Act 5 of 2000 are not fully quantified, hence it becomes impossible to evaluate the merits of the system.

The arrangements of SCM are meant to promote uniformity in the processes and also in the interpretation of government's preferential procurement legislation and policies. These should themselves be seen in the context of other related legislative and policy requirements. Above all, these arrangements mean that responsibility and accountability for Supply Chain Management related functions should be devolved to accounting officers/ authorities.

The evolution of procurement and logistics to Supply Chain Management followed more or less the same sequence of events in the sense that both the private and public sector had to transform in order to meet its customer's ever changing needs, demands and expectations. The solution to the challenge of continuous improvement resulted in the implementation of Supply Chain Management.

The National Treasury's Policy strategy to guide uniformity in procurement reform processes in Government (National Treasury 2005:6-7), identifies the substantial divide between the outdated procurement and provisioning practices

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in Government and the new integrated Supply Chain Management function. The latter necessitates a phased implementation approach. To prepare departments for the concepts, tender officials, in liaison with the relevant treasuries, began to significantly delegate their authority to procurement departments so that the latter could build capacity. In this endeavour, accounting officers/authorities are expected to be supported by their relevant treasuries. Capacity building include the establishment of Supply Chain Management units in the relevant Chief Financial Officer's structures, the establishment of clear lines of authority and accountability and performance criteria for minimising risk, quicker and more efficient sourcing and better asset and inventory management.

It is the responsibility of every accounting officer/authority to ensure that their Supply Chain Management personnel are adequately trained. The National Treasury facilitated the development of training material in conjunction with the former South African Management Development Institute [now Public Administration Leadership and Management Academy (PALAMA)], Institute for Public Finance and Auditing, and other service providers to assist accounting officers/ authorities in the training of their personnel.

The policy strategy document and its supporting regulatory frameworks apply to all national and provincial departments, constitutional institutions, public entities as defined in Schedule 3A and 3C of the PFMA, municipalities and municipal entities defined in the Municipal Finance Management Act, 56 of 2003. The policy strategy was adapted to also include appropriate directives that are applicable to public entities as defined in schedule 2 of the PFMA, after the amendment of the Preferential Procurement Policy Framework Act, 5 of 2000 and its associated regulations. The latter Act and its regulations are aligned with the provisions of the Broad Based Black Economic Empowerment Act, 53 of 2003 and its supporting Strategy document. In this way preferential targets are set and incorporated into policy charters that are issued by the Minister of Trade and Industry. These policies charters and the associated targets are applicable

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according to schedule 2 public entities. Supply Chain Management is dealt with in Chapter 4.

1.15. STRUCTURE OF THE STUDY

The research assesses the challenges faced by Vhembe District Municipality with the implementation of Supply Chain Management. The research report provides appropriate and practical recommendations that may improve Supply Chain Management implementation within the Municipality. The layout of the research is comprised of six chapters with the following sequential flow:

Chapter 1: Orientation and background of the study

This chapter provides a background to the research problem highlighting the objectives of the research and presents the research problem statement. Management models and theories are used as tools to clarify the problem, understand the environmental context and expand on the business complexities within the government sector.

Objectives of the research study are discussed in an attempt to provide a clear reflection on the research issues. This chapter also presents the theoretical design and methodology of the research. It further discusses methods used to collect data as well as the processes followed in this research. These processes include sampling, types of data collected, tools and instruments used to collect data, reliability and validity of data, limitations and delimitations. The chapter also presents the tools or mechanisms used to analyse data.

Chapter 2: Evolution of public administration

This chapter provides fundamental features of public administration in the form of literature review. The discussion purports an analysis of some essential elements and theories of public administration. The theorists propose and

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sketch various issues relating to the phenomena in public administration such as goals, objectives and functions. Local government administration is discussed to give a reflection on its relative implication for the implementation of Supply Chain Management under review.

Chapter 3: Public Financial Management in South Africa

This chapter outlines Public Finance Management (PFM) as a core component of public administration and an essential part of the governing process. Public Financial Management theories and different concepts of governance, budget and budgeting systems are discussed as essential elements of Public Financial Management. These concepts have been in the forefront of the evolution of Public Financial Management in South Africa.

Chapter 4: Supply Chain Management as an integral part of Municipal Financial Management

In this chapter, Supply Chain Management is discussed as an integral part of Public Financial Management and a key component of public administration. Supply Chain Management theories and policies guiding the implementation of Supply Chain Management are outlined.

This chapter further discusses the findings obtained from the responses to the questionnaire and interview.

Chapter 5: Supply Chain Management within Vhembe District Municipality

This chapter presents the findings of the data collected from the existing Supply Chain Management documents (desk research), structured questionnaire and interviews (quantitative and qualitative data). The discussion of the results is integrated with appropriate literature, management models and theories as well

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as policies and procedures developed and adopted by government to guide the implementation of Supply Chain Management.

Chapter 6: Conclusions and recommendations

This chapter summarises the research results and makes recommendations for the Municipality to strengthen the implementation of SCM, enhance officials' capacity, their commitment and accountability to the implementation of SCM. Two key models are presented namely, pillars of public administration and the integrated process for Supply Chain Management. It is argued that the recommendations will enhance the Municipality and Council knowledge and understanding to effectively and efficiently implement SCM.

1.16. SUMMARY

Chapter 1 examined the purpose and nature of the research. The context of Supply Chain Management within the Vhembe District municipalities has also been explored.

The main aim of the research is to assess the challenges facing the Vhembe district municipality with the implementation of Supply Chain Management. Specifically, the purpose of the research is to review and analyse the capacity, commitment and accountability of officials responsible for the implementation of Supply Chain Management within Vhembe District Municipality. The research also identifies gaps in the implementation of Supply Chain Management within Vhembe District Municipality and makes appropriate recommendations. The research problem statement was broken down into four achievable and measurable (SMART) objectives.

The chapter further outlined the methodology used to collect data for the research. These include population of the study; sampling and sampling size; data collection instruments and ethical considerations of the study.

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Clarification of key concepts and terms were defined. Finally, an overview of Supply Chain Management was provided.

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CHAPTER 2

EVOLUTION OF PUBLIC ADMINISTRATION

2.1. INTRODUCTION

This chapter examines the fundamental features, underlying principles and prevailing theories of public administration. Public administration theorists propose and sketch some of the issues relating to public administration such as goals, objectives and functions.

Public administration is crucial because it supports the vision of the government towards attaining its goals and remains a cornerstone of service delivery. Its nature and approach are made up of, among others, public policy, governance, leadership, human resources and public financial management.

The research study investigates the challenges faced by Vhembe District Municipality with the implementation of Supply Chain Management. Implementation of Supply Chain Management is more visible in the local sphere of government as the delivery of service is heavily reliant on consultants and contractors.

2.2. ORIGIN OF PUBLIC ADMINISTRATION

Public administration emerged in the United States of America (USA) in 1887 from Woodrow Wilson's essay which is generally regarded the beginning of public administration as a field of study. Wilson was a Political Science lecturer at Princetown University, who later became the President of USA and was regarded as the father of public administration (Lalhmachhuana, 2010:1).

Wilson sought to move the concerns of public administration to investigate the organisation and methods of government officers towards:

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- What government can properly and successfully do; and

- How it can do these proper things with the utmost possible efficiency and at the least possible cost (either of money or energy) (Henry 1980:28).

He further presented a number of dilemmas involving political and administrative functions that had supplanted the traditional concern with the separation of powers among the various branches of government. He believed that public administration had universal aspects that were applicable to all levels of government.

Henry (1980: 28-54) outlined how public administration evolved in periods and paradigms as follows:

Paradigm 1: 1887 – 1926 (Politics/administration dichotomy)

Frank Goodnow and Leonard White recognised public administration's principle dealing with two distinct functions of government namely, (1) policy development and (2) policy execution. They urge that public administration should centre in the government bureaucracy, that is, the executive. The founding of public administration led to the formation of public service and the training committees between 1912 and 1914. In 1926 public administration was given the academic legitimacy through Leonard White's publication "Introduction to the study of Public Administration".

This implies that policy development and implementation are vital in public administration. As a result, public officers should understand policies and procedures in executing public administration programmes.

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Paradigm 2: 1926 – 1937 (The principles of administration)

The second period strengthened the academic legitimacy through Willoughby's book titled "Principles of Public Administration" in 1927. The book presented the scientific principles of administration and emphasised that administrators could be expert in their work if they learnt how to apply these principles. These principles worked in an administrative setting, regardless of culture, function, environment, mission, or institutional framework and without exception. As a result, public administrators were drawn by industries and government to exercise their administrative knowledge. The implementability of these principles have proven that they could be applied successfully anywhere, hence, the academic discipline "Public administration" was developed.

During this period, the United States of America and Western Europe changed from rural agricultural societies to urban industrial nature. The movement required a considerable response from public administration because of many new functions and programmes needing public works, health and public safety. Consequently, functions like control became necessary to build into organisational structures and designed in such a way that accountability and efficiency could be obtained.

This means that if public officials understand the goods of government programmes, the policies of areas they operate in and obtain relevant training, they could become experts in their work. Consequently, they would be able to carry out their responsibilities effectively and efficiently.

Paradigm 3: 1938 – 1947 (Public administration as a political science)

After the Second World War, public administration was transformed when modern state developed, but the principles of administration as espoused by scientific management proved to be increasingly inadequate when gauged against the size and complexity of contemporary governments. The Keynesian

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economic theory and the practice of public administration became significant in managing complex public goals.

This period was faced with challenges to prove public administrators as well as legislators made rational political decisions and public policies with the presumption that everyone would benefit from good government. The realisation of the fact that politics and administration could not be separated has accelerated public administration and emphasised that public administration is consistent in its approach. However, Simon in his book *A study of Decision-making Processes in Administration Organisation* argued that for every principle of administration there was a counter principle. As a result, the concept of public administration principles became arguable. This created opportunities for theorists to research on its application in more recent developments.

Given that public administration exists to support the political will, it is imperative that decisions taken support the needs, demands and expectations of the public. This puts political parties in a position for being able to lead, that is, to govern. However, the question arises as to how politicians understand public administration as a strategic function towards delivering services to the public. It is critical that politicians are trained to understand public administration and its key functions.

Paradigm 4: 1948 – 1970 (Public Administration as Management)

The management function or "generic management" became a viable alternative for a significant number of scholars in public administration. It was argued that management as a field covers organisation theory and behaviour, planning, decision-making, various techniques of "management science" such as critical path analysis and queuing theory, motivation, communication, management information systems, budgeting, auditing, production and marketing.

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Simon advanced an alternative to the old paradigm of public administration as cited in his Administration Behaviour publication. He urge that public administration needs two functions to operate in harmony and reciprocal intellectual stimulations namely; (1) the scholars who are concerned with developing a pure science of administration and (2) a larger group concerned advocating public policy. He argued that promoting public policy could not swallow only political science but should attempt to absorb economics and sociology as well. Peters (2003:54) indicates that it is this time (between 1950's and 1960s) that the separation of policy and administration was accepted in the field (Henry 1980:37:45)

Paradigm 5 and 6: 1971 – 21st century (Public administration as public administration – from government to governance)

Public administration as an administrative function developed from "government to governance" as a means to design a system of rule to steer government programmes. "Governance is a comprehensive concept referring to the combined effort of political and public institutions in conjunction with private sector in providing services to the society" (Thornhill 2011, 12). People with knowledge, ability and commitment, who understand their purpose, objectives and strategies of government, are required to fulfil their accountability obligations of the government they represent. Governance is viewed as a function within public administration that links the parts of political systems with the government and / or public institutions. Governance is concerned with issues such as corruption, human rights, social justice, equality and rule of law.

Good governance raises issues such as:

- stakeholder engagement;
- transparency;

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- equity agendas such as gender, ethnic group, age and religion;
- ethical and honest behaviour
- accountability; and
- sustainability.

Furthermore, good governance is characterised by:

- an efficient public service to the community the government serves;
- an independent judicial system and legal frameworks to enforce controls;
- the accountable administration of public funds;
- the independent public auditors, responsible to a representative legislature;
- respect for law and human rights in all spheres of government;
- a pluralistic institutional structure; and
- a free press.

Thus, public administration could be more valued if good governance is observed, public officials being committed to their respective roles and account for their actions. In addition, it remains the responsibility of management to empower officials in carrying out their roles and responsibilities through emphasis on good governance within the public sector.

Governance development has brought public administration under public scrutiny and has shaped democracy in South Africa. The 2011 local government elections were also influenced by governance issues in the local

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sphere with some issues identified and raised by communities as key agendas for service delivery in their respective municipalities.

2.3. PUBLIC ADMINISTRATION DEFINED

Public Administration, like other disciplines, both the social and natural sciences, is founded on some fundamental principles or doctrines. These principles have influenced, shaped and guided practitioners, academics and political office-bearers within the discipline of Public Administration. In addition, these principles also play a crucial role in instilling values and setting standards within the government, the state and society. If these values are observed and standards applied correctly, taking into account a particular context or environment they inculcate efficient public administration practices.

Woodrow Wilson, founder, scholar of the field described public administration already alluded to identify it as the study that is concerned with the actionable or operational side of government.

Simon, Smithburg and Thompson (1950:7) outline public administration as "the activities of the executive branches of national state and local governments, independent officials and commissions set up by congress and state legislatures; government corporations; and certain other agencies of a specialised character". He argues that public administration activities exclude those of judicial and legislative agencies within the government and non-governmental administration.

According to Van Wyk *et al.* (2003:7) public administration (with capital "P" and a capital "A") refers to an academic discipline in universities, universities of technology; and the term public administration (with a lower case "p" and lower case "a" as the activities, both strategic and operational within the public sector.

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Gladden (1966:13) delineates public administration as part of a much wider sphere of administrative activity, which is universal in its operation. He describes public administration as "the activities of groups co-operating to accomplish common goals".

Ketll and Fesler (2009) state that public administration is responsible for translating policies into practice. They further indicate that policies play an influential role in shaping the behaviour of officials formally responsible for carrying out government programmes and administrative activities.

Henry (1968:26-27) states that public administration is a broad-ranging and amorphous combination of theory and practice with its purpose to promote a specific understanding of government and its relationship within the society it governs; as well as to encourage public policies to be developed that are more responsive to social needs and institute managerial practices attuned to effectiveness, efficiency, and the deeper human requisites of the citizenry. He further cites the four characteristics noted by Stephen to be considered in order to understand public administration:

- *Descriptive theory*, which emphasises the hierarchical structures and their relationship with their sundry task environment. Public administration raises delegation of authority issues that need to be observed for accountability purposes. As a result, public institutions are structured in order for the programmes to be executed effectively and efficiently. Therefore, the roles and responsibilities of officials within the structure should be clearly defined, documented and made available to the entire structure.

- *Normative theory* or the "value goals" of the field, that describes what public administrators or practitioners ought to do given their realm of decision alternatives, and what public administrators ought to study and recommend to the practitioners in terms of public policy. The decisions concerning a structural setup are meant to empower officials to carry out their

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responsibilities accountably, not only to the government but to the public at large. Therefore, the goals of the government should be instilled in the officials to draw their commitment to programmes and services.

- *Instrumental theory* or the increasingly refined managerial techniques for the effective and efficient attainment of public objectives.

The fact that public administration involves the collection of financial resources through taxes, accountability for fund utilisation becomes imperative. The structural setup and decision making process requires consideration that government programmes and services justify the utilisation of public funds. As a result, segregation of duties should encourage accountability of public officials at all levels.

Stillman (1980:3) relates public administration to the activities of the executive branch of government that deals with the formulation and implementation of public policies as well as involvement of human behaviour and cooperative human effort. In the context of this thesis, the administrative implications refer to the implementation of Supply Chain Management as a policy of government contained in legislation.

Public administration is a mechanism about policy formulation and execution. Stillman (1980:3) further states that what government accomplishes for society depends on the policies it formulates and adopts and on how effectively these policies are put into practice. He further states that laws are merely printed papers, and the main task of public administration is to translate the statutory books into changed behaviour by individual members of the society, to convert words into action and forms into substance (Selepe, 2005:45). This means that policies, without being effectively implemented, have no meaning.

In the 1960s public administration was defined as a special field of study within the discipline of management sciences. Public administration is regarded as a

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discipline that emphasizes the structure and operation of bureaucracies and organisations, including budgeting, personnel (recruitment, allocation and management), and administration of formal and informal internal controls (Jacobson, 2009:35). However, he argues that due to its multidisciplinary characteristics, it is difficult to have a common definition of the discipline. In the case of the acquisition, utilisation and disposal of assets, note must be taken of the political enforcement and requirements policy regarding Broad Based Black Economic Empowerment.

As indicated in Sofohlo (2009:21), Basu (2004:2) indicates that "public administration is the management of affairs of the government in all spheres – national, intermediate and local". Therefore, public administration can be associated with the handling of public matters and the management of public institutions, to ensure effective and efficient use of resources to promote the general welfare of the public.

Experts 123 (2011:1) illustrates public administration broadly as the development and implementation of government policy. Cloete (1994:91) identifies "policymaking, organising, financing, staffing, determination of work procedures and exercising of control as administrative functions whose aim is goal realisation" as the definition of public administration. Coetzee (1988:20-21) regards public administration as "a particular kind of administration prevailing in the public sector where it concerns the execution of public policies which finds expression in laws, rules and regulations made by legislative bodies at the various levels of government".

Public administration is carried out by public servants (officials) who work in government departments, other public institutions and agencies, in all spheres of government, and perform a wide range of tasks. Activities of public officials should be characterised by their thoroughness, as the decisions taken by public officials' impact on the public directly or indirectly. This implies that public authorities have to take balanced decisions taking all aspects of related matters

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are fully taken into account and acting timeously for effective implementation by officials. Balanced decisions are necessary to ensure that every citizen receives equal treatment before the law. Even in the case of Broad Based Black Economic Empowerment Act, 53 of 2000 (BBBEE), tenders should be assured of equity and the acknowledgement of specific criteria in the evaluation of bids.

Officials are expected to maintain professional work ethics, provide service of high quality and must be disciplined for wasting money and materials when carrying out public administrative function.

Public administration evolved as a function within the public sector to ensure the delivery of services and make the government accountable at all spheres. The discipline is crucial because it supports the government's vision in attaining its goals, as it is a cornerstone of service delivery. It is because once the budget is compiled and distributed equitably to agencies, all public institutions are expected to ensure that strategic planning, financial planning and management, auditing, debt management, revenue management and expenditure management are central in managing public finance. Public Financial Management is discussed in Chapter 3 of this thesis.

2.4. GOALS OF PUBLIC ADMINISTRATION

The goal of public administration is to facilitate management to give effect to policies so that the government in all spheres can function effectively and efficiently. Public administration enables the implementation of government policies. As an academic discipline it studies this implementation and prepares public officials to carry out government programmes and services successfully. Public administration is viewed as the pursuit of the public good in enhancing the quality of life of people by ensuring a well-administrated, fair and effective public service to achieve specific goals.

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Public administration presents two key goals, which can be separated in concept but they are interlocking in practice. These include (1) understanding how people behave in organisations and (2) how organisations operate. These goals provide practical application about how agencies can be effectively organised to support government programmes and services (Simon, Smithburg and Thompson, 1950: 17).

"An efficient, responsive and transparent public administration is the basic means through which government strategies to achieve a country's developmental priorities can be implemented. Reducing costs and improving the efficiency of public administration frees resources for poverty reduction and other development objectives. Increasing the accountability of state institutions and ensuring that the government is proactively responsive to the needs of citizens is vital to sustainable progress towards the Millennium Development Goals (MDG)" (UNESCO, 2011:1).

Institutions such as the South African National Civic Organisation (SANCO), individual members of the public and non-profit organisations play important roles in developing public administrative practices. These structures and individuals are also involved in policy-making through government consultative processes initiated to understand how all stakeholders interpret the specific policy (Denhardt, 2006). Even though public administration varies in scope and substance, those who work in the public sector share certain commitments, that is, to deliver service to the public. Public administration has been outlined by Henry (2002) in Selepe (2008:22) as a mechanism that aims to facilitate those public policies that are responsive to societal needs and to institute managerial practices accustomed to efficiency and deeper human requisites of the citizenry.

Administrative efficiency should be measured by the extent to which the public is satisfied about the service they are receiving from government. As a result, government programmes should be public centred and citizens be informed

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about which programmes are meant to be delivered to them within a specific period of time. Due to a number of prerequisites including, transparency, governance and accountability, these goals should be aligned to the needs of the community and mechanisms about how service is to be delivered to them should be clearly understood.

2.5. SOUTH AFRICA'S SPHERES OF GOVERNMENT

"Government operates at several levels and in different forms. These different spheres of government seem likely to call for different types of public administration (Gladden 1966:16)". Gladen argues that there are normally three levels of government namely, central, regional and local. According to him, the central government provide assistance to the branches of public administration such as the national departments.

Provincial sphere of the government have their autonomous power under the constitution and with their own departmental systems and corps of officials. At this level, they call for a pattern of public administration similar to the civil service type, though less restricted in range, and having some of the more intimate characteristics of the local type. He further indicates that at the local level one should expect to find the more intimate type of government under the elected Councils. Local authorities provide services that are of vital concern to the local community. The national government may, in accordance with the law, use the local authorities as agents to provide in the localities services for which the national departments are responsible. In South Africa, the division of powers and functions are set out in schedule 4 and 5 of the Constitution, 1996.

In the provision of certain services, perhaps of a social or economic nature, the State may adopt the policy of placing administration in the body organised like a private corporation or company with a measure of public control, possibly through a minister.

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Section 40(1) of the Constitution, 1996 indicates that South African Government is constituted of National, Provincial and Local spheres of government which are distinctive, interdependence and interrelated. According to Section 151(1), the local sphere of government consists of municipalities which must be established for the whole of the territory of the Republic. In addition, section 195(5) states that legislation regulating public administration may differentiate between different sectors, administrations and institutions. The responsibilities of each sphere are addressed in the Constitution as follows:

National Sphere: National Government enacts laws and formulates policies for implementation by all spheres of government and provide particular cervices such as issuing of Identity Documents. In order to fulfil its mandate, the national sphere of Government consists of **39** National departments, **10** Constitutional institutions, **30** National government business enterprises and about 160 public entities.

Provincial Sphere: The Provincial Government can make and administer provincial laws in their areas of jurisdiction, for example roads and traffic laws, and share certain areas with the national government such as education health and social services. In order to fulfil their mandate, the provincial spheres of government consist of **9** provincial treasuries one for each province, **98** provincial departments and **95** provincial public entities.

Local Sphere: Local government's responsibilities include service delivery, and promoting social and economic development. To accomplish its mandate, the local sphere of government consists of **278** municipalities and about **91** municipal entities.

A representation of the three spheres of government is depicted in **Figure 2.1**.

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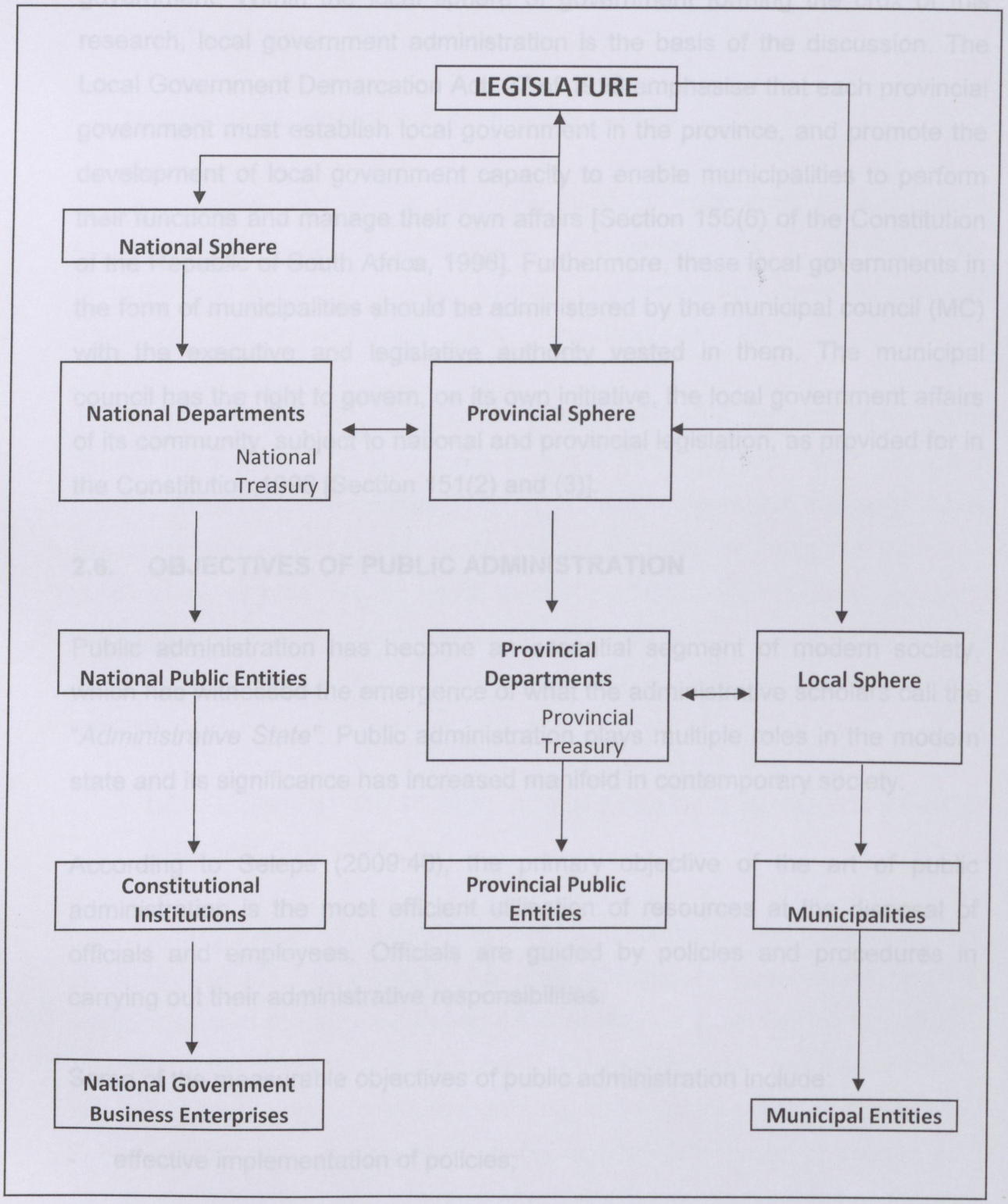

Figure 2.1: The three spheres of government (Adapted from Jacobson: 2007:15)

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Public administration and management principles apply in all spheres of government. Within the local sphere of government forming the crux of this research, local government administration is the basis of the discussion. The Local Government Demarcation Act, 27 of 1998 emphasise that each provincial government must establish local government in the province, and promote the development of local government capacity to enable municipalities to perform their functions and manage their own affairs [Section 155(6) of the Constitution of the Republic of South Africa, 1996]. Furthermore, these local governments in the form of municipalities should be administered by the municipal council (MC) with the executive and legislative authority vested in them. The municipal council has the right to govern, on its own initiative, the local government affairs of its community, subject to national and provincial legislation, as provided for in the Constitution,1996 [Section 151(2) and (3)].

2.6. OBJECTIVES OF PUBLIC ADMINISTRATION

Public administration has become an essential segment of modern society, which has witnessed the emergence of what the administrative scholars call the "*Administrative State".* Public administration plays multiple roles in the modern state and its significance has increased manifold in contemporary society.

According to Selepe (2009:46), the primary objective of the art of public administration is the most efficient utilisation of resources at the disposal of officials and employees. Officials are guided by policies and procedures in carrying out their administrative responsibilities.

Some of the measurable objectives of public administration include:

- effective implementation of policies;
- provision of basic services;

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- effective and efficient utilisation of public funds;
- poverty alleviation; and
- curbing unemployment and creating employment.

If these objectives are not met, stakeholders become concerned as they cannot realise the benefits of government programmes. As a result, public administration functions become essential and should be clearly defined and effectively implemented. These functions are discussed in 2.8.

The objectives of public administration are recognised in the local government sphere more than in other spheres as the provision of basic services is the primary focus of municipalities. The 2011 local government elections have dictated service delivery, governance and accountability key objective issues of public administration through which political parties and government are held responsible to ensure effectiveness and efficiency. Within the service delivery issue lie the prerequisites of transparency and accountability of government officials.

2.7. DEVELOPMENT OF PUBLIC ADMINISTRATION IN SOUTH AFRICA (GENERIC PRINCIPLES)

Public administration is broad-ranging and has a combination of theories with its practices designed to promote the understanding of government and its relationship with the society. Public administration is essential for all nations, whatever their systems of government. The relationships between different spheres of government constitute a growing challenge for public administration. Public administration is expected to encourage the formulation of policies that are responsive to the social needs and institute managerial practices on the part of public organisations that are substantially attuned to effectiveness, efficiency and increasingly, the deeper human requisites of the citizenry (Cloete 1988:18).

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Political revolution, economic growth and environmental challenges have contributed to the development of public administration as they impact on the service delivery by government departments and other public institutions. Execution of government programmes require public institutions and officials to account for their decisions and actions. Therefore, policy formulation and implementation became a key factor in the development of public administration. Policies influence the accountability of public institutions and public officials as they provide for the guidelines that institutions and individuals have to observe in carrying out public programmes and activities.

Key elements of the implementation of Public Financial Management as a fundamental function of public administration are discussed in Chapter 3. It is argued that PFM has a major impact and is impacted by the implementation of SCM. Therefore, Supply Chain Management became a sub-function of PFM receiving a closer attention in public institutions because of being more visible in the local sphere of government where services are more visible. Public administration in South Africa has also commented the establishment of political parties as a result of concerns regarding service delivery. This development has also brought SCM to the surface for scrutiny by members of the public in the local sphere. It is argued that effective public administration is a prerequisite for effective service delivery in South Africa.

Currently, public administration and management include the responsibility for determining the policies and programmes of government. Specifically, these programmes and services involve activities such as budgeting (Christensen, 2002).

Public administration involves the co-ordination of all organised public activities, with the intent to effectively execute public policy. The co-ordination of organised activity is common to all administrative endeavours in the private and public sectors implementation of public policies. Human co-operation and joint effort remain critical in implementing government policies in particular (Gortner:

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1981:5). Gortner further argues that, in this context, public administration should be geared towards serving the public by implementing public policies through an organised administrative arm. Most importantly, the implementation of public policy, for service delivery purposes, should be a coordinated effort between the public as recipients of a service and government.

Public administration activities are characterised by identifiable but not necessarily quantified guidelines. These characteristics are grouped into three main groupings namely, (1) the nature of the political dispensation, (2) societal values and norms and (3) the rules of administrative law. Social values and norms channel officials into behaving within acceptable standards, for example, maintaining honesty, fairness and respect. The rule of law provides guidance to officials for adhering to government legislations, regulations, processes and procedures (Hanekom and Thornhill, 1995).

According to Du Toit and Van der Waldt (1997:45-61), the performance of public administration emerged as a result of:

- **Human needs:** Provision of basic services like refuse removal and water to communities remain the responsibility of the public sector. As the operational environment does not make it easy for public administration to meet these primary needs of the people, the development of communities and their needs has influenced the services to be rendered by government through public administration programmes.
- **Common needs:** Due to population growth, social and economic development as well as environmental changes, people could no longer satisfy their needs. Services such as potable water, electricity and provision of housing have become challenges that require government intervention. As a result, public services have to be provided for those utilising public administration as enabling function.

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- **Increased need for and better distribution of services:** Population growth and economic development for example, urbanisation, have influenced the need for increased provision of services by government. Consequently, management of the distribution of services is done in three spheres namely, national, provincial and local. For example, common needs, such as security, are addressed at the national sphere, the responsibility for development of regions lies with the provincial government while provision of essential services such as water and refuse removal rest with municipalities.

Section 197(1) of the Constitution of the Republic of South Africa 1996 emphasises that within public administration there should be a public service for the Republic, which must function, and be structured, in terms of national legislation, and which must loyally execute the lawful policies of the government of the day. Section 195(5) states that legislation regulating public administration may differentiate between different sectors, administrations or institutions. Section 195(6) indicates that the nature and functions of different sectors, administrations or institutions of public administration are relevant factors to be taken into account in legislation regulating public administration.

Chapter 10 of the Constitution of the Republic of South Africa, 1996 provides the democratic basic principles and values that govern public administration. These principles emphasise that:

- High standard of professional ethics must be promoted and maintained
- Efficient, economic and effective use of resources must be promoted.
- Public administration must be development-oriented.
- Services must be provided impartially, fairly, equitably and without bias.

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- People's needs must be responded to, and the public must be encouraged to participate in policy-making.

- Public administration must be accountable.

- Transparency must be fostered by providing the public with timely, accessible and accurate information.

- Good human-resource management and career-development practices, to maximise human potential, must be cultivated.

- Public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve broad representation.

These principles apply to the administration in all spheres of government; organs of state; and public enterprises. Policies and other national legislation that are developed to ensure the promotion of these values and principles require the appointment of public administration specialists to carry out government programmes and services.

The evolution of public administration in the 1980s became the philosophy that influenced the South African government to modernise the public sector. Public management is practiced to assist public administration towards greater cost-efficiency without having negative effects on attaining the objectives of the government programmes. Public management presents three constructive legacies for the field of public administration, namely:

- a stronger emphasis on performance-oriented administration and the inclusion in the administration cannon of performance oriented institutional

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arrangements, structural forms and managerial doctrines fitted to particular contexts;

- an international dialogue on and a stronger comparative dimension to the study of state design and administrative reform; and
- the integrated use of economic, sociological and other advanced conceptual models.

The new public management (NPM) goal is to achieve a great deal of structural adjustments and create a new type of state intervention to obtain cooperation, assisted by community organisations and empower citizens. According to Lalhmachhuana (2010:2), the approach attempts to limit the role of state, including downsizing bureaucracy, devolution of authority, cost-reduction, contracting out some of the operative functions of government, developing and designing a result-oriented appraisal system and commercialisation as well as market orientation of the government activities. However, this must be supported by effective accountability through an open reporting system by moving administration from rule to result orientation, from system to enterprise, obedience to reward, inaction to action, centralisation to decentralisation and from duties of administrators to the rights of citizens. Mostly, the New Public Management (NPM) aims at an entrepreneurial role for public organisations with a market based public management resulting in effectiveness and economy in the functioning of public organisations.

Some of the important approaches taken by the new public management to modernise the public sector include:

- downsizing public apparatus and narrowing down the number of employees it employs;

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- increasing the efficiency of the service provision and delivery process and not merely focusing on input but on quality of output through de-bureaucratisation.

- decentralisation of decision bringing it closer to citizens to enhance competitiveness within the public institutions by allowing managers and employees to have more freedom of action, initiative and creativity. This approach creates the sense of ownership of public institutions to the person at the bottom of the structure;

- emphasis on managerialism that encourages the use of business process within public institutions, employing managers who have professional-managerial proficiencies and ensuring that their obligations are output and performance oriented;

- privatisation of public institutions in order to hand over managerial responsibility from public organisations to business bodies which act within the conditions of competition and free market to the benefit of the government; and

- performance evaluation aimed at improvement of products and services by formalising standardisation and measurement of processes in order to achieve continuous improvement.

One can argue that the adoption and implementation of Supply Chain Management by the government of South Africa was due to the development of public administration practices and a managerial emphasis. As a result, Public Financial Management became the central function of public administration given the need for accountability of public officials on the utilisation of funds as prescribed by the newly developed public policies and procedures. For example, the bidding and tendering process in government is an example of free market-oriented approach to achieve efficiency in government spending.

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Continuous technological advancement and economic growth have consequently expanded the range of public administration tasks and activities. Public administration considered as the co-ordination of human resources and material aims at achieving goals and objectives utilising goal oriented approaches. These are discussed in 2.8.

2.8. FUNCTIONS OF PUBLIC ADMINISTRATION

According to Thornhill and Hanekom (1995:248-248) there is a general expectation that governments have to fulfil a number of distinctly different types of functions in modern democratic society. One useful fourfold typology of such functions includes:

- the general protection of all its citizens;
- regulation of the interaction among those citizens to maintain an orderly society;
- the development and growth of its society to enable its citizens to live their lives to the fullest potential in the long term; and
- caring for those weak or less empowered members and sectors of society that cannot take care of themselves and might be subject to potential exploitation by stronger or more empowered members of society.

Public institutions exist to satisfy the needs and justified expectations of the population. Without the bureaucracy (machinery of the government), the administration and political system could hardly function. Thornhill & Hanekom (1995:249) maintain that "public administration and management are conducted in a political environment". The public institutions that administer the functions of the state are made up of public servants. As a result, public managers are

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appointed to perform management functions within the milieu of the public sector.

Schermerhorn (2005:15) argues that, "senior managers guide the performance of the organisation as a whole or of one of its major parts". Shelly et al. (1998:1.13-1.14) maintain that "top managers are responsible for long range planning and they establish the overall vision, mission, policies and goals of organisations." Schermerhorn (2005:15) further states that middle managers oversee the work of large departments or divisions while managers at the lower level focus on the supervision of day-to-day activities. One of their main tasks is to direct employees under their control. Lewis *et al.* (2001:849) maintain that "functional managers are those managers who are tasked with the responsibilities to manage work units that are grouped based on the functions served". Kroon (1995:8) mentions that "managers are people who are appointed to a leading position and who commit themselves to the task of taking the lead in the execution of specific instructions".

A public manager is a person who works in the public sector, exercises control over people, performs specific functions and deals with common problems within an environment of multiple and complex situations. Thornhill & Hanekom (1995:63) point out that "public managers perform a wide ranging group of functions inside their respective departments, but also in collaboration with other institutions".

Public administration could be divided into six generic administrative functions namely, policy-making, organising, Public Financial Management, and human resource management, procedures and control. These functions are the building blocks without which public institutions cannot function effectively. To determine the administrative functions and actions necessary for carrying out the aims and objectives of public administration, there are functional and technical components that require specialised knowledge and skills.

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Consequently, human resources are employed to carry out public administration activities.

These generic administrative and managerial functions are outlined as follows:

2.8.1. Policy formulation and execution

Schermerhorn (2005:196) mentions that "a policy is a standing plan that communicates broad guidelines for decisions and action". Through policy-making, government can determine ways and means to meet the needs of the community it serves. Policy is usually directed towards the accomplishment of some purpose or goal. Botes et al (1992:313) maintain that "policy is simply the direction to be followed to attain a specific aim". This is a purposive course of action followed by an actor or a set of actors in dealing with a problem or a matter of concern. They also mention four policy levels such as *political policy, government policy, departmental policy and administrative policy*.

"Public policy is the authoritative allocation through the political process of values to groups or individuals in the community as a guideline for action. Public policy is a purposeful activity and a course of action put into operation to realise postulated objectives or goals (Hanekom and Thornhill, 1983: 68)".

Public policies are those policies developed by government bodies and officials which focus on purposive action for the government. Government policy involves the decision to act on some particular problem and includes subsequent decisions relating to its implementation and enforcement. Hanekom & Thornhill (1987:40) state that "government institutions are created to implement the decisions of the legislatures". They argue that public policy involves more than an intention or statement of intent; it represents what government actually does. According to Van Niekerk *et al.* (2001:88), legislation's objectives are to:

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- address a specific societal problem or need;
- provide certain provisions or statutory guidelines which must be followed to realise a set of objectives;
- confer legislative powers to subordinate institution (administrative and legislative powers); and
- grant institution and individuals authority, by means of delegation, to carry out a policy directives.

Policy formulation has a significant influence an the provision of service, more specifically in the local government spheres. Such influence has triggered the need to involve communities in policy making for improving service delivery. According to Van Niekerk *et al.* (2001) in Selepe (2008:53), policy-making is inherently political. It is an outcome of a political process that involves negotiation, bargaining, persuasion and compromise. Policies involve the participation of government institutions, political parties, interest groups and other role-players such as media.

Cloete (1988:140) argues that policy-making is complicated and should always be forward-looking. Policies are viewed as a standing plan that communicates broad guidelines for decisions and action. Determinations of policies present the public administration required to achieve the stated goals. Since the activity which precedes the announcement of the objective is known as policy-making, planning can therefore be considered to be a managerial function secondary to policy-making.

"Public administration contributes to both shaping and execution policies. When the government has adopted a policy, it means that the elected policy-makers have authorised an act forbidding, directing and/or permitting members of the society to behave in specified ways. The task of public administration is to

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translate the statute into changed behaviour by individual members of society, to convert words into action, form into substance" (Selepe, 2008: 47).

According to Cloete (1998:159), "policy implementation must result in the provision of services or products". Formal institutions of the government provide structures within which the public policy process takes place. The legislative framework must be established in the form of Acts, regulations, and manuals, which provides only a broad framework to offer specific services to the community. Details of how, when, by whom and with what the policy must be executed, still needs to be determined. Through policy implementation, government can meet the needs of the community it serves.

According to Hanekom and Thornhill (1995:21), policy is a desired course of action and interaction which is to serve as a guideline in the allocation of resources necessary to realise societal goals and objectives, decided upon by the legislator and made known earlier in writing or verbally. In the public sector, policies are output of the political process and serve as initiators for executive action.

Legal considerations

The Public Service Act, Proclamation Act, 103 of 1994 prescribes the legal rules and provides a normative code of conduct for public functionaries. For example, the law require that:

- a public functionary should not exceed his or her powers under the law; and
- there should be a justifiable reason for the action or decision.

According to Cloete (1981:19) a public functionary has to respect prevailing provisions of laws and conduct him or herself accordingly. One of the examples being that public servants must comply with the PFMA, other legislation, public

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service regulations and the Constitution in order to support good governance in the public service.

Procedures are predetermined in government legislation and frameworks to ensure that officials account for their actions in conducting business activities. Policies provide procedures to be followed as a means to detect any wrongful action in public activities providing service and adhering to the policy requirements.

Policy formulation and execution require the effort and commitment of human resources and their utilisation of skills, knowledge and experience when implementing government programmes and providing services. The formulation and adoption of policies trigger the need for human resource management which becomes a function of managers which focuses on meeting and achieving the goals and objectives of public administration. Human resource management as a public administration function is discussed in 2.8.2.

2.8.2. Public human resource management

Human resource administration is concerned with two key areas namely, (i) the activities of recruiting, placing, training and promotion of employees and (ii) administrative activities associated with the implementation of functions such as training for policy implementation, training exercising control and training for management (Botes *et al.* 1996:322-323).

Population growth presents a challenge for managing human resources for both public and private sectors. Government is expected to establish more institutions to maintain law and order, provide education, technological development and environmental management. The institutions responsible require human resources to manage the programmes and executive activities. The economic growth poses a challenge to acquire knowledgeable and skilled

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human resources for planning, organising, executing and controlling programme activities.

The main components of public management require hands-on professionals who allow for active, visible and discretionary control of an organisation. "Provision of human resources and utilisation is a function through which suitable employees are employed and utilised according to their potential (Van Djk, 2003: 41)". Therefore, there is a need for persons who are free to manage; explicit standards of performance; put greater emphasis on output control; increase competition and provide customer service orientation techniques. A combination of economic and management theory are required to implement human resource management at all government levels, by public institutions as well as private sector.

In carrying out public services, planning becomes critical for prioritising service delivery activities. Planing is defined as a process to be carried out to find the best course of action which has been identified and described with the policy statement. Planning can be regarded as a continuous process which involves decisions or choices about alternative ways of using available resources, with the aim of achieving particular goals at some time in the future (Basu, 2004:203). In the case of SCM, various products may be available and several suppliers may be able to provide a particular product. With SCM, the best possible product ate the most acceptable conditions can be selected.

According to Schermerhorn (2005:191), planning is an effort to achieve a particular goal identified before the exercise began, and a plan is a means of expressing the way in which the goals will be achieved. He further argues that "a plan is a statement of intended means for accomplishing objectives". Planning must result in a document, which incorporates the findings or proposals of the planning process.

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The existence of human resource management as a public function has resulted in the need for leadership in managing human resources and executing plans. Van Niekerk (1988:154) refers to leadership as "a process according to which group members are instructed and influenced to achieve task-related goals in the most effective manner". The objectives of the organisation can be achieved effectively through good leadership. Leadership produces useful changes, such as new approaches to labour relations, to a degree that makes an organisation more manageable. Leadership defines what the future should look like, aligns people with that vision and inspires them to make it happen, despite the obstacles. Moline (2005:16) argues that the roles of managers as leaders in organisations are:

- Communicating the actions required provides the reasons why specific actions have to be done and the consequences that follow actions. She argues that if people know how their efforts impact on and contribute to the outcome, they willingly perform the work.

- Delegating responsibility will ensure that employees understand what needs to be done and allow them to take decisions for work performance.

- Measuring performance and providing feedback through gathering employees strength, interest and improvement opportunities will contribute to more efficient goal realisation.

- Recognising performance by complementing good performance, motivate and reinforce desired performance.

Various authors for example, Boone & Kurtz (1987:395); Lewis et al. (2001:6); Hannagan (2002:37) and Schermerhorn (2005:323) maintain that leading is the motivation and directing of members of the organisation to achieve specific goals of the organisation. Leadership can have positive results in a particular situation with a specific group of people, and at the same time a negative effect

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on another group in a different situation. Interpersonal influence and the situation determine leadership behaviour. The extent to which leadership is realised depends on the ability of the leader to lead.

In carrying out public service and implementing Supply Chain Management, capacity, capability, ethics and accountability have been identified as critical aspects to make public administration efficient. Skilful and committed human resources play critical roles in executing government programmes and services. Government programmes are achieved through the utilisation of suitable and qualified human resources and those who demonstrate their potential to positively contribute towards attaining delivery of services (Van Djk, 2003:41).

Management within public institutions are expected to demonstrate leadership as a characteristic requirement according to which a group of members are instructed and influenced to achieve task-oriented goals in the most effective manner (Van Niekerk, 1988:154). Managerial leadership should be skilful both conceptually and technically, especially in the public finance system and governance in general and should ensure that government programmes produce results to communities.

2.8.3. Organising

According to Schermerhorn (2005:247), "organising is the process of arranging people and other resources to work together to accomplish a goal". By organising, the structure creates a social tool. It combines its personnel with its resources, building leaders, experts, workers, machines and raw material. For an organisation to be successful there should be a systematic arrangement of people to focus their efforts on achieving its goals.

Classifying, grouping functions and allocating groups of functions to institutions and workers in an orderly pattern should be aimed at achieving government

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goals and objectives contribute towards effective and efficient provision of services.

Organising drives the focus of government programmes through planning and controlling of activities. However, these human resource actions and plans are governed by procedures to be followed and steps to be taken into account during execution. These procedures are predetermined in legislation and frameworks to ensure that officials can account for their actions. Therefore, policies provide procedures to be followed as a means to detect any wrongful action by officials. This has resulted in formulating monitoring and controls as discussed in 2.6.4.

2.8.4. Monitoring and control

According to Du Toit & Van der Waldt (1997:15), "control is exercised to ensure that all administrative and functional activities are carried out effectively and efficiently to achieve objectives".

Control in the public sector culminates in meeting the criterion of the "open to public scrutiny" that form the climax of the process of public administration. In support of enforceable procedures, authorities are expected to be answerable for their deeds during sessions of legislatures; hence, measures for detecting any wrongful action those officials might undertake, are put in place. These measures are exercised internally by political executives and through giving account in legislatures.

Thornhill & Hanekom (1995:234-243) mention six formal aids for exercising control, namely: budgeting, auditing, reporting, inspection, procedural prescriptions and organisational arrangements. They further state that for the purpose of control, inspection could be regarded as one of the most useful means.

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The statement is supported by Cloete (1998:268) who maintains that "the advantage of an inspection or an *in loco* investigation is that it takes place in the actual work environment, with the result that it can be readily established whether any action taken did, in fact, serve a useful purpose". in addition, he maintains that an audit should indicate whether the authorities are getting good value for the money they spend in paying for goods or services rendered. He further argues that audit systems should be developed by public managers, to ensure proper control and management of their organisations and that the control measures should be applied in such a manner that they have a motivational effect on the workers.

Thornhill & Hanekom (1995:237) state that "auditing provides an opportunity to gather information, to obtain, continuously, information regarding the execution of activities and to establish whether or not the financial and other resources have been used efficiently". Cloete (1998:267) maintains that "an audit should indicate whether the authorities are getting good value for the money they spend". All of the above functions are centred on Public Financial Management as a key component within public administration.

2.8.5. Public Financial Management

Public Financial Management is a core function of public administration and has a direct impact on the implementation of Supply Chain Management; hence, the research problem was formulated. Supply Chain Management policy and implementation are discussed Chapter 4.

Hanekom and Thornhill (1995) view and considered a Public Financial Management doctrine as fundamental and crucial as it provides the basis of public administration relative to governance since public administration remains important in public life. The Public Finance Management Act, 1 of 1999 and the Constitution of South Africa (1996) accentuate good governance and financial management as well as promote high ethical conduct and efficient use of

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resources in the public sector. These legislative measures encourage public officials to avoid fruitless and wasteful expenditure and to make public administration sound to the public they serve.

Since the democratic government was established in 1994, financial management and utilisation of government funds have been increasingly receiving attention as a result of demand for service delivery by beneficiaries of government services. Financial management and control have become one of the principles that focus on the utilisation of limited public resources. The function is emphasized to ensure effective use of public money and assets in order to achieve value for government financial resources (Kuye, Thornhill, Fourie, Brynard, Crous, Mafunisa, Roux, Van Dijk and Van Rooyen, 2003). However consideration of policies, procedures and other legislation guiding the utilisation of funds are factors that government officials are required to adhere to under all circumstances.

As a result, Geldenhuys (1997:50-51) outlined democratic values which serve as basic principles in public financial management, namely:

- Value to be derived from the allocation of financial resources as a result of public financial decision-making should always aim at satisfying collective needs of the public.
- Utilisation of public financial resources must satisfy the needs of the society.
- Involve members of the public in financial decision-making process.
- Distribute tax collected in a reasonable and equitable way.

If these values are consciously applied in the implementation of Supply Chain Management, municipalities could effectively and efficiently account to the National Treasury and the public at large for all resources acquired and utilised.

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The legislation also deals with Supply Chain Management (SCM) within Government. SCM relates to how Government procures services and products from suppliers. This legislation stipulates procedures to be followed when procurement and tender processes are used by the government. These procedures require that suppliers must have tax clearance certificates, and meet empowerment criteria, as well as standards for services and products. In terms of Section 38 (a) (iii) of the Public Finance Management Act, 1 of 1999 an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective, is required.

Public Financial Management is crucial in the process of executing government programmes and activities. The financing of government programmes through budgeting which indicates financial implications of the implementation of government programmes, requires capable and committed officials (Siswana 2007:98). Public Financial Management is a core component of public administration and has greater influence in the implementation of Supply Chain Management. As a result the management of public funds and accountability remain essential for public institutions and its officials.

2.9. LOCAL GOVERNMENT ADMINISTRATION

The recognition of local government in the Constitution, 1996 as a sphere of government has enhanced the status of local government as a whole and that of municipalities in particular. Furthermore, the recognition has given the municipalities' new dynamic roles as instruments of service delivery. The Municipal Systems Act, 32 of 2000, was published to establish a framework for planning, performance management systems, effective use of resources, and organisational change in a "business" context. The MSA also established a system for local councils to report on their performance, and gives an opportunity for residents to compare this performance with others.

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Section 156(5) of the Constitution, 1996 indicates that a municipality has the right to exercise any power concerning a matter responsibly necessary for, or incidental to, the effective performance of its functions. The first election of the 284 demarcated municipalities took place in December 2000. Currently 278 municipalities are entrusted with rising responsibilities for providing access to services and enhancing the economic and social wellbeing of communities with their constituencies.

To achieve the public administration goals and objectives in local sphere, government needs to create an enabling environment for the implementation of programmes and the rendering of services. Municipalities in the local sphere have to ensure that all members of the community have access to at least minimum levels of basic services. This means that municipal service must be equitable, accessible and provided in a manner that is conducive to the prudent, economic, effective and efficient use of resources. Municipal services are of vital importance to the growth, development and stability of the municipality (Craythorne 2006:159).

The Constitution implies that a municipality must practise integrated development planning (IDP) in that it requires municipalities to structure and manage its budgeting and planning process to give priority to basic needs of the community and to promote the social and economic development of the community. The IDP is discussed in 2.9.1 provide clarity on its implementation at the local government level.

2.9.1. Integrated Development Planning (IDP)

The South African government has engaged municipalities at local sphere of government as implementing agencies to develop and implement "Integrated Development Planning (IDP)" programmes as a strategic planning tool to tackle its new development role and to plan future development in municipal government.

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An Integrated Development Plan (IDP) is a five-year strategic development plan for a municipality and serves as the principal strategic management instrument. IDP is a function of municipal officials and councillors and is part of an integrated system of planning resulting in the delivery of services. The IDP process is meant to arrive at nationally based decisions on issues such as budgeting, land management, promotion of local economic development and institutional transformation in a consultative, systematic and strategic manner (IDP 2003:2).

It is legislated by the Municipal Systems Act, 32 of 2000 and supersedes other plans that guide development in the local sphere (IDP 2010:1). The IDPs are developed in line with the National Department of Cooperative Governance and Traditional Affairs and the Municipal Systems Act and has to conform to methodological principles.

According to the Municipal Systems Act, 32 of 2000(c), all municipalities (i.e. metros, district and local municipalities) have to undertake an IDP process. The procurement needs are identified during the strategic planning of the municipalities (IDP), the point at which service delivery targets are identified. Thus, the procurement process should not be considered as only a financially driven, but it should be viewed as one of the stages inherent in the IDP.

The IDP has to reflect the priority needs of the municipality and its residents and ensure that available resources are used objectively. The plan should be strategic and based on an informed and clear implementable process. It must be specific enough to inform budgets, business plans and land use management decisions within the municipality. This process is facilitated through the application of specific methodological tools designed to support the integrated development planning process. The critical aspect of IDP is the completion of the service delivery and budget implementation plan (SDBIP) by the respective municipalities. The SDBIP is a detailed plan that indicates monthly revenue and expenditure projections, quarterly service delivery targets

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and performance indicators approved by the executive mayor of a municipality in terms of section 53(1) of the MFMA for implementing the municipality's service delivery plan (Migiro and Ambe 2008:5)

The IDP framework was developed to foster more appropriate service delivery towards achieving economic and social development within the municipality areas of operations. In addition, the process:

(i) Contributes towards eradicating the development legacy of the past by ensuring that:

- a shared understanding of spatial and development opportunities are created;
- specific pro-poor strategies are being pursued;
- an overview of planned public and private investment is provided;
- mechanisms to promote social equality through participatory processes of democratisation, empowerment and social transformation are put in place; and
- instruments to address sustainability in its three facets: ecological, economic and social are created.

(ii) Operationalises the notion of developmental local government by making sure that:

- integrated and sustainable projects and programmes are formulated;
- the foundation for community building is laid;

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- a strategic framework that facilitates improved municipal governance is in place;
- a conduit for attracting investment is provided for by elaborating on clear and agreed upon medium term financial and capital investments;
- more effective and efficient resource allocation and utilisation takes place; and
- political accountability and municipal performance can be monitored and evaluated against documented decisions.

(iii) Fosters a culture of co-operative governance by

- serving as a basis for communication and interaction between local spheres and sectors;
- ensuring accountability and partnership through debating concrete issues, planning and resource allocation decisions;
- harnessing all public resources of the three spheres of government, to achieve common goals within a framework of municipal support; and
- promoting integration of sectoral divided departments in the local sphere.

The IDPs are necessary to ensure that the process:

Effectively uses scarce resources. The process helps municipalities to focus on the most important needs of local communities taking into account the resources available at their disposal. This presents the challenge of municipalities finding the most cost-effective ways of providing services on local levels.

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Speeds up service delivery. IDP provides a deadlock-breaking mechanism to ensure that projects and programmes are effectively implemented. By identifying the least serviced and most impoverished areas, IDPs enable municipalities to focus on areas where funds should be spent.

Attracts additional funds. Government departments and private investors are willing to invest where municipalities have clear development plans. Collections of levies are also made possible in well served areas because residents can realise the need for paying levies and taxes.

Strengthens democracy. The IDP process enhances public participation through involvement of stakeholders and ensures that decisions are made and implemented in a democratic and transparent manner.

Overcomes the legacy of apartheid. Municipal resources are used to integrate rural and urban areas and to extend services to the poor.

Promotes coordination amongst local, provincial and national government. To tackle the development needs of local areas, different spheres of government are encouraged to work in a co-ordinated manner.

The integrated and participatory nature of the IDP, therefore, allows poverty alleviation to be addressed in a multifaceted manner within the limits of scarce resources. An IDP being a municipality's strategic mechanism to restructure cities, towns and rural areas, it encourages cooperative government so that service delivery to the most needy can be expedited. However, various other processes have to be undertaken simultaneously, for example, the procurement of goods and services to realise the IDP goals.

The IDP influences decision making and enables public institutions to realise their goals and set SMART (Specific, Measurable, Achievable, Realistic and Time bound) objectives as they are outlined in 1.6.

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All these spheres of government apply and implement Supply Chain Management and are guided by relevant policies as regulated by the National Treasury. Therefore it remains important for the purpose of the research to consider these policies' application in order to reflect on the challenges faced by Vhembe District Municipality with the implementation of Supply Chain Management to ensure that all services are rendered effectively and efficiently.

2.10. CONCLUSION

In this chapter, a background and theory of public administration was provided. The theory underpinning public administration was presented in this chapter. Public Financial Management was cited as a core function of public administration and a discipline that influences the implementation of Supply Chain Management. Public Financial Management is discussed in Chapter 3.

A specific focus was placed on the development, goal, objectives and functions of public administration. A direct reflection was directed to the municipal administration and the Integrated Development Planning (IDP). These were discussed as tools aimed at effectively and efficiently delivering services to the community.

Both in social and natural sciences, public administration is founded on fundamental principles or a doctrine. They outlined public administration as a discipline that is centrally concerned with the organisation of government policies and programmes as well as shaping the behaviour of officials formally responsible for their conduct. The review reveals that while public administration is concerned with policy formulation and execution, effective implementation of policies remain critical for government's structures to demonstrate transparency and accountability. A number of authors maintain that officials practicing public administration are responsible for the formulation and translation of policies into practice; the study of government decision making; the analysis of policies; the

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various inputs that have produced them; and the inputs necessary to produce alternative policies.

Public administration, through the co-ordination of all organised activities, has as its purpose the implementation of public policy. Public administration services emerged as a result of human needs, common needs and the increased need for and better distribution of services.

Different authors maintain that public administration is a mechanism about policy formulation and execution and discipline that emphasizes the structure and operation of bureaucracies and organisations, including budgeting, personnel (recruitment, allocation and management), and administration of formal and informal internal controls.

The goals of public administration, its objectives and functions were discussed to reflect their impact on the provision of service delivery. A legislated Integrated Development Planning (IDP) as a mechanism shed light on the practical implementation of public administration in the local spheres of government. The IDP was outlined as a planning function within municipal administration. This function enables municipalities to conduct its SWOT analysis, identify high priority projects and budget for the projects accordingly. As a result, the respective departments are required to align their procurement requirements and financial resources to achieve stated goals.

Management is one of the series of action that is undertaken to give effect to implementation of administrative frameworks. These frameworks also prescribe Public administration's management functions, provide guidance to public officials about applications of management models and guard against mismanagement of government resources. For this research, Public Financial Management is discussed as a key management function of public administration that provides guidance to the implementation of Supply Chain Management and determines accountability areas.

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CHAPTER 3

PUBLIC FINANCIAL MANAGEMENT IN SOUTH AFRICA

3.1. INTRODUCTION

As outlined in Chapter 2, public administration as a system, both technically and conceptually (theoretically), is a central point of government's operations in ensuring that services are delivered to society. The nature and approach of public administration is made up of, inter alia Public Financial Management as a key function of public administration.

This chapter outlines public financial management (PFM) as an integral component of public administration and an essential requirement of the governing process. Public Financial Management is also at the centre of the implementation of Supply Chain Management. Public Financial Management theories and differential concepts of governance, budget and budgeting are discussed as essential elements of public finance. These aspects have been in forefront of the evolution of Public Financial Management (PFM) in South Africa and impact on the implementation of Supply Chain Management.

3.2. PUBLIC FINANCIAL MANAGEMENT: A THEORETICAL ANALYSIS

Public Financial Management is defined as "all decisions and activities of management, as guided by a Chief Finance Officer (CFO), that impact on the control and utilisation of limited financial resources entrusted to achieve specified and agreed strategic outputs" (Siswana 2007:98). Public financial management remains a central function of public administration through tax reforms and other forms of borrowing in order to finance government deliverables or the implementation of public policies so that the lives of people are improved. Siswana further suggests that the term public finance implies monetary flows as activities of the government's fiscal or budgetary process.

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The financial management system is crucial in financing government activities and ensuring that expenditures are accounted for. Within public finance, the budget is outlined which indicates government policies and the financial implication of the implementation of government programmes. Since the government has the responsibility to provide service to the citizens, financial management becomes important in ensuring that people are provided with quality service. According to Visser and Erasmus (2002:5), the public financial management system is a multi-dimensional function that manifested from government budget". The government budget is financed mainly through taxation which is monies collected from the diverse sources in and entering the country. As a result, the citizens are interested in knowing how the government distribute these monies; hence, accountability is demanded of public institutions and the officials.

Cited in Local Government Finances and Budgets (2010:1-2), financial management is defined as "the management of finances of a government in order to achieve government programme objectives". The objectives of financial management are to:

- ensure revenue generation through collection of taxes;
- create an enabling environment for the communities they serves by demonstrating accountability of public financial resources to all stakeholders; and
- provide an adequate sustainability plan for the public taking account of risks and available resources.

Sustainability of public service is dependent on revenue collected from taxes to build and improve infrastructure for continuous revenue generation, for example, provision of water supply by municipalities. In addition, public officials are expected to act responsibly and accountably to the public with respect to

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public infrastructure and funds utilisation as *Return On Investment* for the government. Most of government programmes and services are visible in a local sphere of government. This is because municipalities are demarcated to deliver basic and other services to the public. In essence, the South African government budget should derive from public needs that should determine government programmes. Therefore, all resources utilised should meet the requirements of efficiency and effectiveness.

The financial management process used in municipalities namely, budget, safeguarding of assets, monitoring and reporting have been outlined on the Municipal Finance Management Act, 56 of 2003. The budget is referred to as the authorisation of amounts allocated by the municipality and balancing of the planned expenditure by preparing detailed plans and forecasts. These allocated funds are safeguarded by putting in place controls to ensure that income, capital and assets such as money, motor vehicles and computer equipments are protected against misuse, damage, loss and theft. Income and expenditure requires monitoring by comparing expenditure with the approved budget through regular financial reporting and taking corrective action when needed (Local government finances and budgets 2010:1-2).

Institutions and officials demonstrate accountability by reporting the financial results to all stakeholders through the preparations of financial statements that are auditable by the Auditor-General. The above process is expected to be transparent and objective oriented to meet the needs of the community. This observation is viewed as a process that could improve the financial position of municipalities. Therefore, a proper consultation when allocating funds that enable budget preparation has to be done openly, fairly and equitably.

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3.3. PUBLIC FINANCIAL MANAGEMENT AS A CORE COMPONENT OF PUBLIC ADMINISTRATION

Public financial management basically deals with all aspects of resource mobilization and expenditure management in public institutions. In South Africa, PFM has undergone fundamental changes and is still in transition. The evolution of PFM has been influenced by the changes in the political dispensation of the country as well as the developments aimed at achieving government's goals. As a result of this transformation, public institutions have to be structured and designed to respond to these developments. Transformation has posed a challenge for public officials to shift their way of thinking towards effective public service for which officials and political office bearers are accountable to the society it serves.

.According to Sharan (1967:345), the public financial system resides in public administration to ensure the:

- preparation of estimates of revenue and expenditure;
- presentation of budgets for approval by the respective legislatures;
- execution of the budget by means of collection of taxes and other revenue, and control of spending by departments in accordance with legislation and policy requirements set by government; and
- management of Treasury which includes custody of funds, disbursement of funds, expenditure management and maintenance of accounts, their audits as well as reporting.

Collection of sufficient resources from the economy in an appropriate manner along with the allocating and use of these resources efficiently and effectively constitute good financial management. Revenue generation, resource allocation

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and expenditure management (resource utilization) are the essential components of a public financial management system.

Within the South African government, budget preparation and implementation have to be done, individual departments have to compile estimates, and compile budgets and plans so that resources are available for government programmes to be implemented. Consequently, the public financial management system includes the budgetary process, prioritization of programmes, efficient management of resources and exercising control.

Rising aspirations of people are placing more demands on the utilisation of government financial resources. At the same time, the emphasis of the citizenry is on value for money, thus making public financial management increasingly vital. As a result of these rising aspirations by the public, when managing public financial system, managerial leadership should be skillful and ensure that governance is implemented in the provision of services towards achieving the government goals and objectives.

Government and public institutions often deliver public services through the use of consultants and contractors. The approach calls for the implementation of Supply Chain Management (SCM) as a function within the Department of Finance. Section 215 (1) of the Constitution, 1996 requires transparent, accountable and effective financial management of the economy and debt in the public sector. Consequently, it became important to investigate the challenges faced by Vhembe District Municipality with the implementation of Supply Chain Management as a case study to illustrate the management of financial resources.

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3.4. THE GOALS AND OBJECTIVES OF FINANCIAL MANAGEMENT IN THE PUBLIC SECTOR

Fourie (2010:1), argues that the aim of financial management in the public sector is to manage limited financial resources to ensure economy and efficiency in the delivery of outputs to achieve desired outcomes (effectiveness) that will serve the needs of the community. According to him, financial management ranges from daily cash management through to the formulation of long-term financial objectives, policies and strategies in support of the strategic and operational plans of the government. This includes the planning and control of capital expenditure, working capital management, interaction with the relevant Treasury, funding and performance decisions. It supervises the supporting of financial and management accounting functions, which are predominately concerned with the collection, processing and provision of financial information and the planning, operation and control of the supporting financial information systems.

Post 1994, policies were developed to encourage transparency and accountability by public institutions to ensure effective and efficient operations by government, public institutions and its officials. The budget is partially decentralised to allow all spheres of government to make financial decisions through established reforms and structures. Performance budgeting was introduced in order to develop a result-oriented approach and encourage the management of government resource with flexibility but within the legal framework for managers to remain accountable.

The Public Finance Management Act, 1 of 1999 was promulgated to regulate financial management so that all revenue, expenditure, assets and liabilities of government are managed efficiently and effectively as well as to provide for the responsibilities of persons entrusted with financial management in public institutions. In addition, the Municipal Finance Management Act, 56 of 2003 was instituted to secure sound and sustainable management of the financial affairs

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of municipalities and other institutions in the local sphere of government as well as to adhere to the National Treasury norms and standards for the local sphere of government. These policies also put emphasis on the requirements and the implementation of Supply Chain Management. Relevant implementation aspects are discussed in Chapter 4.

3.4.1. Principles of financial management

In order to ensure effective and efficient financial management, Gildenhuys (1993: 54) outlines fundamental democratic values financial management is based on as principles of good Public Financial Management as follows:

(i) equity – implies that allocation of public funds should be equitable, reasonable and more effective and efficient;

(ii) utilisation of public financial resources must satisfy the collective needs of people favourably;

(iii) the tax burden must be distributed reasonably and equitably;

(iv) political representatives should be responsible and accountable to the taxpayers for the collection and spending of collected taxes and spending of income;

(v) authorities must ensure that programmes are executed effectively and efficiently; and

(vi) openness - authorities must ensure that the activities regarding financial management ad administration takes place in public and not in secrecy or confidentiality.

Therefore, it could be deduced that decisions with respect to the allocation of funds is prioritised according to the importance of social and economic needs of

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the country. In addition, the programmes are designed in line with the government's goals and objectives and that there are government structures established as well as the monitoring mechanisms to guard against utilisation of funds to encourages accountability of public officials at all levels within the organisational hierarchy.

Schiavo-Campo (World Bank 2007:84-85) outlines the fundamental principles of good governance and public finance and recapitulates major points to emphasise the need for transparency of fiscal and service information, requiring not only openness but an affirmative effort to provide to the public, in usable form, the basic budgetary information and government plans and programmes. Therefore, conformity of fiscal policy with macroeconomic and social objectives, requiring, *inter alia,* the placement of the annual budget process in a multiyear perspective should be observed.

Schiavo-Campo (World Bank 2007: 84-85) further emphasise that the individual responsibility of ministers, heads of agencies, and other senior managers for the acquisition, use, accounting, and reporting of public resources. They are also responsible for the taking of necessary measures to prevent abuses of allocated resources. He argues for equal obligation of all government employees to comply with the rules and regulations of public financial management, and equal application of sanctions to violators of the land down rules. The view is that maximum feasible participation by government employees, members of the legislature, and other concerned persons, in the budget preparation and budget execution process should be appropriate and realistic.

The critical arguments are that public financial management is conducted to ensure expenditure control, efficient use of resources, effective service provision, and high integrity. This is achieved by the unity of the budget and the Treasury. This is necessary to facilitate comparisons of the relative effectiveness of different types of proposed expenditures and conformity with or

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progress toward accepted international standards in budget preparation and execution, financial management and control, and audit.

It could be deduced from the above that decision making about public funds allocations and management should be centred on the government priority, being transparent, with committed and accountable public officials. Effective budgeting and expenditure control remain imperative for accountability to stakeholders. Supply Chain Management as a vehicle towards achieving government goals in SA today should also be a transparent process in the local sphere of government. Public consultations and the opinions of stakeholders need to be taken serious in order to understand the effectiveness and efficiency of the process with respect to capability, commitment and accountability of public officials in the provision of services.

3.4.2. Elements of financial management

There are three key elements to the process of financial management discussed in the Public Audit Act, 25 of 2004 and the Promotion of Administrative Justice Act, 3 of 2000 namely, (a) Decision making, (b) financial planning, and (c) financial control.

(a) Financial Decision-making

The key aspects of financial decision-making relate to revenue collection and allocation. From the government infrastructure and economic activities within the country, investments must be financed – however there are always financing alternatives that should be considered. A key financing decision is how taxes collected or funds generated from public enterprises are distributed to public institutions for government programmes. Where the government does not have sufficient revenue collected to fund government programmes, decisions should be taken on financing and how the funds will be repaid.

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(b) Financial Planning

In order to carry out programmes and services, senior management needs to ensure that sufficient funding is available at the required time to meet the needs of the citizens within the budgetary constraints. National Treasury encourages institutions to prepare strategic plans and budgets that fit within the National Annual Budget (Public Audit Act, 2004:17). The government at this stage need not to only express wishes but to ensure that there are sufficient human resources and other resources available to carry out the programmes. Specifically in this regard with respect to Supply Chain Management, implementation requires management and accountability. Revenue is needed to finance the short-term, medium-term and long-term goals of the government and respective public institutions.

(c) Financial Control

Public Audit Act (2004: 18-21) outlines financial control responsibilities that should be carried out by the Auditor-General, accounting officer and other public officials. Financial control remains an important activity in helping the government to meet its programme objectives. Financial control addresses issues such as effective, efficient, and transparent systems of financial and risk management as well as internal control. The Public Audit Act, 2004 emphasises that management act in the best interest of citizens and in accordance with legislative policies and procedures.

As the government's main focus is service delivery, governance is regarded as a key element of the management of public funds. The Presidential Review Commission (1998:158) outlines some critical elements in ensuring good governance and the Public Financial Management system in South Africa namely:

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- availability of an accounting system that includes accounts and accounting;
- financial planning and reporting;
- budgeting and expenditure control;
- management of government assets and liabilities;
- control of finances; and
- ensure adherence to the procurement policy

The Commission's report illustrates that control of public funds can be achieved through effective monitoring of government programmes. Resources such as assets, for example motor vehicles and buildings; should be registered and physically verified. Government should have proper and reliable accounting systems that are auditable in order to produce real time and correct reporting to stakeholders.

This indicates that without appropriate governing and administration, it becomes difficult for the government operations to be transparent, accountable and open as institutions cannot disclose relevant information to stakeholders. The recent events of financial mismanagement and corruption as a result of SCM implementation have posed a challenge for government in all spheres to be transparent and accountable to the community it serves.

The above further demonstrates that transparency and accountability are dependent on the capacity and commitment of management within the respective public institutions. If these principles and elements are considered vital, officials could demonstrate their responsibility to account to the stakeholders within the law, regulations and procedures, hence, accountable government.

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3.5. GOVERNANCE

Governance in the main involves the establishment of structures and processes, with appropriate checks and balances, which enable officials in managerial positions to discharge the legal responsibilities. Katz as stated in Khoza and Adams (2005:28) indicates that, "any failure to meet a recognised standard of governance, may render a organisation or individual directors liable at law" (Khoza and Adam 2005:28).

Governance is about the direction that the organisation takes to achieve its long-term strategic goals, the founding Constitution, 1996 and the code of conduct that assist to govern the organisation and the organisational structure by which it implements its programmes. For governance to be effective, processes and systems are essential to ensure that the organisation's direction and performance are in line with its strategic goals (Muyambo 2005). The International Handbook of Corporate Governance (1996:28) defines governance as the term used to describe "the way in which companies are directed and controlled and encompasses issues such as responsibilities of directors, and the relationship between shareholders, directors and auditors." In the case of the public sector, this translates into the role of the managerial cadre that operates within a political environment to render service to society as its stakeholders.

Governance is equally about the quality and performance of government and public administration and affects every aspect of individual citizens' lives (Batley & Larbi 2004). Governance is the style of interaction between a government and the society that it governs. It has to do with the internal processes within the state through which resource inputs are converted into government outputs and outcomes. Olowu and Sako (2002:37) unpack this concept of governance as, "a system of values, policies and institutions by which a society manages its economic, political and social affairs through interaction within and among the state, civil society and private sector".

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"Governance is important because it contributes to organisation's success. It further makes leadership to be aware of taking sound decisions that are for the good of the organization, shareholders and stakeholders" (Muyambo, 2005:11).

Good governance promotes the efficient, effective and sustainable entities that contribute to the welfare of society by creating wealth, employment and solutions to emerging challenges. In addition, good governance encourages responsive and accountable institutions which recognise and protect the rights of stakeholders. This observation should be considered as an inclusive approach based on democratic ideals, legitimate representational and participation (Fourie 2010:2).

(Fourie, 2010:1) outlines some compliance characteristics that officials should demonstrate in the public sector to ensure effective governance in that:

- institutions should be composed of people with the knowledge, ability and commitment to fulfil their responsibilities;
- employees understand their purpose and whose interests they represent;
- employees understand the objectives and strategies of the respective public institutions;
- employees understand what constitutes reasonable information for good government and do everything possible to obtain it;
- once appropriately informed, employees are prepared to ensure that the department's objectives are met and that operational performance is never less than satisfactory; and
- employees fulfil their accountability obligations to those whose interests they represent by regularly and adequately reporting on their department's activities and effectiveness.

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From the above mentioned attributes, it could be stated that the knowledge, skills and experience of officials in carrying out government programmes are critical. These skills, knowledge and experience should provide confidence to stakeholders about the employees' commitment and accountability.

3.5.1. Attributes of good governance

Governance means more than government. It has to do with the exercise of political, economic and administrative authority in the management of a nation's affairs (World Bank 1994). It finds expression in the search for new ways to improve the relationship between the state and its people. The authors also summarise a number of criteria against which the elements of governance can be measured in the political, economic, social, environmental and moral dimensions of society.

Hyden and Braton (1993:7) argue that styles of governance are frequently judged as good or bad. They outline four criteria that can be used to assess the style of governance in a society, namely:

- degree of trust in government;
- degree of responsiveness in the relationship between government and civil society;
- government's degree of accountability to its voters; and
- nature of the authority that the government exercises over its society.

Graham, Amos & Plumptree (2003); Saner & Wilson (2003:5) and Cloete (2000) conceptualise good governance as the achievement of a democratic government of the most appropriate developmental policy objectives in developing its society in a sustainable manner. It is widely accepted that good governance includes attributes such as:

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Representivity and equity in resource control and allocation: It has emerged as critical from key stakeholders (tax payers) that they are required to be represented in committees such as ward committees in order to understand the government programmes and their priorities better. If they understand these programmes and priorities, it makes it easier for them to also understand the challenges as well as the need for accountability by all levels of officials and in particular by the managerial cadre.

Developmental and growth focus: Population growth, social and economic needs pose challenges for the government to plan ahead. Government focuses on factors like the IDP (presented in Chapter 2) which, gives opportunity for the public to understand government programmes and to provide their inputs for consideration and prioritisation.

As a result of the needs, demands and expectations of citizens, participatory, responsive, people-centred strategies are required to keep the public informed about the developments and realistic challenges that the government are faced with. This kind of observation is regarded by the public as their democratic rights in determining what they want for their country.

A government that is stable, legitimate and transparent has a potential to present good governance and administrative processes. In addition, it is expected to encourage political and financial accountability through ethical behaviour and professionalism of officials ensuring that there is a flexible, effective, efficient and affordable process within public administration.

The coordination, integration and holism of services has a potential to generate creative, competitive and entrepreneurial practices that could ensure the recruitment of literate, educated and capable individuals who would encourage transparent public participation and empower citizens towards attaining the intended results through sustainable outcomes.

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This means that good governance does not only lie in the effective legislated policies, processes and procedures, but also in how these tools are valued, considered and implemented. Therefore, emphasis should be given to the recruitment of capable and committed officials and empower them to be accountable for their action in exercising governance principles.

Naidoo (2005:76-77) claims that good governance results in improved transparency that ultimately benefits of all stakeholders. Civil society needs transparency in order to hold governments to account for the use of revenue generated from their tax and their contributions. It is argued that governments can improve relations with their citizens and lower borrowing costs in the international financial markets for emerging market economies if they operate transparently. Additionally, financial regulators, rating agencies and investors recognize that transparency in government affairs is a major factor in estimating financial risk. Furthermore, international financial institutions are aware that transparency is a key condition for ensuring that loans are well managed.

Naidoo further argues that budget transparency strengthens government institutions involved in public service delivery so that they can function more efficiently. Weak institutions result in poor governance, which is regarded as perhaps the major impediment to growth, development and poverty reduction. Improving governance is complex, but almost everyone agrees that transparency makes institutions function more efficiently by rendering them publicly accountable. Accountability improves their service delivery. It will also bolster their functional independence, a virtue that is very important for institutions such as the revenue administrations and procurement agencies. Transparency enables institutions to forge broad coalitions with government and civil society in support of their mandates.

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3.6. EVOLUTION OF PUBLIC FINANCIAL MANGEMENT IN SOUTH AFRICA

"Researches on Public Financial Management reveal that in the past, the South African budgeting system was secretive without open formula for funds allocation for the country" (Siswana, 2007:95-96). The literature reveals that the budget (which is a crucial element of public financial management) was a matter of the executive (composed of the former Department of State Expenditure and the function committees), meaning that the executive was at the forefront of compiling the budget, with a lesser role played by Parliament. Parliament was simply "rubber-stamping" what the executive have compiled. Due to the secretive nature of the budgeting process, it was difficult to analyse and scrutinise service delivery trends. In addition, financial analysis could also not be conducted because the budget documents were not accessible. Consequently, transparency and accountability suffered as elements of good governance (Walter and Mengistu, 1999:58).

Since the transition to democratic government, the SA Constitution, 1996 demands transparency and accountability on matters of governance. Between the period 1998 and 1999, the Medium Term Expenditure Framework (MTEF) was introduced to encourage the participative approach in the budgeting process aimed at giving confidence to the principles of transparency, accountability and budgeting co-ordination. In 1999, the PFMA as amended Act 27 of 1999 was introduced to encourage effective public financial management, transparency of financial processes and accountability of public institutions and public officials.

PFMA, 1999 together with other legislation such as Municipal Finance Management Act, 56 of 2003, Municipal Systems Act, 32 of 2000 and PPPFA Act, 5 of 2000 were introduced to guide the implementation of Supply Chain Management in the local sphere of government. However, the result of service

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delivery backlogs and sensitiveness regarding service delivery in the municipal sphere; capacity, commitment and accountability of officials remain critical.

3.7. PUBLIC FINANCIAL MANAGEMENT POLICIES

Policies and procedures are the strategic links between the government's vision and its day-to-day operations. Well written policies allow employees to understand their roles and responsibilities within predefined limits. They allow management to guide operations without constant management intervention. Policies and procedures also provide clarity when dealing with accountability issues or activities that are of critical importance to the organisation such as regulatory requirements or issues that have serious consequences. Public financial management in South Africa requires key policies to guide the implementation of public finance for institutions and individual accountability.

3.7.1. National Treasury

The National Treasury was established in terms of Section 216 (1) of the Constitution 1996, to ensure transparency and expenditure control in all spheres of government. The National Treasury combines requests from different departments and take into consideration the policies of different ministries. It draws up the overall budget and allocates money to all departments of government according to their approved budgets and the financial prescriptions contained in the financial regulations. It manages grants to other departments and to municipalities for specific projects. These grants are called conditional grants. In terms of Section 38 (1) (i) and (j) of the PFMA 1999, an accounting officer must put appropriate measures in place to ensure that grants and other transfer payments are used for their intended purpose. Nine provincial treasuries have also been established. The relevant Treasury monitors the implementation of the Public Finance Management Act, 1999 within departments and in provinces, and assists with building capacity to

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ensure the efficient and effective management of revenue, expenditure and handling assets and liabilities.

The legislation, including frameworks deals with Supply Chain Management within the government sector. SCM relates to how government procures services and products from suppliers. This legislation stipulates procedures to be followed when procurement and tender processes are used by the government. These procedures require that suppliers must have tax clearance certificates, and meet empowerment criteria, as well as standards for services and products. In terms of Section 38 (a) (iii) of the PFMA, 1 of 1999, an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective, is required .

The above raises the question of the recruitment of capable, committed and accountable officials within the public sector in order to account to the legislature and ultimately to the public they serve, hence, this research study.

3.7.2. Public Financial Management

Public Finance Management Act, 1 of 1999 regulates financial management in national and provincial governments, to ensure that all revenue, expenditure, assets and liabilities of the government are managed efficiently and effectively. It also provides for the responsibilities of persons entrusted with the management of public funds, to ensure that the basic financial management systems are established, departments stay within the allocated budget, and regular financial reporting according to a prescribed format is done (PFMA, 1999:1). Public financial management includes resource mobilization, prioritization of programmes and services, efficient management of resources and exercising controls. Increased aspirations of people as a result of social and economic growth are placing more demands on financial resources. At the same time, the emphasis of the citizenry is on value for money, thus making Public Financial Management increasingly vital (Christensen, 2002).

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The objective of the PFMA, 1999 is to secure transparency, accountability, and sound management of the revenue, expenditure, assets and liabilities of the institutions to which the Act applies. These institutions include government departments; public entities listed in Schedule 2 and 3; constitutional institution; and provincial legislatures, subject to section 2 of the PPPFA Act.

3.7.3. The Organisational arrangement for SCM implementation

Section 151(1) of the Constitution, 1996 indicates that the local sphere of government consists of municipalities, which must be established for the whole of the territory of the Republic. Section 156(4) requires that the national government and provincial governments must assign to a municipality, by agreement and subject to specific conditions, the administration of any of the responsibilities listed in Schedules 4 or 5 of the Constitution 1996 which necessarily relates to local government. However, the prerequisite is that such a matter would most effectively be administered locally and of the municipality has the capacity to administer it.

With National Treasury as the custodian of the implementation of the PFMA Act, revenue and expenditure management, powers are vested in the chief finance officers supporting the municipal manager as accounting officer within municipalities to ensure the effective application the PPPFA. These officers have to ensure amongst others that "fruitless and wasteful expenditure" (expenditure which could be made in vain and could be avoided if reasonable care is exercised) and "irregular expenditure" (expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation) are avoided.

Legislations have also been developed to satisfy the "Generally Recognised Accounting Practice (GRAP)" that emphasises the accounting practice of complying in material respects with standards issued by the Accounting Standards Officials. Financial management practices within municipalities are

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tested through audits by the Auditor-General and are required to meet the accounting standards. Therefore accounting systems together with their implementation are critical to observe and demonstrate accountability by the respective officials.

The Constitution emphasises that managerial officials exercise their powers and perform their functions in a manner that does not encroach on the geographical, functional or institutional integrity of government in another sphere (Section 41 of the Constitution). This poses the assumption that the establishment of municipalities are evaluated and officials appointed, based on capacity to manage programmes and to ensure the delivery of services municipalities are responsible for

Section 125(3) of the Constitution, 1996 denotes that the National government, by legislative and other measures, must assist provinces to develop the administrative capacity required for the effective exercise of their powers and performance of their functions. Section 139(1) of the Constitution, 1996 states feature that when a municipality cannot or does not fulfil an executive obligation in terms of the Constitution or legislation, the relevant provincial executive may intervene by taking any appropriate steps to ensure fulfilment of that obligation. However, Section 151(4) determines national or a provincial government may not compromise or impede a municipality's ability or right to exercise its powers or perform its functions.

Section 154(1) of the Constitution, 1996 emphasises that the national government and provincial governments, by legislative and other measures, must support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions. All these establishments are meant to support Section 155(4), which stipulates that national legislation must take into account the need to provide municipal services in an equitable and sustainable manner.

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With the emphasis on the Constitution, one can expect municipalities to be capable to administer their municipalities and carry out their programmes effectively and efficiently; implementing policies and procedures prescribed by the National Treasury and legislature. However, the effectiveness and efficiency of implementation is dependent on the budget, budgeting system and budgetary process. This in turn requires the effective implementation of the SCM approach to ensure proper acquisition of goods and services.

3.7.4. Municipal financial management

Municipalities develop financial policies that determine how respective municipal programmes should be financed (by government and other sources) and how finances should be handled. These policies developments are guided by the MFMA, 2003 in considerations of other legislations that guard against mismanagement of public funds and activities such as corruptions. In addition, these policies also determine processes to be followed during the administration of funds to ensure accountability of municipal financial resources by all stakeholders within the institution. It is argued that municipal finance policy has influence on the organisational arrangement for SCM implementation by the municipality.

Chapter 11 part 1 of the Municipal Finance Management Act, 56 of 2003 prescribe that municipalities and municipal entities must implement Supply Chain Management policy when procuring goods and services. The implementation of the policy outlines requirements and processes of the selection of contractors to provide assistance in the provision of municipal services where Chapter 8 of the Municipal Systems Act applies and the selection of external mechanisms referred to in section 80(1)*(b)*.

The MFMA, 2003 emphasise that Supply Chain Management policy must comply with prescribed framework to be fair, equitable, transparent, competitive and cost-effective and comply with a prescribed regulatory framework for

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municipal Supply Chain Management which accentuate that the range of supply chain management processes that municipalities and municipal entities may use, including tenders, quotations, auctions and other types of competitive bidding. However, the municipality or municipality entity may or must use a particular type of process that is auditable. That the process must have procedures and mechanisms that are flexible where the value of contract is below a prescribed amount and also prescribe an open and transparent pre-qualification process for tenders or other bids.

The policy prescribes that there should be a competitive bidding processes in which only pre-qualified persons may participate where bid documentation, advertising of and invitations for contracts is done and that there are procedures and mechanisms for the opening, registering and recording of bids in the presence of interested persons to encourage transparency. In addition, evaluation of bids and negotiations of contracts should be done to ensure the best value for money and to ensure that the approval are done to the satisfaction of stakeholders.

Furthermore, the procedures and mechanisms should provide prescriptions for screening processes and security clearances for prospective contractors on tenders or other bids above a prescribed value. Emphasis is given on that compulsory disclosure of any conflicts of interests prospective contractors may have in specific tenders and the exclusion of such prospective contractors from those tenders or bids. Section 117 of the policy further restrict the participation of persons who are not officials of the municipality or municipal entity from participating in tendering or other bidding processes. This includes persons:

- who were convicted for fraud or corruption during the past five years;
- who wilfully neglected, reneged on or failed to comply with a government contract during the past five years; and

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- whose tax matters are not cleared by South African Revenue Service.

The policy further encourage insist that measures for combating fraud, corruption, favouritism and unfair and irregular practices in municipal supply chain management; and promoting ethics of officials and other role players involved in municipal supply chain management be put in place.

Section 115 and 116 of the MFMA, 2003 emphasises that when implementing the Supply Chain Management system the accounting officer of a municipality or municipal entity must take all reasonable steps to ensure that proper mechanisms and separation of duties in the supply chain management system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices. A contract or agreement procured through the supply chain management system of a municipality or municipal entity must be in writing, stipulate the terms and conditions of the contract or agreement, which must include provisions providing for the termination of the contract or agreement in the case of non- or underperformance; dispute resolution mechanisms to settle disputes between the parties; a periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years; and any other matters that may be prescribed.

It remains the accounting officer's responsibility to take all reasonable steps to ensure that a contract or agreement procured entity is properly enforced; monitor on a monthly basis the performance of the contractor under the contract or agreement. In addition, the accounting officer should establish capacity in the administration of the municipality or municipal entity to assist the accounting officer in carrying out the duties and to oversee the day-to-day management of the contract or agreement; and regularly report to the council of the municipality or the board of directors of the entity, as may be appropriate, on the management of the contract or agreement and the performance of the contractor.

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According to section 119 of the MFMA Act, 2003, officials involved in the implementation of Supply Chain Management policy of the municipality or municipal entity must meet prescribed competency levels. These competencies are discussed in Chapter 4 section 4.7.1 Competency levels of officials involved in municipal supply chain management. The National Treasury or a provincial treasury may assist municipalities and municipal entities in training of Supply Chain officials in building capacity to meet the prescribed requirements should there be a need.

It can be deduced from the above discussion that Municipal Financial Management is critical in executing budget implementation of the municipality or municipal entity. Given the fact that municipalities are charged to implement IDP's, it is critical that Supply Chain Officials are familiar with the programmes of the municipality in order to assist departments in executing the plans. In addition, the policy further emphasise the issue of capacity as one of the enabling factor to implement SCM in order to hold officials accountable. The MFMA, 2003 further accentuate that these officials must be able to ensure that there are processes and procedures in place to guard against poor implementation. The existence of these processes and procedures may demonstrate the commitment of officials in their work in closing loopholes of financial mismanagement and accountability.

3.8. BUDGET, BUDGETING SYSTEM AND BUDGETARY PROCESS IN SOUTH AFRICA

The budget is viewed as a financial planning tool to support service delivery frameworks and fits well with broader governance in the public service. Budget contributes to the management of risks. The budget process provides mechanisms with regards to transparency and accountability (Siswana 2007: 101-102). Budget and budgeting system are interlinked in order to improve governance and service delivery in general. These processes form part of the planning and require commitment and accountability of officials.

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3.8.1. Budget

Shah (World Bank, 2007: 53) denotes the budget as a complete record of the planned expenses as well as the resources of revenues and others available or to be collected. He further describes it as an effective plan of action aimed at the collection of revenue, savings and distribution of financial resources in order to meet the needs of the community. Furthermore, the government budget is viewed as a purely technical assemblage of words and numbers, compiled by bureaucrats and politicians assigned to deal with financial matters. The government budget is the crux of public policy aimed at the development prospect of the country. A budget document is expected to reflect all components of good governance for monitoring purposes.

The budget contains the financial commitments for programmes to be delivered within a specific period of time. This is done in response to the needs of the respective communities. The government prioritises these needs according to the available financial resources, the fiscal policy of government and priorities identified by Cabinet.

3.8.1.1. Types of budgets and their significance

Operating budgets

Operating budgets reflect the day-to-day expenses and depreciation of the capitalised expenses. Typically, an operating budget covers a one-year period. This operating is important to enable public institutions to carry out their programmes as well as to ensure that necessary resources are available (PFMA, 1 of 1999).

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Capital Budgets

Capital budgets outline planned outlays for investments in infrastructure namely, equipments, and product development. Capital budgets may cater for programmes and cover periods of three, five and ten years. These become more visible in IDPs as they present capital budget for projects to be carried out within a specific period of time.

Cash budgets

Cash budgets plot the expected cash balances. Municipalities are expected to experience during the forecast period, based on the information provided in operating and capital budgets. Cash budgets are prepared by the finance department and are critical to ensuring that organisations have sufficient liquidity (cash and credit available to meet cash disbursement). Cash budgets are necessary to ensure that funds are available to take care of operational and other programmes expenses.

In South Africa's public sector, a medium-term budgeting approach is applied, namely three to five years focus. However, the municipalities through IDP's hold their annual plans to revisit the performance targets and plan for the following year. Some of the advantages of budgeting over three years according to Nicholson (1999:18) are that the process helps provinces and departments plan with greater certainty because they have a better indication of what their allocations will be for the next three years. The process also encourages departments to set three-year priorities and to plan further ahead than they did in the past and to enter into development contracts that may go over a number of years. And finally, the process gives the public a better picture of how government plans to spend its money to enable reconstruction and development goals to be evaluated against how much the government plans can spend over the next three years.

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3.8.2. Budgeting and budgeting process

Budgeting is fundamental in financing government programmes and service delivery initiatives in general. The function of any government depends on proper revenue and expenditure management. Public finance become central through regressing and progressive tax reforms and other forms of financing such as borrowing in order to finance government deliverables or the financing implementation of financing policies to improve the lives of people.

Within public finance, the budget is utilised and indicates government policies, as well as financial implication of the implementation of respective government programmes. As the government has the responsibility to provide services to people, financial management becomes critical in ensuring that quality service is provided.

Section 214(1) and (2) of the Constitution, 1996 emphasise that an Act of Parliament must provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government. This allocation is decided after the provincial governments, organised local government and the Financial and Fiscal Commission have been consulted. The process must take into account the need to ensure that the provinces and municipalities are able to provide basic services and perform the functions allocated to them, the fiscal capacity and efficiency of the provinces and municipalities, and developmental and other needs of provinces and municipalities.

Section 227(1) and (2) indicate that municipalities and each province is entitled to an equitable share of revenue raised nationally to enable them to provide basic services and perform the functions allocated to it; and may receive other allocations from national government revenue, either conditionally or unconditionally. Additional revenue raised by provinces or municipalities may not be deducted from their share of revenue raised nationally, or from other allocations made to them out of national government revenue. Equally, there is

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no obligation on the national government to compensate provinces or municipalities that do not raise revenue commensurate with their fiscal capacity and tax base.

The above indicates that municipalities can achieve the set targets through funds from the National Treasury grant. Budgetary constraints limit the amount that could be provided through the DORA. Thus municipalities receive only a small percentage of the funds available through the distribution of the equitable share. However, legislation and procedures have to be considered and accountability demonstrated by officials. As a result, South Africa has developed and adopted a budgeting system as discussed in the following sections.

3.8.2.1. Principles of budgeting systems and budgetary reform in South Africa

The South African public expenditure management system has undergone substantial reform since the mid-1990s. Although the early reforms strengthened macroeconomic stability and expenditure control, the more recent emphasis has been on efficient resource allocation and effective service delivery.

Schiavo-Campo (World Bank 2007:389) highlights the effects of the new intergovernmental system requiring all three spheres of government to formulate and approve their own budgets; the introduction of three-year spending plans for all national and provincial departments; new formats for budget documentation with a strong focus on service delivery information and an enactment of new financial legislation. In South Africa, performance budgeting within the context of the medium-term expenditure framework has been adopted. Performance budgeting provides a result-oriented approach as opposed to an input approach. This is executed in municipalities through IDPs

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as a form of strategic planning mechanism that outlines set goals, priorities and expected outcome in line with national government's expected outcomes.

Arguably, IDPs form part of the budgeting system that is a precondition for financial planning, which outlines activities and outputs of each public entity. As a result, performance indicators and measures, performance evaluation and monitoring, information systems and human resources, especially, financial management skills, are required to support good governance

This reform of the budgeting process has allowed decision makers to deliberate on key policy choices and on the matching of available resources to plans, rather than on item-by-item cost estimates. According to Schiavo-Campo (Bank 2007:389-390), the reform is based on the following principles:

Providing comprehensiveness and integration: The main national budget framework co-ordinates, integrates, policy and budget processes for the country in the national, provincial, and (increasingly)local spheres.

Allowing political oversight and a focus on policy priorities: Choices amongst priorities are inherently political. The South African system recognizes this fact and structures the integration of political and administrative practices to ensure that funding choices align with the priorities of government and that political oversight is reinforced.

Using of information strategically: The reform process systematically sets out to improve the timeliness, reliability, and usefulness of information on the allocation and use of funds, internal and external, to improve policy and funding choices and enable accountability.

Changing behaviour by changing incentives: Responsibility is devolved to spending departments for spending choices and use of funds within approved limits and consistent with policy commitments.

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Ensuring budget stability and predictability while facilitating change at the margin: The budget process includes various mechanisms to manage uncertainty and maximize predictability of funding and policy over the medium term, while promoting alignment with policies at the margin, through the use of rolling baselines and a contingency reserve, among other measures.

Thus it could be deduced that a comprehensive financial system is in place. However, what is still required is the commitment of managerial officials and politicians to implement it judicially.

3.8.2.2. Types of budgetary systems

Lee and Johnson (1998:16) outline a budgeting system as a set of units with a relationship. They further consider a budgeting system as a process of implementing a particular budget in line with the process, institutional structures, competing norms and values, actors and relationship.

Different budgeting systems are influenced by different reasons which are mainly based on the political agenda of a particular government. The main aim of the budgeting system is to improve financial management standards namely, accounting and auditing standards, fiscal management and elements of good governance. (Siswana 2007: 115).

3.8.2.2.1. Programme budgeting

Dean, 1989 (as quoted in Rose 2003:7) defines programme budgeting as " the programming, or the subdivision of the government budget for information purposes into programs and activities representing identifiable units with similar aims or operations". He argues that it identifies the operational aims of each programme and activity of the budget year and that it is a budgeting and accounting system that separates costs and revenues of each programme. Programme budgeting allows the measurements of outputs and performance of

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activities so that activity costs and operational aims can be related. Furthermore, data to establish standards and norms can be related so that costs and performance can be evaluated and government resources can be used more efficiently, Fölscher (World Bank 2007: 120).

In South Africa, government priorities are highlighted during the medium-term expenditure framework (MTEF) in Parliament and published. This framework is planned and executed in a programme, for example, the Department of Health has launched a programme to test 15 million people for HIV infection in 2012. As a result, these programmes are cascaded down to municipalities as key implementers of government programmes, hence the development of IDPs in setting strategic objectives to give effect to policies.

3.8.2.2.2. Performance budgeting

Shah and Shen (World Bank 2007: 143) outline performance budgeting as a system that presents the purpose and objectives for which funds are required, the cost of programmes and associated activities proposed for achieving those objectives, and the outputs to be produced or services to be rendered under specific programme. They argue that a comprehensive performance budgeting system qualifies the entire results-based chain as follows:

Inputs and intermediate inputs – These are resources to produce outputs that include human and financial resources. Programmes can only be successfully, effectively and efficiently executed where capable human resources are recruited and sufficient financial resources allocated. However, there is a need to put systems and procedures in place in order to effectively monitor the success of those programmes.

Outputs – quantity and quality of services produced by the allocated resources remain critical as an indicator of the programme's performance. Programmes are initiated to satisfy a specific requirement or delivery of a specific service. For

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example, the government of South Africa has launched a Pothole fixing programme that should produce an output of acceptable reports to roads (Shah and Shen 2007: 143).

Outcome – Refers to as the progress in achieving programme objectives, financial resources allocated to programmes should meet the objectives the programme is initiated for. Thus the outcome of the basic service delivery programme should be effectively measured.

Impact – Programme goals are measured against the programme outcomes. Municipalities for example are responsible to provide basic services like water refuse removal, sanitation and electricity. If these are not achieved, the beneficiaries of basic services show dissatisfaction. Shah and Shen (World Bank 2007: 143) qualify performance budgeting as a by-product of the information provided by the results-based chain that can also yield useful indicators of the efficiency and quality of government operations. Some of the indicators include:

Measurement of quality obtained from carrying out a programme in terms of requirements such as accessibility of services. In addition, satisfaction of beneficiaries of services by the programme outcome remains a critical element that stakeholders hold government accountable. Furthermore, cost associated with the outcome should be justifiable to the beneficiaries given the increasing demands for basic services as backlogs have burdened South African government and public institutions, especially, municipalities.

Some municipalities have received media coverage as a result of service protests by communities with respect to uncompleted projects, with some quality defects (unacceptable to be signed off) and where large amounts of money were involved (City Press, 2010/11). The service delivery protests have brought forward a need for government programmes to be properly managed and monitored in order to hold public institutions and officials accountable. In

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this regard, a more specific mechanism to ensure orderly budgeting and implementation such as the SCM could be a valuable aid.

3.9. PERFORMANCE REQUIREMENTS FOR FINANCIAL MANAGEMENT IN THE PUBLIC SECTOR

The National Treasury has prescribed some normative performance requirements measures for financial management in public institutions. These are meant to ensure that there is accountability within those respective institutions. Some of these performance measures require for financial resources to be optimally planned and money allocated to reach the required outputs. This is meant to restrict entities and officials to execute their own wishes at the expense of tax payers who are revenue generators for the government. Thus, the acquisition, utilisation and disposal of redundant goals should be strictly controlled.

In addition, the National Treasury requires that the optimal investment in total assets required to support specified departmental outputs must be quantified and economically funded in order to cover programme needs. Furthermore, the use of financial resources to achieve specified outputs must be monitored and controlled against the strategic goals and operational plans of the public institution by means of quantitative and qualitative data. As a result of the above plans, the internal controls must be designed, implemented and maintained to ensure that:

- transactions are executed in accordance with management's general or specific authorisation;
- all transactions are promptly recorded at the correct amount, in the appropriate account, in the correct accounting period to which it relates and in accordance with the department's accounting policies;

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- access to assets is permitted only in accordance with management's authorisation;
- recorded assets are compared with existing assets and vice versa at reasonable intervals and appropriate action is taken with regard to any variances; and
- accountability must be established for performance associated with the ability to consume scarce financial resources in the delivery of specified outputs.

It could be deduced that budgeting is done in consideration of the financial systems and delegation of authority. Respective public institutions' assets are managed and policies are considered as guidelines for accountability purposes. If government programmes are not linked to public financial management, accountability could not be determined accurately. It is therefore expected that the implementation of Supply Chain Management be in line with the government programmes and linked to the financial systems in order to obtain for holistic performance measurement.

3.10. SUPPLY CHAIN MANAGEMENT AS AN INTEGRAL COMPONENT OF FINANCIAL MANAGEMENT

In 2001/02, the National Treasury embarked on a Country's Procurement Assessment Review (CPAR) with the World Bank to transform procurement in South Africa by benchmarking on international standards in order to improve financial management in government. One of the issues raised during the review process was the need to monitor value for money and to replace the outdated inefficient procurement processes. As a result, procurement shifted towards Supply Chain Management (SCM). The government viewed Supply Chain Management as an integral part of financial management that seeks to introduce internationally best practices (National Treasury, 2003:2).

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Supply Chain Management is implemented within a broader framework of the financial management agenda and is expected to adhere to the elements of good governance. Prescribed procedures have to be followed and all public institutions must adhere to such procedures. It is argued that if these procedures are followed, government cannot waste money (National Treasury, 2003:2).

According to the National Treasury (2003:2), SCM has to play a significant role in financial management to monitor the value for money through the promotion of uniformity regarding procurement and the devotion of responsibilities as well as the promotion of accountability for procurement-related functions to accounting officers.

Furthermore, SCM in the public service requires the accounting authority or accounting officer of public institutions to establish a separate SCM unit to implement the SCM systems and to appoint an official in the SCM who will become aware of a possible breach and failure to comply with any aspect of the SCM system. This official is expected to immediately report a breach of failure to comply with the accounting authority or accounting officer in writing.

Given the implementation requirements and legislative framework, officials responsible for SCM should be capable, committed and empowered to account for their actions. These officials should be familiar with the government's programmes, understand the legislative frameworks and the financial performance measurements. One could also expect these officials to have capacity to monitor and evaluate these programmes during implementation in order to undertake corrective steps to obtain the anticipated outcomes. Supply Chain Management is discussed in Chapter 4.

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3.11. CONCLUSION

Public Financial Management theory was explored. Evolution of the PFM system in South Africa as a core component of public administration that deals with resource mobilisation and expenditure management in public institution was discussed. The primary goal of public financial management in public sector aims to manage limited resources to ensure the economy and efficient delivery of outputs to achieve desired outcomes.

Policies guiding the implementation of PFM were discussed as key elements since policies are strategic links between the governing function and the day-to-day operations of its executive institutions. Policy implementation has direct impact on the implementation of SCM. Furthermore, budget and budgetary reform outlined the significance of the introduction of MTEF that shifted from line-item budgeting system towards a performance budgeting system aimed at improving the PFM system in SA public sector.

These policies and procedures further provide important principles to enable effective and efficient implementation of SCM. Hence, the PFM in SA introduced a culture of risk management through the emphasis of good governance and the consideration of policies such as PFMA, MFMA, PPPFA and MSA as they impact on the implementation of the legislative frameworks for SCM implementation.

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CHAPTER 4

SUPPLY CHAIN MANAGEMENT AS AN INTEGRAL PART OF MUNICIPAL FINANCIAL MANAGEMENT

4.1. INTRODUCTION

In this chapter, Supply Chain Management (SCM) is discussed as an integral part of Municipal Financial Management (MFM) and a key component of public administration. Supply Chain Management theories, the emergence of Supply Chain Management and policies guiding the implementation of Supply Chain Management are outlined.

The primary objective of SCM is to obtain goods and services needed to deliver government programmes at the appropriate quantity, quality and price (value for money). Procurement expenditures are often a significant component of public expenditure and Gross Domestic Product (GDP) and significantly higher in developing countries than developed countries. This fact makes procurement a financial management issue, not just adhering to legal requirements or obtaining goods and services that meet technical requirements but entails governance, accountability and reporting. Inappropriate procurement could reduce both strategic allocation of resources and operational efficiency, through inappropriate goods and services and higher than necessary costs. It can also threaten aggregate fiscal control through unbudgeted cost increases in major projects such as capital (CAPEX) projects.

Over 80% of government goods and services are delivered by contractors and consultants since the establishment of Supply Chain Management and the legislation of economic empowerment programmes. The South African National Treasury provides guidelines for the implementation of Supply Chain Management policy in all spheres of government. The implementation of Supply

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Chain Management is guided by the policies and legislative framework that are discussed in this chapter. These include:

- The Constitution of the Republic of South Africa, 1996;
- Public Finance Management Act, 1 of 1999;
- Local government: Municipal Systems Act, 32 of 2000;
- Preferential Procurement Policy Framework Act, 5 of 2000;
- Broad-Based Black Economic Empowerment Act, 53 of 2003; and
- Local government: Municipal Finance Management Act, 56 of 2003.

These legislative frameworks are reflected on through the discussion in this chapter in relation to the implementation of Supply Chain Management.

4.2. EVOLUTION OF SUPPLY CHAIN MANAGEMENT IN SOUTH AFRICA

Skjoett-Larsen (2000:377) identified the 1990s as the era during which strategic logistics management developed into a critical organisational activity. Consequently, the focus of logistic management changed from "internal efficiency to external relations among parties in the supply chain. The argument is supported by Chandra and Kumar (2000:100) who argues that organisations have experienced remarkable changes, which impacted on further development of the concept of Supply Chain Management. These changes include but are not limited to:

- global competition;
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- development and alignment of an organisation's processes;
- decline of the number of suppliers;
- outsourcing of non-core activities;
- sharing of information between contractors and customers; and
- moving towards customised products.

Some of these changes are relevant to public sector administration and management, due to the government's reliance on consultants and contractors in service provision, the South African Cabinet has adopted a Supply Chain Management policy in September 2003 in replacement of the outdated procurement policy. The restructured Supply Chain Management function aims at forming an integral part of financial management that conform to the international best practices. The adoption of the policy was viewed as a function that would encourage responsibility and accountability for supply chain management due to its emphasis on accountability by accounting officers and/or authorities and all public institutions.

As outlined in the Supply Chain Management Guide for Accounting Officers (National Treasury, 2004:2), the policy of SCM presented four major objectives adopted by the Cabinet:

- to transform government procurement and provisioning practices into an integrated SCM function;
- to introduce a systematic approach for the appointment of consultants;
- to create a common understanding and interpretation of the preferential procurement policy; and

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- to promote the consistent application of 'best practices' throughout government's supply chain.

An integrated supply function is meant to address the inefficiencies in government's method of procurement, contract management, inventory/asset control and obsolescence planning.

4.2.1. Historic view of supply chain implementation

When the new democratic government was elected in 1994, South Africa initiated a series of budgetary and financial reforms in its attempt to modernise the management of the public sector to make it more people-oriented and sensitive to meeting the needs of the public it serves (Jacobson 2007:19-20). As part of these series of reforms, National Treasury in collaboration with the World Bank launched a Country Procurement Assessment Review (CPAR), in order to analyse the existing public sector procurement and contract management systems in South Africa and to recommend suitable actions to improve the economic conditions, efficiency, predictability and transparency of procurement and contract management processes. The study (CPAR, Refining the Public Procurement System in South Africa, 2002:10-12) as outlined in Jacobson (2007:18-21) yielded the following weaknesses in the procurement and contract management systems, namely,

Insufficient procurement planning: Procurement planning linked to the budgeting process is not applied as a matter of principle, which leads to the need for recurring contracts, or the extension of existing ones, or the need for emergency procurements with the usual cost increases.

Insufficient procurement data: Absence of a system to capture comprehensive data on procurements. This inhibits publication of critical statistics on national procurement, including some of the basic information on

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the number of contracts executed by the same supplier, reasons for the termination of contracts and time and cost overruns.

No uniform procedures for tender publications: Tenders in national and provincial spheres are advertised in the weekly State Tender Bulletins, which are obtainable from the offices of the State Tender Officials or the Government website. There invitations are also posted to subscribers at a nominal fee. Some provinces do not advertise in the State Tender Bulletin and only advertise in major newspapers. Municipalities usually place advertisements in major newspapers.

Delays in payments to suppliers: Contractors for supplies and works are often not paid within 30 days of submitting an invoice, which has increased the Government's cost of business and collapse of service delivery since contractors/consultants could not in all cases sustain themselves financially. This practice has disadvantaged consultants, who are reluctant to charge interest on overdue accounts because of fear of not obtaining new assignments. Generally, payment in the national sphere is somewhat more acceptable. At the provincial sphere it is mixed and at the local sphere it is poor.

Conflict of interest and political influence through some of the tender committees: Currently, private sector members in eight of the nine provincial tender officials constitute a majority. This practice, in addition to such members not being accountable to the Government, gives rise to a situation of conflict of interest in awarding contracts. The practice of councillors (politicians) participating in the decision making process of contract awards, in the local government sphere, gives rise to undue influence in the awarding of contracts.

Poor practice of tender opening: Except in the case of building and construction contracts, prices quoted by the bidders are not read out during public opening of tenders/bids. This is being practised in the national, provincial and local government spheres.

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Poor estimates of requirements in centrally managed supply contracts.

Various uncompetitive systems for the selection and appointment of consultants

Selection and appointment of consultants remain the aspects within which transparency and fairness have to be observed. However consultants providing services in the building and construction sectors are appointed from panels (a database of pre-qualified consultants) on a pre-set tariff basis. Appointments are made in the sequence in which they were registered on the database or at the discretion of officials. Some contracts are awarded on the basis of comparison of price only, without any weighting of the quality of the proposals. In the municipalities, consultants are often appointed at the discretion of councillors (politicians). Mostly, they are appointed on the basis of a fee system advocated by the Association of Consulting Engineers from a pre-qualified database of consultants. As a rule, contracts are awarded on a rotational basis to the pre-selected consultants who generally belong to the same constituency or municipality.

Implementation Weaknesses: The audit of procurement in the provincial and local spheres of government found examples of some poor practices by organs of state including *inter alia* prices against other contract prices in order to establish value for money and realise savings to the state; changing of specifications after the awarding of tenders; and poor planning in works contracts and excessive cost overruns. In addition, there is an irregular practice (including conflicts of interest) by some tender officials, resulting in financial gain and other irregularities by tender SCM. These officials fail to timeously call for tenders in respect of recurring commodities prior to the expiry of existing contracts resulting in the extension of existing contracts to overcome interruptions in supply. As a result, public entities experience excessive delays in the awarding of contracts ensuing in escalation of costs.

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Furthermore, lack of verification of quality, quantity and costs due to the non-availability of procurement documents (poor record keeping) were identified as critical factors that require attention. This is also as a result of lack of subdivision of contracts in order to reduce the value of individual contracts to remain within delegated financial limits. Public institutions enter into lease agreements for properties which have not been utilised, resulting is loss of funds and the capacity of municipalities to spend the allocated funds on infrastructure is generally low, due to outdated institutional arrangements, poor planning, design and project management practices.

Procurement using the National Public Housing Fund: A significant amount of public monies is spent on the provision of housing to the poor though the project linked to the housing subsidy scheme. The granting of rights in this scheme to the private sector to provide housing is, however, currently not treated as falling within the ambit of procurement. Contracts are awarded based on development proposals and not on open tendering system. The findings of the CPAR investigation prompted government to replace the outdated and rule driven procurement and provisioning practices.

The above-mentioned weaknesses shed light on the enhancement and tightening of some loopholes within the implementation in public institutions. It should give the opportunity for institutions to build capacity and encourage accountability through enforcement of policy implementation. In addition, it should remain a value within public institutions. This implies that serving the public is a right and not privilege. Contractors and consultants contribute to the economy of the country through the creation of employment, skills enhancement and encouragement of production of local goods. As a result, public officials have an impact on the economy of the country and the reputation of public services directly and indirectly. For example, after the completion of the specific phases or entire assignment as per the terms of reference impact negatively on the contractor's cash flow, hence, operational overheads and employees increase. Conflict of interest has been in the public domain for a

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number of years and has influenced the prevalence of corruption within the public sector, an area which Supply Chain Management is expected to safeguard.

The argument is whether the system in municipalities that officials should adhere to regarding implementation is understood by officials responsible for Supply Chain implementation. It is further argued that empowered officials could understand their roles and responsibilities, hence, will be able to implement policies, procedures and processes. Therefore, the delegation of authority with respect to SCM implementation has to be effective and monitored to allow promotion of Supply Chain Management and speedy delivery of services across the service departments and promote accountability of officials. This can be achieved by an official's understanding of Supply Chian Management elements and ensuring the implementation.

4.3. ELEMENTS OF SUPPLY CHAIN MANAGEMENT

The National Treasury Regulation 16A 3.2 (d) determines that a Supply Chain Management system must provide for at least demand management, acquisition management, logistics management, disposal management, risk management and regular assessment of supply chain performance. The core elements of the Supply Chain Management system namely demand management, acquisition management, logistics management, disposal management and supply chain performance are discussed.

4.3.1. Demand Management

Demand management is an essential requirement in developing best practices for effective Supply Chain Management. It is a centre stage where research and planning take place and total needs assessment should be undertaken. A Supply Chain Management objective is to ensure that the resources required to fulfil the needs are identified in the strategic plan of the institution, and are

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delivered at the correct time, price and place, and that the quantity and quality will satisfy those needs. It further ensures that the resources required to fulfil the needs are identified in a holistic manner and the requirements are measured against the strategic objectives of the institution.

National Treasury's Supply Chain Management Guide for Accounting Officers/authorities (National Treasury, 2004:25) states that it is vital for managers to understand and utilize techniques to assist them in their planning, implementation and control activities. As part of the strategic plan of the institution, resources required for the fulfilment of its obligations should be clearly analysed. This includes a detailed analysis of the goods, works and services required, such as how much can be accomplished, how quickly and with what materials, equipment. Accounting officers/authorities should ensure that future as well as current needs are understood and the requirements are linked to the budget. Resources required need to be analysed, assessed and bring a SCM practitioner closer to the end users; Bid specification committee and procurement methods determined.

An analysis of the past expenditure may also assist in determining the manner in which the institution fulfilled this need in the past and the optimum method to satisfy the need is considered, including the possibility of procuring goods, works or services from other institutions (for example. stationery, printing and related supplies from the government printer or furniture from the Department of Correctional Services), or on transversal or ad hoc contracts. An economic order quantity is calculated; lead and delivery times identified; an industry and commodity analysis is conducted to ensure that demand management is a cross-functional exercise which ensures a supply chain practitioner effective and that he/she ensures that value for money is attained.

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4.3.2. Acquisition Management

According to the National Treasury's Supply Chain Management Guide for Accounting Officers/ authorities (National Treasury, 2004:11), the concept "acquisition management' focuses on the procurement activity. Within this process, evaluation of bids (undertaken by bid committees) takes place considering a range of procurement systems including a review of registers to identify defaulters.

Establishment of total cost of ownership of assets, bid adjudication and appointment of consultants form part of the acquisition management process. The management, rather than purely procedural considerations of acquisition management include:

- to decide on the manner in which the market will be approached;
- to ensure that bid documentation is complete, including evaluation criteria;
- to evaluate bids in accordance with published criteria; and
- to ensure that proper contract documents are signed.

The issue to be investigated concerns the role of officials in the implementation process of SCM and establishment of their understanding of the specific roles with respect to quality of goods/services, value for money and turnaround times (time to deliver services as planned according to the IDP). Government services are mostly essential and require officials to ensure that assets are acquired within a period in which services are not interrupted, delayed or not happening at all. Effectiveness of the implementation can be determined by how best officials carry out their responsibilities in line with legislation and internal policies and processes.

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4.3.2.1. Processes of procurement

Notice Number 2 of 2005 (2005:1-2) of the Supply Chain Management Practice prescribes that acquisition management within government institutions should be conducted within the range of processes, depending on the financial threshold of the goods/ services to be procured, as follows:

(a) Up to a value of R 2 000 (VAT included)

(i) Accounting officers / authorities may procure good and services without inviting competitive bids or price quotations by means of petty cash. Accounting officers / authorities must establish their own internal procedures to ensure sound financial management of funds when goods and / or services are obtained by means of petty cash.

(b) Above the value of R 2 000 but not exceeding R 10 000 (VAT included)

(i) Accounting officers / authorities may procure goods and services by obtaining at least three verbal or written quotations from, where applicable, a list of prospective suppliers could be identified. The order should, however, be placed against written confirmation from the selected supplier if the quotation was submitted verbally.

(c) Above the value of R10 000 but not exceeding R 200 000 (VAT included)

(i) Accounting officers / authorities should invite and accept written price quotations for up to an estimated value of R200 000 from as many suppliers as possible, that are registered on the list of prospective suppliers.

(ii) Where no suitable suppliers are available from the list of prospective suppliers, quotations may be obtained from other possible suppliers.

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(iii) If it is not possible to obtain at least three written price quotations, the reasons should be recorded and approved by the accounting officer / authority or his / her delegate.

(iv) Accounting officers / authorities should apply the prescripts of the Preferential Procurement Policy Framework Act, 5 of 2000 and its associated Regulations for all procurement equal to or above R 30 000 (VAT included). However, these prescripts may be applied for procurement with a value of less than R 30 000, if and when appropriate.

(d) Above the value of R 200 000 (VAT included)

Accounting officers / authorities are required to invite competitive bids for all procurement above R 200 000. Goods, works or services should not be deliberately split into parts or items of lesser value merely to avoid complying with the requirements of the prescribed thresholds. When determining transaction values, a requirement for goods, works or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

The competitive bids should be advertised in at least the Government Tender Bulletin and in other appropriate media should an accounting officer / authority deem it necessary to ensure greater exposure to potential bidders. The responsibility for advertisement costs will be that of the relevant accounting officer / authority. But, should it be impractical to invite competitive bids for specific procurement, for example, in urgent or emergency cases or in case of a sole supplier, the accounting officer / authority may procure the required goods or services, in accordance with Treasury Regulation 16A6.4 by other means, such as price quotations or negotiations. The reasons for deviating from inviting competitive bids should be recorded and approved by the accounting officer / authority or his / her delegate.

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The prescripts of the Preferential Procurement Policy Framework Act, 5 of 2000 and its associated Regulations require public institutions to consider them and adhere to the process. The process flows depicting the above-mentioned processes (procurement by means of petty cash, quotations and bids) are contained within the ambit of Annexure 4 - 5 of this thesis.

For example, with the findings of the Public Protector regarding the inappropriateness of the awarding of an R500m contract for the Police headquarters (Sunday times, 2011:1), it is indicated that the above criteria were not met. Institutions where approved policies, procedures and guidelines are implemented, those particular institutions remain sustainable. They can account for their actions to relevant stakeholders and the general public. Such conducts have the potential to add value to the credibility of the respective institution, hence monitoring of policy implementations crucial.

4.3.2.2. Appointment of consultants

According to the National Treasury's Policy strategy that guide uniformity in the procurement reform processes in government (National Treasury, 2003:31-32), the concept 'appointment of consultants' is described as a technical quality. Independence of advice are key considerations in engaging consultants. Consultants are engaged principally to provide specialised services for limited periods without any obligation of permanent employment; obtain benefit from superior knowledge, transfer of skills and upgrading of a knowledge base while executing an assignment; and to provide independent advice on the most suitable approaches, methodologies and solutions of projects.

The National Treasury, 2004 guidelines have further outlined the methods that are most generally prescribed for the appointment of consultants namely, quality and cost based selection; quality based selection; selection under fixed budget; least cost selection; and single source selection.

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The method of selection is determined by the scope of the assignment, the quality of the service, the complexity of the assignment and whether assignments are of a standard or routine nature. If consideration for quality of service to be offered by consultants is observed when selection is making, one can assume that the knowledge of consultants, their expertise and independent advice should be considered for improving the practice within the public institutions.

4.3.3. Logistics Management

According to National Treasury's Supply Chain Management Guide for Accounting Officers/authorities (National Treasury, 2004:86-88), logistics management pertains to coding of items, setting of inventory levels, placing of orders, receiving and distribution, stores/warehouse management, expediting orders, transport management and vendor performance. Moreover, this process should activate the financial system to generate payments. The function such as that of coding and levels of required stocks should not be dealt with in isolation by the accounting officer/authority. It is the objective that throughout Government, the same coding and other support systems should be used. A master plan is required to integrate and enhance the financial management systems to support the implementation of the integrated Supply Chain Management system and the PFMA in general. Logistic management considers issues such as stock levels in warehouses before placing and processing orders to ensure that money is paid for goods that are needed.

Due to protracted lead times, or because of a need to keep specific items in stock, a specific determination is critical to automate the ordering process. An order should be placed either when a pre-determined stock level is reached or when a request is received from an end user for an item, which is not held in stock. This is to make sure that officials can account for municipality's assets.

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Where a contract exists, orders should be placed for the item from the contract. Where there is no contract, the price quotation or competitive bidding method of ordering should be applied within the ambit of the delegated authority. The reliability of the supplier should be monitored in terms of, among others delivery periods; quality; and quantity to ensure that the needs for the society as outlined on the IDP and communicated is satisfied.

Should problems be encountered, they should be followed up with the contractor/consultant and, if it is a contract item, it should also be reported to the body that arranged the contract. Relevant documentation should be submitted promptly for payment to avoid interest charges.

The National Treasury has worked progressively to produce enhanced guidelines in the implementation for SCM that aims at guiding accounting officers/authorities towards and improved implementation processes. National Treasury also welcomed inputs from the implementing institutions who found an implementable practice that provides for accountability of institutions and officials.

4.3.4. Disposal Management

Disposal is the final process when an institution needs to do away with unserviceable, redundant or obsolete movable assets according to the National Treasury's Supply Chain Management Guide for Accounting Officers/ authorities (National Treasury, 2004:89). The regulation recommends that the accounting officer/authority establishes a committee to deal with disposals. However, for accountability reason, it is the responsibility of the accounting officer/authority or his/her delegate to consider the recommendation of the appointed committee. If disposal of any asset is approved, the following methods should inter alia be followed:

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- Transfer of assets to another institution which could utilise the assets given their physical conditions and depreciation value in terms of Section 42 of the PFMA.
- Provide transfer to another public institution at market related value;
- Transfer to another institution free of charge (bearing in mind that the assets cannot be transferred to a sub-office, school, etc. without the approval of the Head Office of the institution under which jurisdiction such sub-office, school, etc. falls.).
- Selling per price quotation, competitive bid or auction, whichever is most advantageous to the State, unless determined otherwise by the relevant treasury; (requirements as prescribed in Regulations 5 and 6 of the Preferential Procurement Regulations, 2001, should be adhered to).
- Destroying written-off assets.

It is deduced from the above discussion that in order to effectively and efficiently carry out the disposal management, public officials are not only charged with carrying out the disposal activity, but to also ensure that it is in line with the policies and procedures of the particular institution. This proves that policies guiding Supply Chain Management alone do not justify of the capacity, commitment and accountability of officials but to obtain an integrated understanding the process and ensure effective implementation. It is critical that a mechanism to ensure that policies and procedures are developed and enforced for effective implementation.

4.3.5. Risk Management

National Treasury's Policy strategy to guide uniformity in procurement reform processes in government (National Treasury, 2003:4), describes the concept

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risk management as a managerial factor that accounting officers/ authorities should take cognisance of during the implementation of Supply Chain Management process. The incorrect application of the process could result in fraud and nepotism. Due consideration should preferably be given to issues such as:

Identification of procurement risks on a case-by-case basis in order to assign risks to relevant parties, departments or institutions to avoid mismanagement of SCM implementation process.

Allocation of risks to the party best equipped to manage such in order to maximise risks mitigation within the implementation process and to exercise risk management in a proactive manner and providing adequately for the cover of residual risks.

From the discussion, one can deduce that risk management should be a necessary part of the strategic plan (IDP) specifically for the acquisition of goods and services. This can mitigate losses and other fruitless expenditures that municipalities may suffer within the implementation process. For example, contract documentation may clearly and unambiguously determine and assign relative risks to the contracting parties.

4.3.6. Supply Chain Performance (monitoring SCM)

According to National Treasury's Supply Chain Management Guide for Accounting Officers/ authorities (National Treasury, 2004:91) a monitoring process takes place, undertaking a retrospective analysis to determine whether the proper process is being followed and whether the desired objectives are achieved. In line with strategic plans (IDPs) a review within the process should determine if the goals of the procurement has been achieved and if the process complied with the norms and standards as legislated. Determination should also be made on the cost variance and savings generated from procurement

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process (cost of the process itself and cost benefit from the goods/service procured)

Furthermore, it is critical to consider if the supply chain objectives are consistent with Government's broader policy focus and that the principles of co-operative government as expounded in the Constitution, 1996 are observed together with the promotion of reduction of regional economic disparities.

It is emphasised that at completion stage of each project, an assessment of the supplier/service provider (including consultants where applicable) be undertaken and that this assessment report be made available for future reference. Accounting officers/authorities are obliged to take cognisance of the fact that when suppliers do not perform according to their contractual obligations and the accounting officer/authority does not address it during the execution of the contract; such non-performance cannot be deemed as sound reason for passing over the bid of such supplier when adjudicating future bids. Thus, the procurement process should provide for monitoring and evaluation to enhance the managerial actions.

4.3.6.1. Benefits for managing and controlling SCM in public sector

Ambe and Badenhorst (2011:76) outlined some clear benefits to the public sector for effective management and controlling SCM. The benefits include:

Better risk allocation: Effective risk allocation is a critical consideration in procurement. Risk can always be allocated according to the party best placed to manage it, and a better understanding of the way in which the requirement can be met.

Greater visibility: Visibility of a credible process creates subcontracting opportunities for a diverse range of organisations that can bring increased competition, dynamism and particular skills or strengths to the public sector.

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This can increase competition and allow organisations with particular skills or strengths to get involved in the public sector marketplace.

Greater opportunities for innovation: Supplier innovation in the SCM can contribute to better quality, faster delivery and reduced whole life costs. Effective SCM offers a strong potential for innovation to be released through the supply chain. In this way the managerial cadre could ensure that the public sector obtains the best results with the available funds.

Better-defined requirements: Early supply chain involvement shapes business need through market. Such clear requirement enhances the ability of managers to obtain high quality goods and services.

Improved ability to identify risks or bottlenecks: In contract delivery, greater authority creates awareness of exactly how the contract is going to be implemented. This ability allows managers to minimise risks and avoid the unavailability of goods or essential services, for example, medical for emergencies.

Better quality: Solutions offered by suppliers as opportunities can be more easily identified in their supply chains to improve quality, increase delivery times and reduce costs. Managers will thus be able to unimplemented services to society.

More effective use of SCM contributes to the wider agenda of improving efficiency and value for money in the public sector's commercially activities, by promoting competition, not just at first tier supplier level, but across the wider supply base and also encouraging more efficient management of suppliers. Understanding of these benefits by officials may be a representation of their capability to determine requirements and ensure that logistic management is carried out to the benefit of the institution.

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4.4. SUPPLY CHAIN MANAGEMENT IMPLEMENTATION

The three-phase implementation strategy was developed to give effect to the Supply Chain Management policy adopted by cabinet according to National Treasury's Supply Chain Management guide for Accounting Officers/ Authorities (2004). The following phases have been identified:

- The pre-tender officials abolition or preparation phase;
- The immediate post-tender officials abolition or full implementation phase; and
- The monitoring phase.

The main aim of the first phase of implementation has been the abolition of tender official's involvement (officials responsible for the procurement process). The reason being that in the past, officials involved in tendering played an active role in the decision making process particular certain decisions were made on behalf of public sector manager with regards to procurement that had a direct impact not only on service delivery of the institution but also on its authority in respect of budget expenditure according to an approved budget. Since this rule driven process alienated the accountability from public sector managers, the abolition of officials directly involved in tendering were regarded as a priority and therefore was included in the first phase of the Supply Chain Management implementation strategy to eradicate financial systems that were based on weak accountability principles that formed the foundation for second phase of implementation.

The second phase of implementation entails the implementation of an effective and efficient SCM system within all government institutions for the procurement of goods and services and the disposal and letting of state assets. The Supply Chain Management system to be implemented must be fair, equitable,

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transparent, competitive and cost effective. It must provide for at least the elements of demand management, acquisition management, disposal management, logistics management, disposal management; risk management and regular assessment of supply chain performance. The implementation phase also requires institutions to establish a separate SCM unit within the office of the chief financial officer.

Furthermore, to ensure that Supply Chain Management officials are trained, bid specification/ bid evaluation/ bid adjudication committees were established. They are responsible for the implementation of measures of compliance with ethical standards and assessment of supply chain performance. This phase also requires the National Treasury to take the lead by developing and issuing a number of instructions and guidelines with the view of promoting uniformity and providing assistance to accounting officers and accounting authorities. In this way the management of resources is enhanced.

The third phase of the implementation strategy entails the establishment of a Supply Chain Management office within National Treasury. National Treasury monitors the progress and provide support to institutions with regard to the implementation and maintenance of an effective and efficient Supply Chain Management system. This function is required to achieve the goals of good governance whereby there will be uniformity in procedures, policies, bidding documentation and contract management and sound systems of control and accountability. This enables Treasury to fulfil its role of overseeing national financial authority.

4.4.1. Current Supply Chain Management implementation status

Subsequently, the Policy to Guide Uniformity in Procurement Reform Processes in Government, the Regulations in terms of section 76(4) (c) of the PFMA; Framework for Supply Chain Management, the Supply Chain Management guide for Accounting Officers / Authorities, SCM practice notes and other

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supporting frameworks were issued to assist institutions with the implementation of the Supply Chain Management processes. The implementation of SCM has resulted in the abolition of the involvement of officials who were directly involved in tendering resulting in the transfer of accountability to accounting officers/authorities with the exemption of the State Tender Officials of National Treasury. The State Tender Officials of National Treasury was abolished when the State Tender Officials Act, 1968 (Act No. 86 of 1968) and its regulations have been repealed (Jacobson, 2007:23.24).

As legislated, all government institutions have commenced with implementing Supply Chain Management. The National Treasury is monitoring the progress made in this regard. During the monitoring processes, in consideration of the audit outcomes from the Auditor-General (AG), the National Treasury has identified a number of challenges that institutions are experiencing in implementing Supply Chain Management. These include the lack of the development of a detailed Supply Chain Management implementation plan; difficulty in the establishment of bid specification/bid evaluation/ bid adjudication committees; infrastructure limitations; training delays; mind shift delays from rule driven to decision making approach.

The challenges identified as presented above, influenced this research to focus on specific challenges faced by the municipalities within the Vhembe District with the implementation of Supply Chain Management. Reviewing supply chain policies remain one of the critical factors for the research to reflect on deficiencies in the implementation of the policies.

The Government follows a phased-in implementation strategy whereby accounting officers/ authorities are given full authority to implement Supply Chain Management within their respective institutions, in terms of the legislation that was promulgated in this regard. As a result, the National Treasury is labelled as Government institution's 'Big Brother' in this process.

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The four major objectives of the Supply Chain Management policy according to the National Treasury's Supply Chain Management guide for accounting officers/authorities (National Treasury, 2004:9), are to:

- transform Government procurement and provision practices into an integrated Supply Chain Management function;
- introduce a systematic approach for the appointment of consultants;
- create a common understanding and interpretation of the preferential procurement policy; and
- promote the consistent application of 'best practices' throughout Government's supply chain processes.

In proactive organisations, Supply Chain managers are active participants in the organisation's strategic planning process. As a result, the organisation's supply strategy is becoming recognised as a strategic entity equal in importance to the organisation's marketing, conversion, and finance strategies. These strategies, when properly integrated, form the organisation's strategic business plan in the form of an IDP in the municipality.

Supply Chain Management comprises key elements as depicted on figure 4.1 below.

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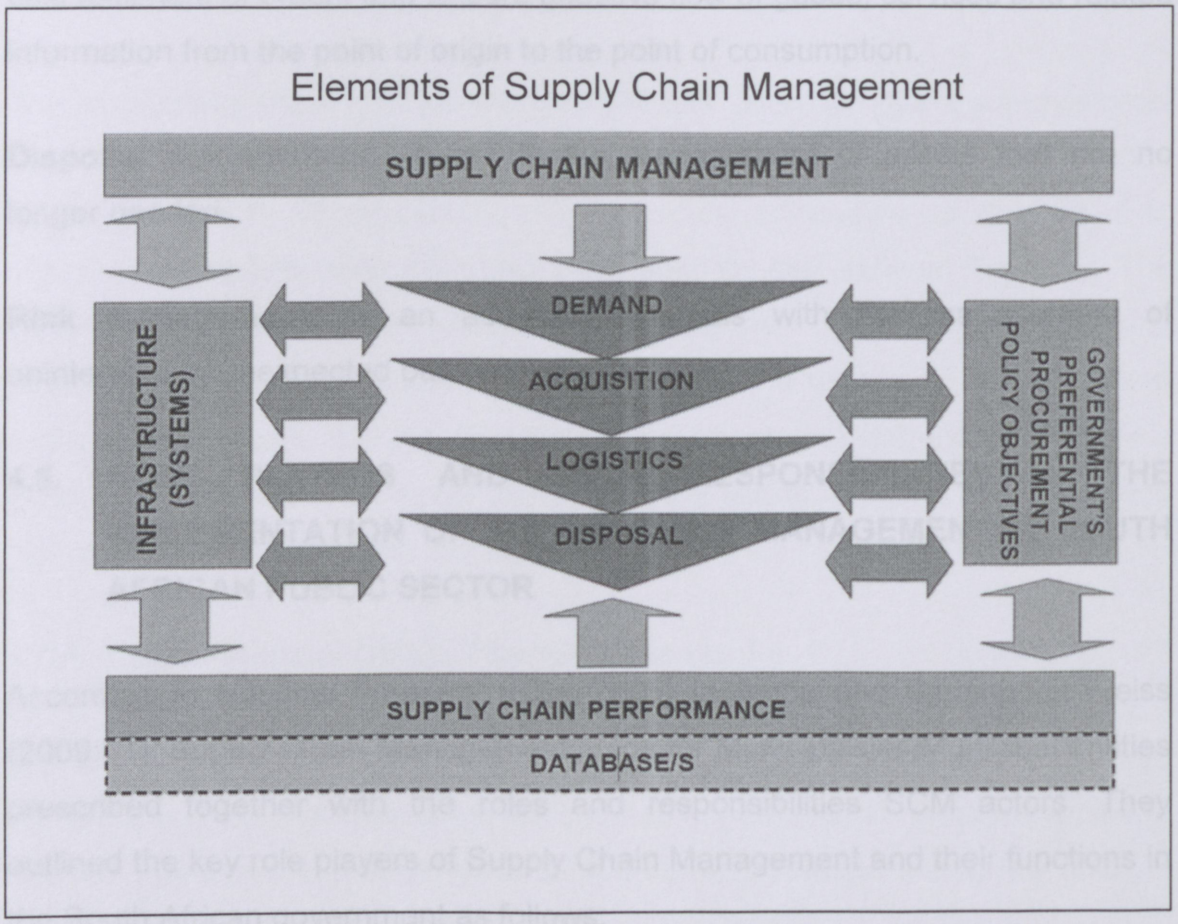

Figure 4.1 Government's Supply Chain Management Model. (**Source:** Supply Chain Management Guide for Accounting Officers, 2004:10)

These elements are defined in the Supply Chain Management Guide for Accounting Officers (2004:10-12) as follows:

Demand management: Demand management is the first element of Supply Chain Management where a needs assessment for acquisition of goods and services is conducted, specifications determined; supply industry identified and requirements are linked to the budget.

Acquisition management: Acquisition management is the process of obtaining resources needed to produce goods and services.

Logistics management: Refers to the governance of Supply Chain Function. Strategically logistic manage acquisition, movement and storage of materials;

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cost fulfilment of orders and Ensure effective flow of goods, services and related information from the point of origin to the point of consumption.

Disposal management: Refers to the management of assets that are no longer needed.

Risk management: Is an activity that deals with the management of unintended or unexpected outcome of a decision.

4.5. ROLE PLAYERS AND THEIR RESPONSIBILITIES IN THE IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT IN SOUTH AFRICAN PUBLIC SECTOR

According to National Treasury (RSA 2005) in Ambe and Badenhorst-Weiss (2009:81), Supply Chain Management guide for Municipalities/Municipal entities prescribed together with the roles and responsibilities SCM actors. They outlined the key role players of Supply Chain Management and their functions in the South African government as follows:

4.5.1. National Treasury

National Treasury introduces and oversees the implementation of SCM; develop treasury regulations; issue guidelines, general conditions of implementation; Setting of minimum reporting standards; and monitor the implementation of legislation by public institutions. Thus it plays its monitoring role.

4.5.2. Provincial Treasuries

Provincial Treasuries assist departments with the implementation of SCM through supporting of departments by providing advice and building capacity of officials and practitioners. Capacity is built trough co-ordination of training in the province and monitoring of policy outcomes.

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4.5.3. Accounting Officer / Chief Financial Officers

The accounting officer establishes an SCM unit under the direct supervision of the Chief Financial Officer. He/she ensure the compilation and implementation of Supply Chain Management policy, ensures adherence to guidelines to support the implementation frameworks issued by the National Treasury. The Accounting Officer has to ensure the development of internal procedures, processes and ethical standards to be observed in a respective institution and that are in line with National Treasury's implementation frameworks and also ensure that officials are trained and adequately skilled. He/she also reports to National Treasury about the implementation.

4.5.4. Chief Financial Officer / Supply Chain Units

The Chief Financial Officer is mandated to recruit, develop skills and manage an effective SCM unit. In addition, he/she has to possess skills and resources to develop managers and supervisors to operate and manage the variety of SCM activities, facilities and networks.

National Treasury (2005) as presented in Ambe and Badenhorst-Weiss (2009:81) emphasises the creation of committees as required by the Supply Chain Management policy, their compositions and roles. These committees include, bid specification, bid evaluation and bid adjudication committees. Committees play critical roles in the process of implementation and must comprise officials who are skilled to carry out Supply Chian Management roles and responsibilities.

4.5.4.1. Bid specification committee

The bid committee may comprise one or more official, preferably manager responsible for the function including external specialist advisors (cross functional principle). The accounting officer or delegated official is expected to

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appoint a chairperson. This committee compiles technical specifications; terms of reference; requirements; conditions of contract; evaluation criteria; determine goals; and indicates the method of procurement. For example, if the municipality intends to procure a service of water supply for a certain village, there should be a technical official who understand water supply to assist in determining bid specifications to be issued out.

4.5.4.2. Bid evaluation committee

Bid evaluation committee comprises a SCM practitioner; technical expert from the department requiring the good/service. Like in the bid specification committee, the accounting officer is expected to appoint the chairperson and members. The committee evaluates bids in accordance with the criteria set in the PPPFA, evaluate a bidder's tax matters, and submit a report for recommendation regarding the award considering a list for restricted bidders and a register for tender defaulters.

4.5.4.3. Bid adjudication committee

A bid adjudication committee should comprise at least four senior managers which include: the CFO and at least one senior SCM practitioner to ensure compliance and a technical expert who is an official to ensure compliance to the specification (Ambe and Badenhorst-Weiss 2009:82). A committee is also led by a chairperson and consists of members appointed by the accounting officer. A member of the bid evaluation committee may present recommendations to the bid adjudication committee; neither a member of nor a person assisting the bid evaluation committee, nor any advisor may be a member of this committee.

For this study, an effort was made to investigate the existence of these committees together with the roles and responsibilities of committee members within Vhembe District Municipality through the administration of a questionnaire and interviews. As shown in figure 4.1, the majority of

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respondents (91%) indicate that these committees have been established within the municipality's Supply Chain Management unit. Only 9% of the respondents who stated that these committees do not exist indicated that they do not see the role they are playing in the municipality's SCM. However, they argue that the role of these committees is not visible because of the events caused by late submission (close to the end of financial year when procurement process is compromised) of project procurement requirements by departments for the procurement of goods and services.

The existence of these committees as confirmed by the majority of respondents represents a positive intention by the municipality towards ensuring that Supply Chain Management is effectively implemented. In addition, just over half (57%) of the respondents stated that the roles of these committees have been defined and noted. Nevertheless, 35% of the respondents point out that these roles have not been communicated to officials and all stakeholders that have a role to play in the implementation of the process.

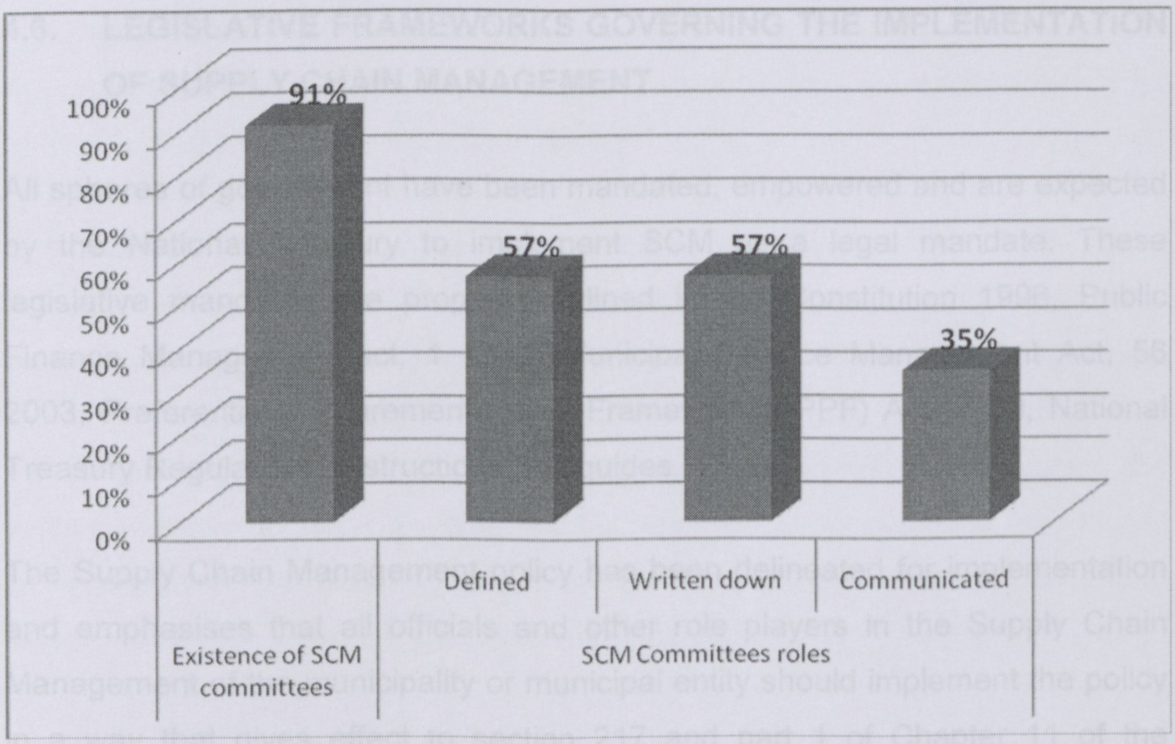

Figure 4.2: Existence of SCM committees and their roles

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In addition, majority of just over half of the respondents (52%) are aware of the defined roles of the SCM committees. Only 35% of the respondents denote that the roles of the SCM committees have been communicated while the majority of these respondents (65%) indicate that these roles have not been communicated effectively.

It is deduced from the above investigation that the municipality has the intention to exercise effective Supply Chain Management implementation. The establishment of SCM committees and defining of committees' roles and responsibilities is evidence of positive intention. However, non communication of the roles to relevant stakeholders and other employees present a weakness in effective implementation. Understanding of the roles and responsibilities by other stakeholders provide them with knowledge about levels of commitment and accountability of the committee with respect to the implementation. These roles and responsibilities are expected to satisfy important legislation guiding the implementation.

4.6. LEGISLATIVE FRAMEWORKS GOVERNING THE IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT

All spheres of government have been mandated, empowered and are expected by the National Treasury to implement SCM as a legal mandate. These legislative mandates are properly outlined in the Constitution 1996, Public Finance Management Act, 1 1999, Municipal Finance Management Act, 56 2003, Preferential Procurement Policy Framework (PPPF) Act, 2000, National Treasury Regulations, instructions and guides.

The Supply Chain Management policy has been delineated for implementation and emphasises that all officials and other role players in the Supply Chain Management of the municipality or municipal entity should implement the policy in a way that gives effect to section 217 and part 1 of Chapter 11 of the Constitution, 1996. The emphases on process fairness, equity, transparency,

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competitiveness and cost effectiveness are discussed as key elements in obtaining accountability.

Compliance with the regulations and any minimum norms and standards prescribed in terms of section 168 of the Public Finance Management Act, 1 of 1999 is further emphasised for officials to demonstrate commitment through being consistent when carrying out Supply Chain activities. It should not undermine the objective for uniformity in Supply Chain Management systems among organs of state in all spheres; and should be consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

The Supply Chain Management policy model is developed to be applied when the municipality or municipal entity procures goods and service and when disposing goods that are no longer needed. In addition, the policy prescribes factors that need to be considered when selecting contractors to provide assistance with the provision of municipal services. Furthermore, the policy requires adherence to procedures when selecting external contractors (those not registered on the institution's database) as outlined in the section 80 (1) (b) of the Municipal Systems Act, 32 of 2000.

Almost all of the strategic Acts developed and updated in support of the SCM policy provide guidelines for consideration by a municipality or municipal entity for the effective implementation and accountability by officials and institutions. Given its implications to municipalities', financial Supply Chain Management has been at the centre of audit by the Auditor-General (AG) in determining the proper implementation. The policy, Acts, guidelines, processes and procedures were discussed in detail to reflect on their importance when implementing Supply Chain Management by government institutions.

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4.6.1. The Constitutional mandate

The Constitution is the supreme law of the Republic; law or conduct inconsistent with it is invalid, and the obligations imposed by it must be fulfilled (Section 2). The Constitution insists that national legislations must provide for the effective implementation of government programmes and services. Core components of SCM are recognised in section 217 (1) of the Constitution, 1996 states clearly that for the national, provincial or local sphere of government, or any other institution identified in national legislation, legislation must be acknowledged when contracting consultants to provide goods or services. Some of the legislative issues include the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination as prescribed by the national legislation framework. This implies that commitment and accountability of officials with respect to legislation emphasised in the Constitution remain the public institution's responsibility to ensure compliance.

4.6.2. Supply Chain Management Accountability

The regulations issued in terms of Public Finance Management Act, 1999 emphasise the need for effective management of revenue, expenditure, assets and liabilities. Persons entrusted with financial management in those spheres of government are expected to account for these public institutions' assets. As a result, accountability with respect to financial decisions are placed within the responsibility of the accounting officer/authority to enable him/her to manage their financial affairs within the parameters laid down by prescribed norms and standards.

National Treasury has a legislated mandate and responsibility to introduce uniform norms and standards pertaining to Supply Chain Management in all spheres of Government with the view of assisting accounting officers with their responsibilities in maintaining an appropriate procurement and provisioning system within their respective institutions. Section 38 (1)(iii) of the PFMA 1999

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that addresses the general responsibilities of accounting officers stipulates that "the Accounting Officer for a department, trading entity or constitutional institution must ensure that that department, trading entity or constitutional institution has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective".

In support of public institutions, Section 76 (4)(c) of the PFMA stipulates the that National Treasury may make regulations or issue instructions applicable to all institutions to which this Act applies concerning the determination of a framework for an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective. This implies that the processes and procedures are evolving, based on conditions. Hence, the need for officials to adhere to policies, processes and procedures.

Prescribed systems that are considered effective according to the legislation are arranged to accounting officers. These officers are expected to ensure that there is a system in place to evaluate capital projects prior to the final decision regarding a specific project. This legislative aspect is meant to prevent unauthorised, irregular fruitless and wasteful expenditure and losses resulting from criminal conduct. These systems, in addition, require that accounting officers "on discovery of any unauthorised, irregular or fruitless and wasteful expenditure", must immediately report, in writing, particulars of the expenditure to the relevant treasury and in case of irregular expenditure involving the procurement of goods and services must be reported to the tender officials" [PFMA 1999, 38(g)].

Section 38c of the PFMA,1999 further indicate that accounting officers should take effective and appropriate disciplinary measures against officials in service of the department, trading entity or constitutional institutions that contravene or fail to comply with the provision of the Procurement Act and the financial implications.

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SCM implementation and accountability are further emphasised by the Municipal Finance Management Act, 56 of 2003 policy statements in Chapter 11 that dictate that each municipality and each municipal entity implement a Supply Chain Management policy. The objective of the Act is to secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government through the establishment of treasury norms and standards

Chapter 11, part 1 of the Public Finance Management Act, 1 of 1999 advances the SCM policy and application towards procurement and disposal of goods and services, as well as the selection of contractors' criteria by a municipality and municipal entities. However, the legislation also provides for a municipality or municipal entity to procure goods and services through another organ of state. These institutions can also form partnerships in delivering goods or service in carrying out their mandates. These include provision of goods and services by a municipality to another municipality or municipal entity, provision of a municipal service or assistance in the provision of municipal service and the procurement of goods and services under a contract secured by the other organ of state. This implies that a municipality or municipal entity cannot impose charges for providing assistance or goods and services in arrangements of this nature.

The PFMA (1999) accentuates the Supply Chain Management policy of a municipality or municipal entity to be fair, equitable, transparent, competitive and cost-effective and comply with a prescribed regulatory framework for municipal Supply Chain Management [Section 112(1)]. The legislation provides the range of Supply Chain Management processes that municipalities and municipal entities may use, including tenders, quotations, auctions and other competitive bidding. A municipality or municipal entity may use a particular type of process and ensure that there is procedure and mechanisms for each type of process. VDM has established a SCM structure, developed SCM policy and established policies to deal with SCM implementation.

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Municipalities are expected to make provision for procedures and mechanisms to cater for flexible processes where the contract is below a prescribed amount for example, tenders can only be advertised for amount over R200, 000.00, which are open and transparent and that ensures that pre-qualification processes for tenders or other bids exist. The SCM legislation encourages competitive bidding processes in which only qualified persons may participate is clarified through the provision of bid documentation, advertising of and invitations for contracts become available. The process is further expected to prescribe procedures and mechanisms for the opening, registering and recording of bids in the presence of interested persons; the evaluation of bids to ensure best value for money; negotiating the final terms of contracts; and the approval of bids is clear. Thus, the municipality should ensure that there is a capable and committed team towards management of SCM implementation.

Screening processes and security clearances for prospective contractors on tenders or other bids above a prescribed value remain a requirement that requires close scrutiny to determine officials' commitment. In addition, compulsory disclosures of any conflicts of interests by prospective contractors have to be observed to encourage accountability of municipality, municipal entity and respective authorities. Guarding against persons who were convicted for fraud or corruption by being wilfully neglect, renege on or fail to comply with a government contract during the past five years; or whose tax matters are not cleared by South African Revenue Service to bar them form participating in the tendering process. As demonstrated on the Public Protector's report (2010) obtained for this study, VDM demonstrated accountability with respect to the awarding of tender to SGL.

SCM legislation requires municipalities or municipal entities to prescribe measures for combating fraud, corruption, favouritism and unfair and irregular practices in municipal Supply Chain Management; and promote ethical conduct by officials and other role players involved in municipal SCM. Schedule 1 and 2 of the Municipal Systems Act, 32 of 2000 set out codes of conduct as for

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councillors and municipal officials'. If this code of conduct is disregarded, misconduct can escalate resulting in recommendations for discipline to be imposed on those individuals. These procedures include contract management and dispute settling, delegation of Supply Chain Management to officials and those activities that officials can be held accountable for not observing the prescribed principles and frameworks. For example, all processes of the Supply Chain should be signed off by relevant officials to ensure accountability.

It could be deduced from the above discussion that municipalities cannot just execute the acquisition of goods and services by considering legislation and their requirements. Consideration of IDP plans and the finances allocated to specific programme activities remain crucial. It is argued that commitment of officials are required to understand the municipality's strategic plan, policies and procedures in order to ensure accountability. As a result, investigation was carried out to determine officials' commitment in carrying out their responsibilities and accountability with respect to the application of guiding legislation as well as the municipality's internal processes and procedures such as the code of conduct. It is argued that these considerations in the implementation may represent commitment to the municipality, hence accountability of officials.

Officials' commitment and accountability assessment is presented in 4.6.2.1. Commitment was measured by examining the awareness levels of officials towards Supply Chain Management policies and procedures; their exposure to policies and procedures guiding the implementation of SCM; as well as the involvement in the implementation of the municipality's programmes through the application of Supply Chain Management principles. Furthermore, commitment is assessed by exploring the awareness of officials about their roles and responsibilities as well as their ability to carry out those roles and responsibilities.

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4.6.2.1. Commitment and accountability of officials

The analysis of the responses as presented in Figure 4.2 shows that a majority of respondents (91%) are aware of their roles and responsibilities. However significant proportion (57%) expressed the view that they cannot effectively carry out these roles and responsibilities (Figure 4.3).

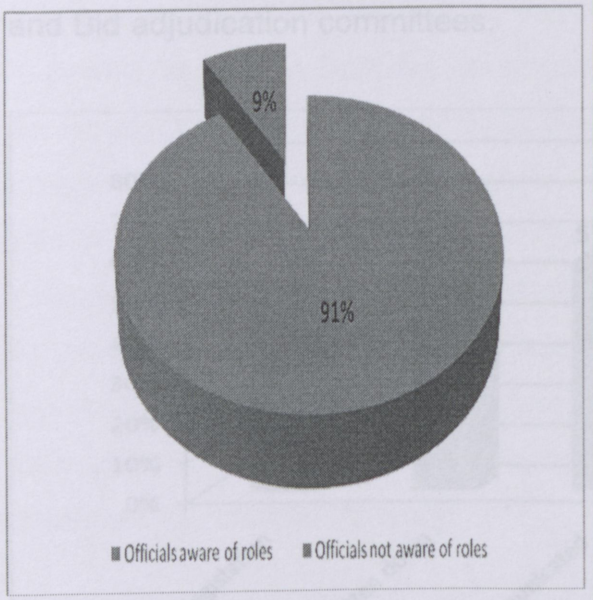

Figure 4.3: Awareness of Roles and Responsibilities

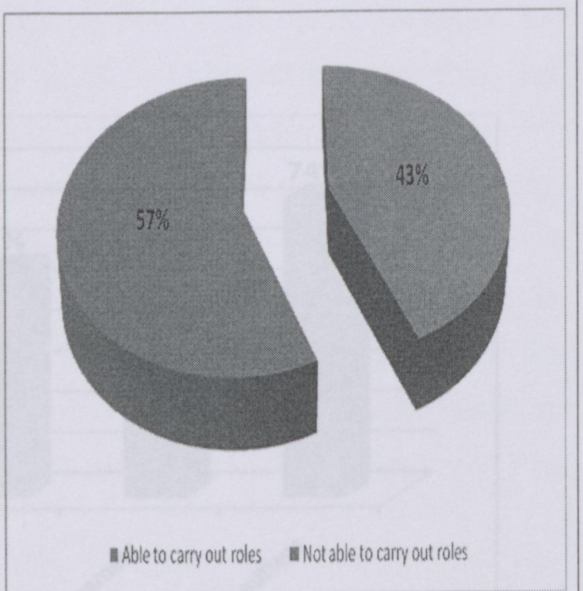

Figure 4.4: Ability to carry out Roles and Responsibilities

Those respondents who indicated that they cannot effectively carry out their roles and responsibilities claim that they do not carry out the tasks end-to-end (from beginning to the end of the process). The analysis of the responses further demonstrates that there is very little responsibility given to those officials who are not members of the relevant sub-committees namely; bid specification, evaluation and adjudication committees. They indicate that even if there is a division of responsibilities, it appears that the segregation of duties is not clearly defined or formally communicated and does not empower other officials to effectively carry out their responsibilities.

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In assessing the roles and responsibilities alignment to legislation and its understanding by officials, as presented on Figure 4.4, a significant number of respondents (57%) indicate that the roles have been written down and communicated to officials. This fact further highlights the issues around active participation of officials in the determination of these roles and responsibilities. A considerable number of respondents (74%) point out that their roles need to be defined by supply chain committees namely, Bid specification, Bid evaluation and Bid adjudication committees.

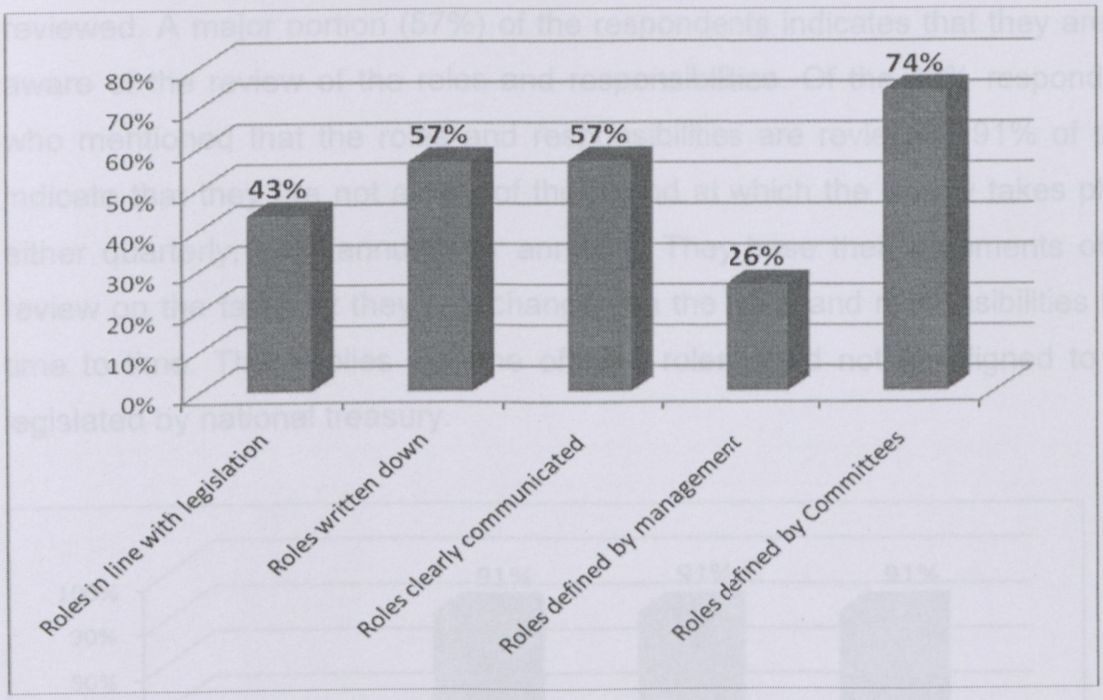

Figure 4.5: Alignment, documentation and communication of roles and responsibilities of officials

Officials argue that these committees could be in a better position to understand what needs to be done within a respective committee such as bid specification and can provide a direct role that could be implementable by officials. They further indicate that management could play a role in ensuring that these roles are in line with strategic goals of the municipality through aligning them with the IDP programme for their respective departments. However, 43% of the respondents denote that the roles are not in line with the legislation guiding the implementation of Supply Chain Management.

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It is deduced from the above analysis that much as the roles and responsibilities are written down and communicated, they are not clearly understood by the officials. These roles could be in line with strategic goal of the municipality but not likely to be in line with the legislation guiding the implementation of Supply Chain Management. As a result, this makes it difficult for officials to effectively carry out their responsibilities.

When investigating if these roles and responsibilities that are documented are reviewed, less than half the respondents (43%) indicate that these roles are reviewed. A major portion (57%) of the respondents indicates that they are not aware of the review of the roles and responsibilities. Of the 43% respondents who mentioned that the roles and responsibilities are reviewed, 91% of them indicate that they are not aware of the period at which the review takes place, either quarterly, semi-annually or annually. They base their arguments of the review on the fact that they see changes on the roles and responsibilities from time to time. This implies that the officials roles could not be aligned to that legislated by national treasury.

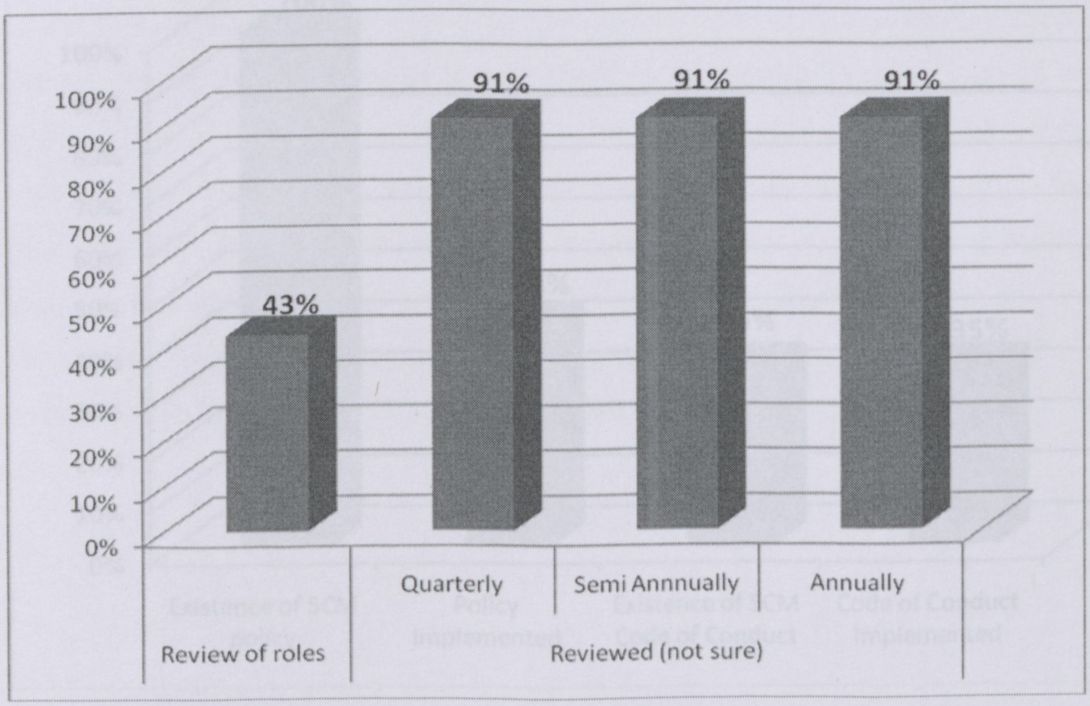

Figure 4.6: Review of roles and responsibilities of officials

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It is deduced from the analysis that the majority of respondents do not understand the roles and responsibilities of Supply Chain Management officials. The fact that only few respondents (43%) are aware of the review of the roles and responsibilities and the majority of these respondents (91%) are not aware of the period at the review takes place is an indication that they are not taken seriously in the implementation. As a result, it became imperative to investigate the existence of the policy and its implementation.

As shown on Figure 4.6, all the respondents (100%) acknowledges the existence of the SCM policy and state that they are aware it. However, less than half of the respondents (43%) denote that the policy is not being implemented effectively. They argue that most of the procurement happens as a matter of urgency such that the policy and its directives are not considered. According to the majority of respondents, this situation raises a challenge of disempowering officials responsible for Supply Chain Management as they cannot enforce the policy effectively.

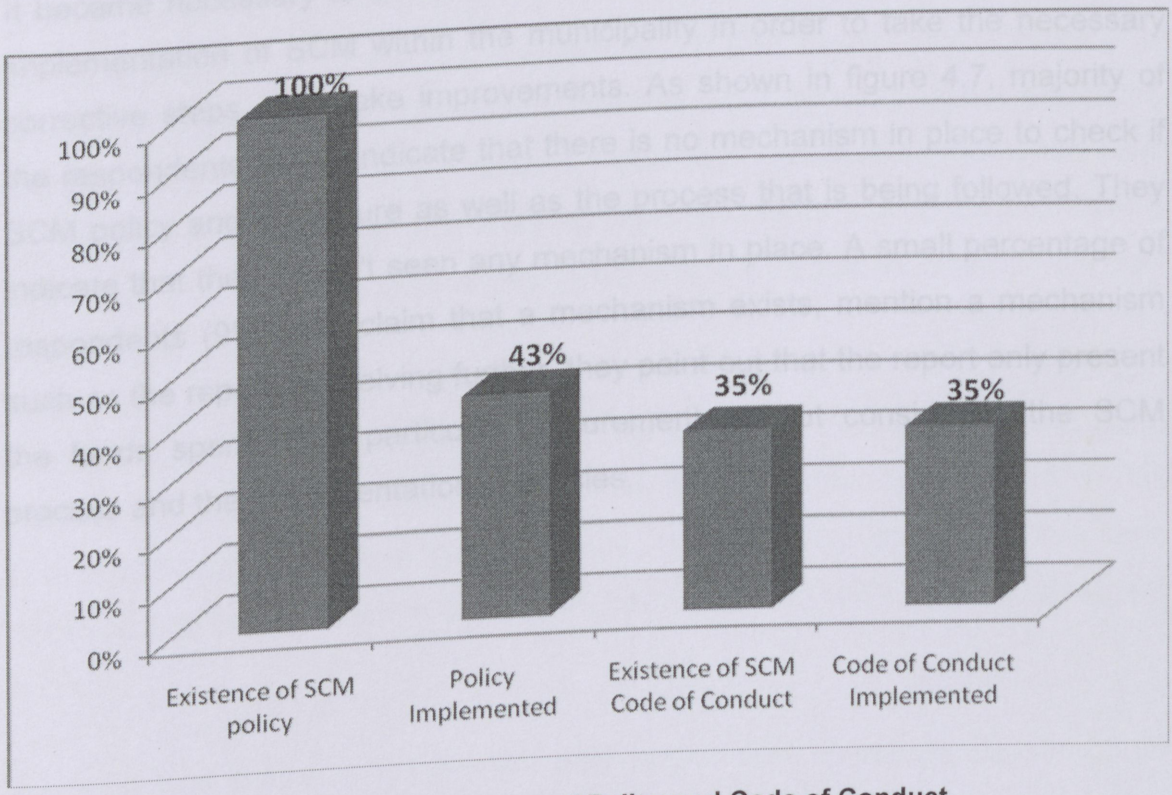

Figure 4.7: Existence and Implementation of Policy and Code of Conduct

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With respect to the existence of the Code of Conduct for SCM officials, insignificant numbers of respondents (35%) indicate that they are not aware of the code of conduct. As a result, they can not confirm if the code of conduct is being implemented. When investigating this issue further during the interviews, respondents could not remind themselves about the contents of the Code Of Conduct and key aspects of its implementation.

The above analysis indicates that even if the policy is made available, its guideline does not draw commitment of officials towards accountability to the implementation. This has influenced the investigation into checking the existence of the monitoring mechanism within Supply Chain Management process to check if officials in the municipality can effectively account on the implementation as discussed in 4.6.2.2.

4.6.2.2. Monitoring mechanism for SCM implementation

It became necessary to check if there is a mechanism in place to monitor the implementation of SCM within the municipality in order to take the necessary corrective steps and make improvements. As shown in figure 4.7, majority of the respondents (91%) indicate that there is no mechanism in place to check if SCM policy and procedure as well as the process that is being followed. They indicate that they haven't seen any mechanism in place. A small percentage of respondents (9%) who claim that a mechanism exists, mention a mechanism such as the reporting. Delving further, they point out that the report only present the funds spent for a particular procurement without considering the SCM process and the implementation of policies.

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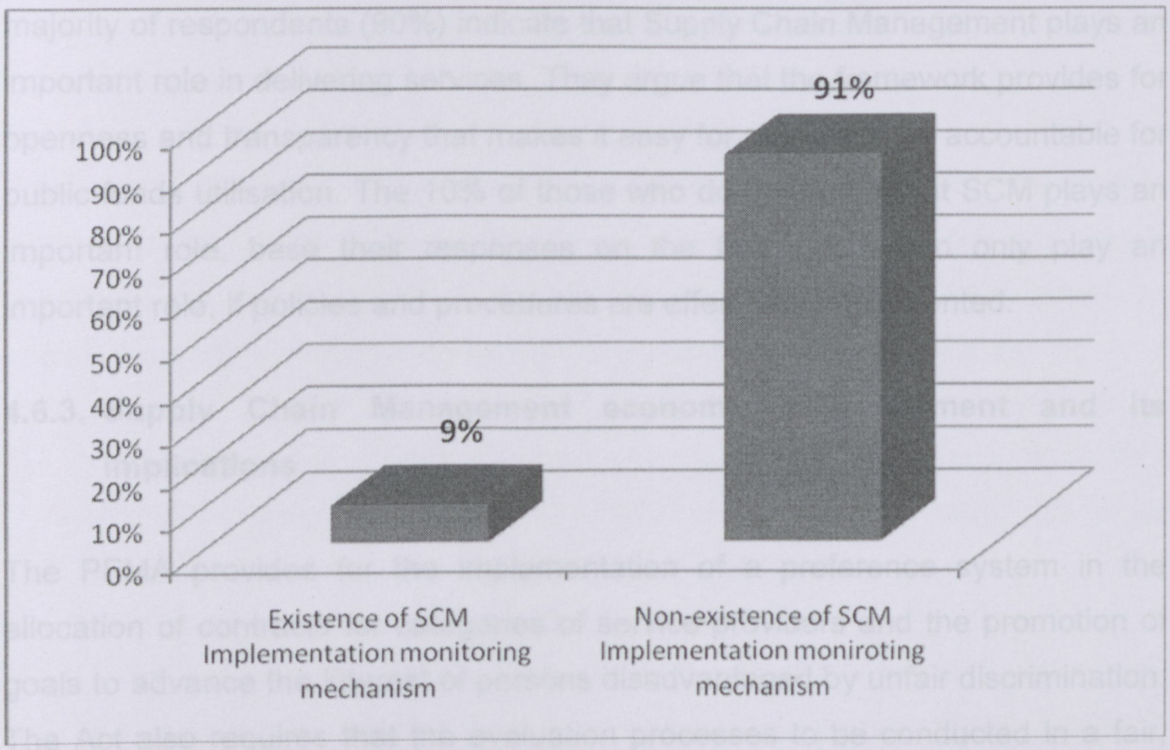

Figure 4.8: Existence of monitoring mechanism for SCM implementation

One can deduce from the above that accountability with respect to Supply Chain Management cannot be established beyond doubt. Non existence of monitoring a mechanism can mean that the SCM process is not effectively carried out and wrong doing cannot be detected and corrected should the need arise. As a result, there are no effective check points as to whether the SCM is effectively and efficiently carried out. Thus, officials cannot be called to account for wrongful action.

In determining the SCM implementation status, it was necessary to find out if the municipality has an established a SCM function within its structure or has developed policies in line with National Treasury regulations. It was also necessary to find out how respondents perceive SCM within the procurement process.

An effort was made to understand how respondents perceive Supply Chain Management as a mechanism for service delivery by the municipality. The

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majority of respondents (90%) indicate that Supply Chain Management plays an important role in delivering services. They argue that the framework provides for openness and transparency that makes it easy for officials to be accountable for public funds utilisation. The 10% of those who do not argue that SCM plays an important role, base their responses on the fact that it can only play an important role, if policies and procedures are effectively implemented.

4.6.3. Supply Chain Management economic empowerment and its implications

The PFMA provides for the implementation of a preference system in the allocation of contracts for categories of service providers and the promotion of goals to advance the interest of persons disadvantaged by unfair discrimination. The Act also requires that the evaluation processes to be conducted in a fair, justifiable and transparent manner.

There is currently a process underway to ensure that the PPPFA and the BBBEE Act be aligned. The BBBEE Act was introduced to give effect to section 217 (3) of the Constitution by providing a framework for the implementation of the procurement policy contemplated in section 217 (2) of the Constitution; and to provide for matters connected to the procurement goods and services by public institutions.

The framework for the implementation of the procurement policy emphasises that an organ of state must determine its preferential procurement policy and implement it within the legislation. It has to consider a preference point system must be for contracts with a Rand value above a prescribed amount. In this case, a maximum of 10 points to be allocated for specific goals as contemplated in paragraph *(d)* of the policy, provided that the lowest acceptable tender scores 90 points for price for contracts with a Rand value equal to or below a prescribed amount a maximum of 20 points may be allocated for specific goals

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as contemplated in paragraph *(d)* provided that the lowest acceptable tender scores 80 points for price.

The policy framework further emphasises that any other acceptable tenders which are higher in price must score fewer points, on a pro-rata basis, calculated on their tender prices in relation to the lowest acceptable tender, in accordance with a prescribed formula. The specific goals may include:

(i) contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability;

(i) implementing the programmes of the Reconstruction and Development Programme as published in *Government Gazette* No. 16085 dated 23 November 1994;

In addition, the framework highlight that any specific goal for which a point may be awarded, must be clearly specified in the invitation to submit a tender and the contract must be awarded to the tenderer who scores the highest points, unless objective criteria in addition to those contemplated in paragraphs *(d)* and *(e)* justify the award to another tenderer. Furthermore, it is stressed that any contract awarded on account of false information furnished by the tenderer in order to secure a preference in terms of this Act, may be cancelled at the sole discretion of the organ of state without prejudice to any other remedies the organ of state may have. Any goals contemplated in subsection (1) *(e)* must be measurable, quantifiable and monitored for compliance.

4.6.4. Broad-Based Black Economic Empowerment

The Broad-Based Black Economic Empowerment Act, 53 of 2003 was promulgated to establish a legislative framework for the promotion of black economic empowerment; to empower the Minister to issue codes of good

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practice and to publish transformation charters; to establish the Black Economic Empowerment Advisory Council; and to provide for matters connected therewith.

Economic transformation is promoted through preferential procurement in order to promote meaningful participation of black people in the economy. Transformation also aims to achieve a change in the racial composition of ownership and management structures of existing and new enterprises. VDM as the Municipality in rural area support the transformation by considering black-owned companies in their tenders.

4.6.5. Municipal Systems

Municipal Systems Act, 32 of 2000 provides for the core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities. The MSA aims to ensure universal access to essential services that are affordable to citizens and to define the legal nature of a municipality including the local community within the municipal area. The legislation further promote working in partnership with the municipality's political and administrative structures to provide for the manner in which municipal powers and functions are exercised and performed and to provide for community participation; to establish a simple and enabling framework for the core processes of planning, performance management, resource mobilisation and organisational change which underpin the notion of developmental local government.

Furthermore, the legislation (Municipal Systems Act, 32 of 2000) provide a framework for local public administration and human resource development that empowers the poor and also ensure that municipalities put in place service tariffs and credit control policies that take their needs into account. The policy further provide a framework for the provision of services, service delivery

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agreements and municipal service districts that outlines how credit control and debt collection can be handled.

In addition the legislation encourages the establishment of a framework for support, monitoring and standard setting by other spheres of government in order to progressively build local government into an efficient, frontline development agency capable of integrating the activities of all spheres of government for the overall social and economic upliftment of communities in harmony with their local natural environment; to provide for legal matters pertaining to local government. The MSA, 2000 provide a challenge to the Municipality to ensure that processes, procedures and internal policies are in support the strategic goals of the municipality and government programmes in general.

According to PPPFA, 5 of 2000 in [section 83 (2)], a municipality or municipal entity may determine a preference for categories of service providers in order to advance the interest of persons disadvantaged by unfair discrimination, as long as the manner in which such preference is exercised does not compromise or limit the quality, cost, coverage and developmental impact of the services. Vhembe District Municipality has developed a Supply Chain Management policy that promotes consideration of disadvantaged individuals as outlined in the policy.

4.7. COMPETENCIES FOR SUPPLY CHAIN MANAGEMENT OFFICIALS

The guideline was prescribed as one of the series to elucidate the contents of the Local Government: Municipal Finance Management Act, 56 of 2003: Municipal Regulations on Minimum Competency Levels for accounting officers, senior managers, finance officials, and other officials responsible for Supply Chain Management of municipality and municipal entities. Emphasis is put on the consideration of Section 83, 107 and 119 of the MFMA that require officials to meet prescribed competency levels in financial and Supply Chain

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Management which need to be aligned to the municipal regulations on minimum competency levels. In addition, the guide complements the performance management regulations issued under the MFMA, 56 of 2003 by the former Department of Provincial and Local Government (now Department of Cooperative Governance and Traditional Affairs). Officials within Vhembe District Municipality are qualified and possess relevant SCM experience.

4.7.1. Competency levels: Head of Supply Chain Managers

To effectively implement the Supply Chain Management policy, each municipality or municipal entity is expected to establish a SCM unit. However, a joint SCM unit may be established between a municipal entity and its parent municipality (district or local municipality). According to SCM regulation 7, the SCM unit must operate under the supervision of the Chief Financial Officer. This requirement ensures that municipalities have authority to assign the duty to an employee to carry out the implementation of Supply Chain Management.

For accountability purposes, the competency levels have been structured according to the officials that are involved in the implementation of SCM. These competencies include minimum, financial and Supply Chain Management, educational qualifications and work related experience. It is assumed that if these competencies are in place, the officials responsible can effectively implement regulations prescribed for the implementation of SCM. Officials responsible for SCM within VDM possess post-matric qualification in finance and have experience on the field of SCM.

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According to the guideline for municipal competency levels for SCM, the competencies are outlined as follows:

4.7.1.1. Minimum Competencies: Heads of SCM Units and SCM senior managers

The MFMA delegated the responsibility of SCM implementation to the heads of SCM units and senior managers of a municipality or municipal entity to be guardians of the implementation of SCM regulations, processes and procedures as prescribed in the framework. The Regulations require that the heads of SCM and senior managers meet the three minimum requirements in the category of proficiency in the SCM area as prescribed in the regulation. These which they have to acquire from a higher educational institution and work related work experience in executing the SCM responsibility. Municipalities' size as well as budget size provide for the categories of components. It is argued that these categories are further divided into two streams according to the municipal capacity namely, municipal size and budget size. The VDM CFO and head of SCM are qualified to handle the Municipality's budget and to oversee the implementation of SCM for the Municipality.

Recruitment of officials to implement Supply Chain Management must consider the capacity to implement MFMA according to the knowledge and skills assigned and delegated to the officials in accordance with the MFMA (The guideline for competency SCM competency)

4.7.2. Financial and Supply Chain Management Competencies

Officials are expected to develop frameworks to demonstrate strategic leadership, strategic financial management and operational financial management in support of good governance, ethics and values in financial management. These frameworks must also provide for effecting financial and performance reporting by municipalities. Consideration of the tendering process

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in municipalities also requires possessing the necessary skills for project management while ensuring effective implementation of legislation and policies. If these capabilities exist within municipalities, stakeholders could be enforced managed and be satisfied with the implementation, hence, accountability through clean audits (MFMA, 2003).

Officials exercising Supply Chain Management responsibilities have to meet the minimum requirements and be competent in carrying out financial management duties. Municipalities must also provide resources and/or opportunities for the training of officials to enhance their competency levels. National Treasury and provincial treasuries assist in training officials on the implementation of the policy and providing strategies to demonstrate accountability (MFMA, 2003 Chapter 8, part 1 and Chapter 10, part 5). This implies that if officials are able to implement the SCM process and apply policies and if empowered they can demonstrate commitment to the implementation of the entire framework.

4.7.3. Higher education qualifications

Educational guidance provide officials with the understanding of Supply Chain Management theories and frameworks that providing a better understanding of the relationship between finance, governance and SCM implementation and accountability. However, when establishing municipalities, there were no basic educational requirements for an accounting officer as the custodian for municipal finances and Supply Chain Management. The above indicate that in order for officials to effectively implement Supply Chain Management, they have to be engaged in training programmes to equip them with legislative and other requirements necessary for implementation. Majority of the respondents (83%) as indicated in Figure 4.9 have received training on SCM and related issues.

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4.7.4. Work related experience

Demonstrating previous work experience within the Supply Chain Management implementation environment is cited as a minimum competency for the heads of SCM within the local government. However, to those officials who claim previous work related experience outside local government sphere, the municipality or municipal entity would need to evaluate past work experience to ensure its similarity with the local government sphere. Such verification can be done by contacting past employers, obtaining job descriptions and viewing examples of past work experience where appropriate (Guideline for Municipal Competency Levels, 2007:3).

In considering the above discussions, over and above minimum competency levels, the demographic profile of respondents point out that Vhembe District Municipality finance department is comprised of officials possessing post-matric qualifications. An attempt was made to investigate the capacity of officials in carrying out their responsibilities considering the training provided, usefulness of training opportunities and ongoing training in building capacity for officials to continually, effectively and efficiently implement Supply Chain Management. The assessment is discussed in 4.7.4.1 presenting the findings obtained from the administration of questionnaire and interviews conducted.

4.7.4.1. Capacity of officials to undertake SCM responsibilities

Capacity was considered for the research as the ability to perform required tasks. This attribute was measured on the type and depth of training received. In addition, capacity was assessed based on the extent to which the training was adequate or useful and skills acquired applied to benefit the municipality's supply chain. As depicted in Figure 4.8, the majority of respondents (83%) received training on Supply Chain Management issues conducted by National Treasury and the municipality's finance department. In addition, when officials

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are hired, they undergo an induction training aimed at introducing them to the municipality programmes and activities.

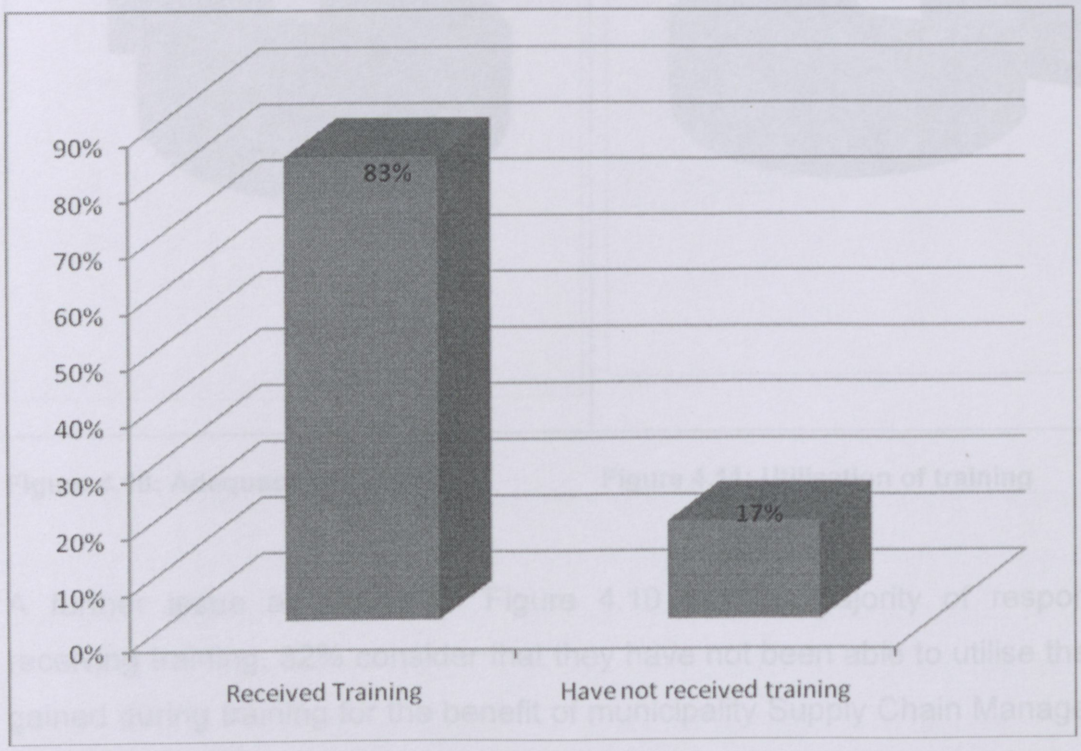

Figure 4.9: Supply Chain Management training received by officials

Of those members who have received training, a large percentage (79%), (Figure 4.9) has found some of the topics of the training useful. Some of the topics indicated as being useful were roles and responsibilities of SCM, functions of bid committees; accountability of officials and risk management. They mention the elements of Supply Chain Management namely, demand, acquisition and disposal management as important topics that were covered by these trainings interventions. Furthermore, respondents indicate that issues such as risk mapping and management and efficient utilisation of physical resources were also vital for the officials to understand.

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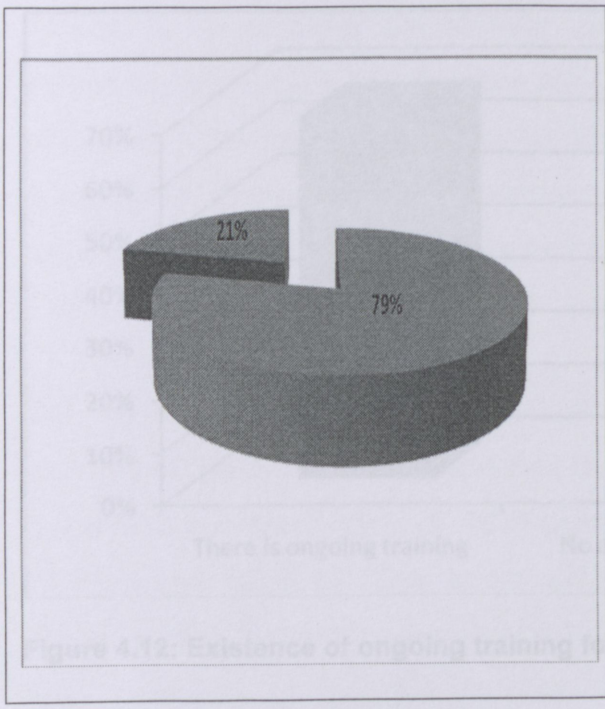

Figure 4.10: Adequacy of training

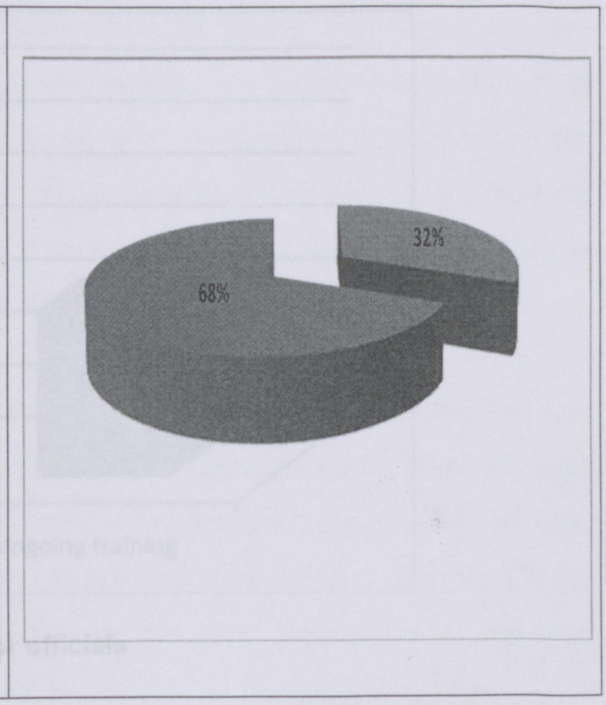

Figure 4.11: Utilisation of training

A further issue as shown in Figure 4.10 despite majority of respondents receiving training, 32% consider that they have not been able to utilise the skills gained during training for the benefit of municipality Supply Chain Management. They mention that, even though they note the link between the training and the implementation of Supply Chain Management, but they are not provided opportunity to apply the skills gained. A majority (68%) of the respondents indicate that they have applied the learning to improve the municipality supply chain as well as improving their professional careers.

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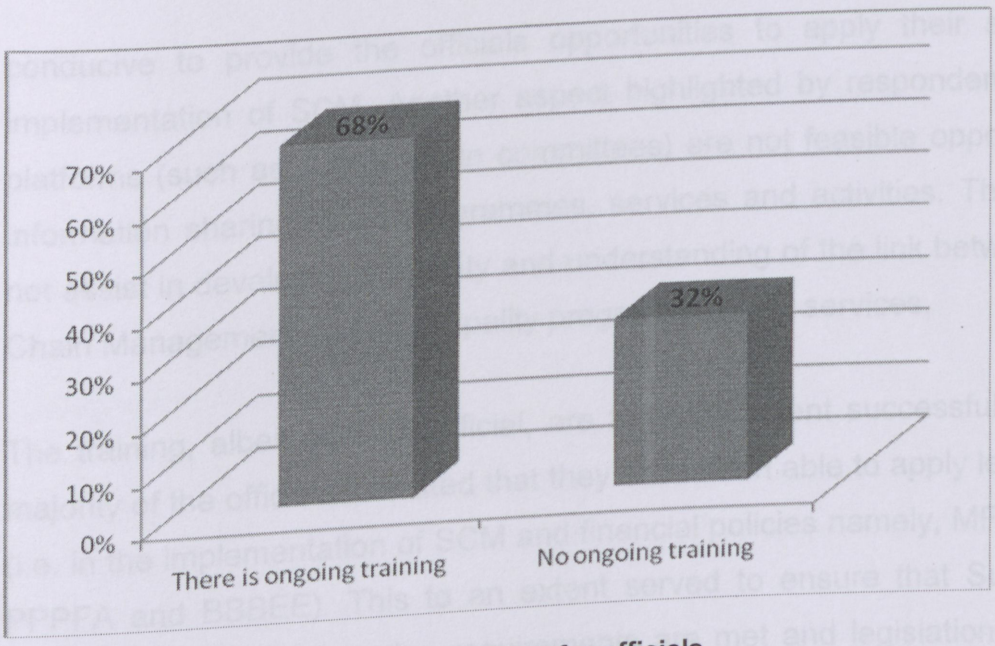

Figure 4.12: Existence of ongoing training for officials

As regards, ongoing training a number of different opinions and perspectives were raised as depicted in Figure 4.11. A significant proportion (68%) indicates that they have received ongoing training. They link ongoing training to the fact that when there is an amendment to legislation, a workshop is organised to be updated with the amendments. They also attend National Treasury conferences. On further investigation, it was ascertained that ongoing training was considered attendance as per the National Treasury requirement.

It is deduced from the above findings that for some of officials, the trainings interventions were more theoretical than practical. If this is the case, it may well be one of the reasons why the skills learned have not been translated into action.

One of the results emanating from the analysis is that effectively the municipality is achieving competences in Supply Chain Management through training in building the capacity of officials in this field. A broader perspective of this is that the officials who received the training have been fully capacitated and had the opportunity or the time to apply the skills gained. However, issues emerging from the interviews were that the organisational climate is not

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conducive to provide the officials opportunities to apply their skills in the implementation of SCM. Another aspect highlighted by respondents was that platforms (such as supply chain committees) are not feasible opportunities for information sharing about programmes, services and activities. Thus, they do not assist in developing Capacity and understanding of the link between Supply Chain Management and municipality programmes and services.

The training, albeit only superficial, are to some extent successful in that the majority of the officials indicated that they have been able to apply learned skills (i.e. in the implementation of SCM and financial policies namely, MFMA, PFMA, PPPFA and BBBEE). This to an extent served to ensure that Supply Chain Management implementation requirements are met and legislation is adhered to.

Regarding the application of finance and supply chain to the findings reveal that human resources are one of the most critical resources for any organisation. No matter how financially strong an organisation may be, the value of human resources and the skills and know-how that are embedded within individuals contribute to the competitive advantage of the organisation (Bakhru, 2004:9-13). These results suggest that capacity building in the human resources available (public officials) is being achieved. Without the proper skills and know-how an organisation can become ineffective. Organisations that are appropriately administered, where the collective knowledge and expertise of officials are utilised out and applied to enhance organisational performance, could produce a sustainable competitive advantage (Saskatchewan Music Educators Association, 2000:3).

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4.8. CONCLUSION

SCM legislation and frameworks prescribed for the implementation of Supply Chain Management is the result of the new budgetary and financial system reform in the government's attempt to modernise the management of public

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sector. The democratic government realised the need to make the process more people-oriented and sensitive in order to effectively and efficiently meet the needs of the citizens. Legislation featured in the issues have to be considered during implementation by public institutions. The discussion outlined, was supported by prescribed legislation supporting those fundamentals that have an impact on the implementation of Supply Chain Management.

Four major objectives presented by the new policy of Supply Chain Management, are outlined in the Supply Chain Management guide for accounting officers. These objectives are:

- transforming the government procurement and provisioning practices into an integrated SCM function;
- introducing a systematic approach for the appointment of consultants;
- creating a common understanding and interpretation of the preferential procurement policy; and
- promoting the consistent application of 'best practices' throughout government's supply chain. These were highlighted to provide an emphasis for consideration by public institutions in all spheres of government.

Core elements of Supply Chain Management as prescribed by the National Treasury Regulation 16A3.2(d) emphasises a Supply Chain Management system to provide for at least demand management, acquisition management, logistics management disposal management, risk management and regular assessment of supply chain performance.

To make the Supply Chain Management work, a three-phase implementation strategy was developed and adopted by Cabinet. These phases are outlined on

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the National Treasury's Supply Chain Management guide for Accounting Officers/ Authorities (2004) as the preparation, implementation and monitoring.

Municipalities are empowered to implement SCM as a legislative mandate. Legislations guiding the implementation of Supply Chain Management emphasises that all officials and other role players in the SCM functions of the municipality or municipal entity should implement the policy in a way that is fair, equitable, transparent, competitive and cost effective. In addition, the implementation should comply with the regulations, minimum norms and standards that may be prescribed in terms of section 168 of the PPPFA, 5 of 2000 and consistent with other applicable legislation. Furthermore, implementation should not to undermine the objective for uniformity in Supply Chain Management systems between organs of state in all spheres. This process should ensure that the actions are consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

The Public Finance Management, Section 83, 107 and 119 of the MFMA require officials to meet the prescribed competency levels in financial and Supply Chain Management aligned to the Municipal Regulations on Minimum Competency Levels.

The heads of SCM units and senior managers of a municipality or municipal entity are delegated the responsibility to ensure the implementation of SCM regulations, processes and procedures and to meet the minimum requirements in the category of proficiency in the SCM area as prescribed in the regulation; officials who possess higher educational qualification; and who have related work experience in executing the SCM responsibility.

These officials are expected to possess financial management skills. In cases where the candidate does not meet minimum requirements, demonstrating previous work experience within the Supply Chain Management implementation

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environment is cited as a minimum competency for the heads of SCM. However, to those officials who claim previous work related experience outside local government sphere, the municipality or municipal entity will need to evaluate past work experience to ensure its similarity with the local government sphere.

Chapter 5 presents Supply Chain Management implementation within Vhembe District Municipality – the empirical study.

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CHAPTER 5

SUPPLY CHAIN MANAGEMENT WITHIN VHEMBE DISTRICT MUNICIPALITY

5.1. INTRODUCTION

In the previous chapter, Supply Chain Management theory, implementation and research results from data collection were discussed. Chapter 5 presents a close scrutiny of the SCM implementation within Vhembe District Municipality with respect to the implementation status of Supply Chain Management. Issues such as Supply Chain Management system, financial accountability and the compliance with the legislation is discussed as the information obtained from the VDM.

5.2. DEMOGRAPHIC PROFILE OF RESPONDENTS

For this research total of 37 questionnaires were distributed, of which 28 were completed and returned, thus a response rate of 76% was achieved. Figures 5.1 and 5.2 present the demographic information regarding educational qualifications and years of experience of officials with respect to Supply Chain Management.

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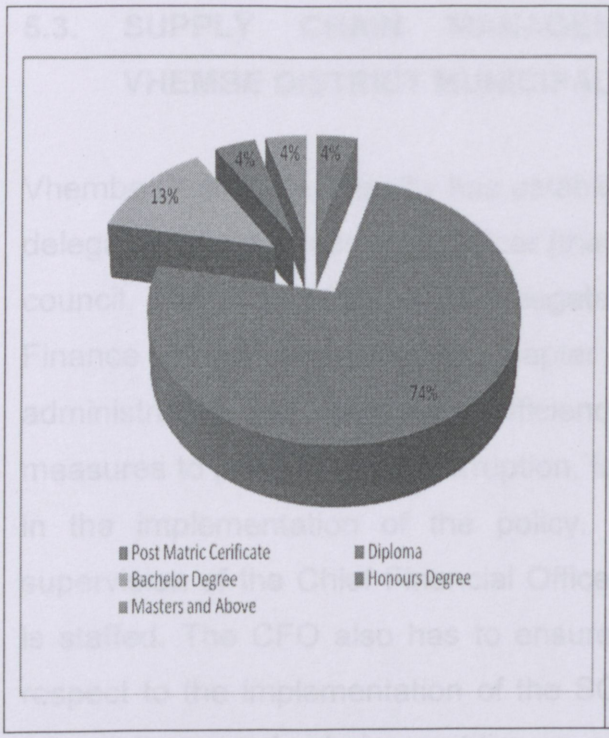

Figure 5.1: Educational qualifications of respondents

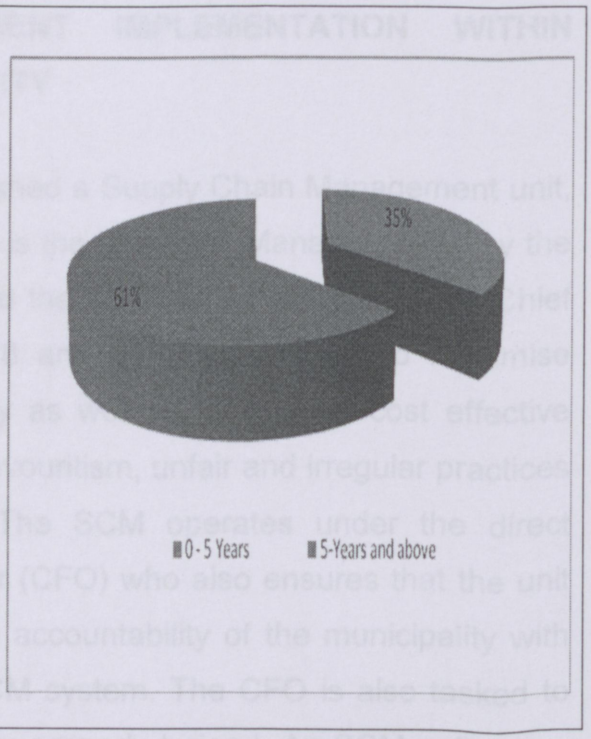

Figure 5.2: Length of service within SCM function

All the respondents have post-matric qualifications. A majority (74%) of the respondents possess diploma qualifications while 13% possess university degrees and 4% have graduated at masters level (Fig 1.1). Broadly, one can argue that an acceptable level of educational background is present at the municipal SCM team. One can therefore, expect that Supply Chain Management issues of the municipality can be communicated and understood.

Most of the respondents (61%) have been performing Supply Chain Management functions for five years and more (Fig 1.2). A significant finding to emerge from the analysis of the demographic data is that 61% of the officials have experience in the implementation of Supply Chain Management for the municipality based on the level of education and the length of their involvement in the field. One would assume that the length of service within Supply Chain Management function would enable officials to apply necessary skills in caring out their SCM responsibilities.

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5.3. SUPPLY CHAIN MANAGEMENT IMPLEMENTATION WITHIN VHEMBE DISTRICT MUNICIPALITY

Vhembe District Municipality has established a Supply Chain Management unit, delegated to the Accounting Officer [that is the Municipal Manager (MM)] by the council. The accounting officer delegated the SCM responsibilities to the Chief Finance Officer according to Chapter 8 and 10 of the PFMA to maximise administrative and operational efficiency as well as to enforce cost effective measures to prevent fraud, corruption, favouritism, unfair and irregular practices in the implementation of the policy. The SCM operates under the direct supervision of the Chief Financial Officer (CFO) who also ensures that the unit is staffed. The CFO also has to ensure accountability of the municipality with respect to the implementation of the SCM system. The CFO is also tasked to ensure that supply chain practitioners are properly trained. An SCM policy has been developed and is reviewed annually for necessary amendment if any (VDM SCM Policy, 2011).

The delegation of authority for SCM is prescribed in the policy. It provides for the representation by the Chief Finance Officer and senior managers in decisions concerning procurement of goods and services by the municipality, namely, the appointment of contractors/consultants. These officials together with support staff (SCM practitioners) under the unit are expected to demonstrate their capacity to handle SCM issues, their commitment to roles and responsibilities. They have to accept accountability for on the implementation of the policy in accordance with the National Treasury's guidelines and internal procedures developed and adopted by the municipality. Table 5.1 outlines the sub-delegation of SCM implementation in line with section 79 and 106 of the MFMA. These are powers for making final award for a contract for the delivery of goods and services by contractors/consultants.

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FUNCTION	QUOTATIONS	VALUE	ADVERTISEMENT	DELEGATION
Appointment of service provider for the supply of goods and services through petty cash / approval of payment	None	Up to R500.00 VAT Included	No written quotations	General Managers
Appointment of service provider for the supply of goods and services through written quotations / approval of payments	1	R501.00 – R5 000.00 VAT Included	Written quotations but not advertised	Chief Financial Officer
Appointment of service provider for the supply of goods and services through formal written quotations / approval of payment	3	R5 001 – R29 999.99 VAT included	Written quotations but not advertised	Chief Financial Officer
Appointment of service provider for the supply of goods and services through formal written quotations / approval of payment	Advertise for 7 days	R30 000.00 – R199 999.99 VAT included	Written quotations and advertised for at least 7-days	Accounting Officer
Appointment of service provider for the supply of goods and services through competitive Bidding	Supply chain process	Over R200 000.00 VAT Included	Written quotations and advertised for at least 14-days	Accounting Officer

Table 5.2.1: Supply Chain Delegation of Authority (VDM-IDP, 2011)

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5.3.1. Supply Chain Management System

When developing and adopting a SCM policy by Vhembe District Municipality, elements of Supply Chain Management namely, demand management; acquisition management; logistics management; disposal management; risk management; and performance management were considered and incorporated into the process of Supply Chain Management.

The demand management system stress out that timely planning and management processes be carried out to ensure that all goods and services needed by the municipality are quantified, budgeted for and effectively delivered. Considerations for economies of scale and provision for specifications are emphasised to ensure that appropriate industry analysis is done so that innovations and technological benefits are maximised.

Acquisition management requires that procurement of goods and services must be done in accordance with the authorised process with respect to threshold values as outlined in the delegation of authority as presented in table 5.1 and also to ensure that expenditure is incurred in terms of approved budget. General conditions for consideration of written quotations or bids have been outlined in the SCM policy and restrictions for consideration of quotations or bid documents that do not have service provider's full information. To effectively implement the acquisition management, the municipality keeps a database of accredited prospective service providers. This database is reviewed annually through advertisement on local newspapers and website wherein new potential contractors are added and those defaulters are taken out of the database. This supplier database has to be updated on a quarterly basis to accommodate new accredited service providers. The managerial implications are that these cadres and politicians must consider the budgets, databases, policies and procedures.

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Logistic management

Part 3 (94) of the Supply Chain Management policy (VDM SCM Policy, 2011:35) contains the logistic management requirements to amongst others, monitor the spending patterns of the types or classes of goods and services. This enables a manager to establish a process at which logistics for the municipality will be carried out.

This process caters for financial issues that ensure the capturing of orders and also ensures that goods and services are received on time in accordance with the terms of reference of the contract in order to undertake the approval process of the payment of contractors/consultants. Focus is also placed on the internal control standards to ensure that goods are used for the purpose for which they are purchased. This is meant to be achieved by regularly checking on the performance of the contractor/consultant to ensure compliance with specifications and contract conditions for specific goods and services to avoid fruitless and wasteful expenditure at the expense of service delivery.

Disposal Management

The Municipality's Supply Chain Management policy makes provision for outlining the criteria to be followed when disposing or letting of assets including unserviceable, redundant or obsolete assets according to sections 14 and 90 of the PPPFA. Provisions are made for the transfer of the Municipality's assets to another organ of state at a market related value, when appropriate, free of charge as well as to sell assets that cannot be transferred to obtain financial value out of the asset through auction. From a managerial perspective, this requirement facilitates the optimal use of assets and prevents redundant goods dragging under houses.

The VDM Supply Chain Management policy further make provisions for selling immovable assets at market related prices except when the public interest or

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the plight of the poor demands otherwise. Movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous. Immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise. Where assets are traded in for other assets, the highest possible trade-in price is negotiated. In case of free disposal of electronic equipments like computer equipment, Department of Education is approached first to identify local schools that could be interested in the equipments.

Risk Management

The SCM policy requires the Accounting officer to establish an effective risk management system for the identification, consideration and avoidance or limitation of potential risks with the procurement of goods and services. This involve identification of risks on a case-by-case basis, allocation of risks to the party best suited to manage such risks, management of risks in a pro-active manner and the provision of adequate cover for residual risk and assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

Performance management

The accounting officer is expected to establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised Supply Chain Management processes were followed and whether the objectives of this Policy are achieved.

In line with the legislation, the policy encourages the establishment of supply chain committees. According to the IDP (2011/12:64), only two SCM committees exist namely, bid evaluation and adjudication committees. This could potentially prohibit potential bidders to submit their bid documents, hence,

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inability for the municipality to obtain maximum participation of contractors/consultants for procurement of goods and services.

The Municipality's policy encourages the establishment of a bid committee which is responsible for the compilation of the specifications for procurement of goods and services. The Municipality's SCM policy emphasises that accepted standards as issued by Standards South Africa (SSA), International Standards Organisation or standards recognised by SA National Accredited System be considered. This is to ensure that the Municipality procures goods of high quality and standard for long term use, hence, future savings could be made.

A bid evaluation committee is established to evaluate each bidder's ability to execute the intended contract. As a result, this committee must be represented by officials from the department requiring the goods and for services and at least one SCM practitioner of the municipality. Municipality's bids are expected to be adjudicated by adjudication committee which considers the report and recommendations of the bid evaluation committee. This committee consists of at least four senior managers of the municipality which must include CFO and SCM practitioner.

The availability of policies and regulatory requirements such as a code of conduct and service standards emerge as some of the municipality's internal strengths. However, lack of implementation with respect to policies and legislation refer to a weakness and demonstrates a lack of accountability of officials as well as the council.

An effort was made to assess the implementation status of the Municipality with respect to the implementation as depicted on Figure 5.1. The intention was to understand how respondents perceive Supply Chain Management in general and its impact on the delivery of goods and services by the municipality.

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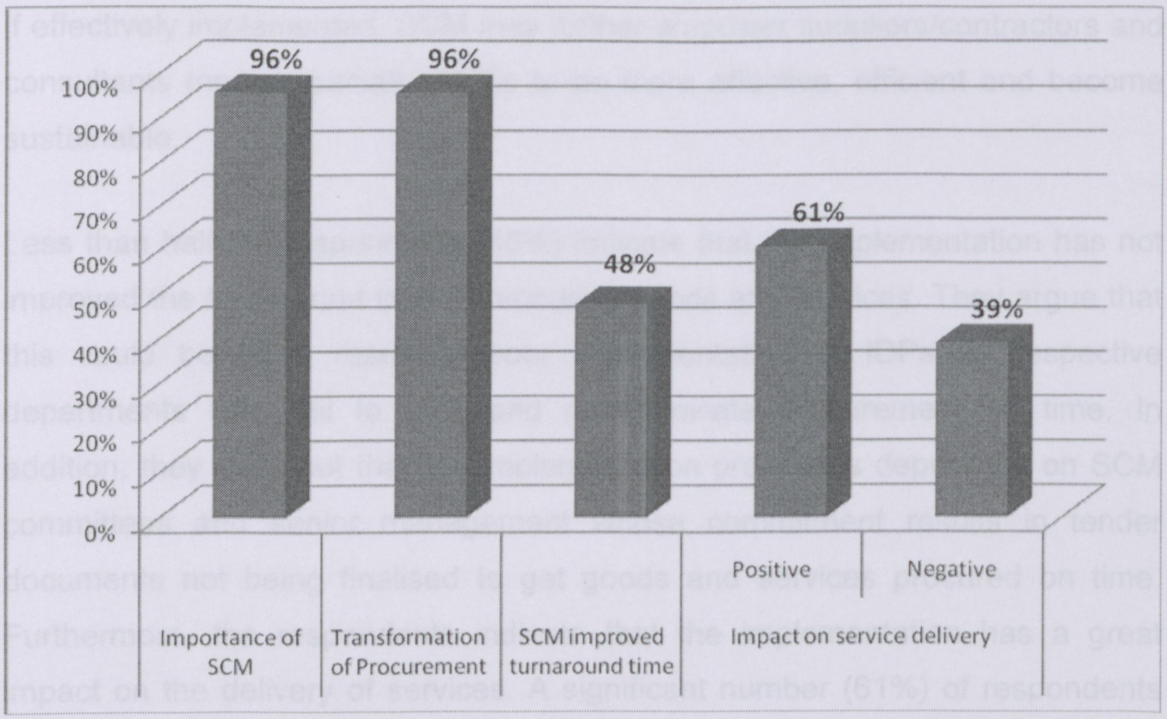

Figure 5.3: Supply Chain Management implementation status within Vhembe District Municipality

The implementation status of SCM management within the municipality was tested by examining respondents' perception regarding SCM implementation with respect to its impact on service delivery. As shown in Figure 5.1, a considerable number (96%) of respondents mention that SCM plays an important role in the delivery of services. They base their understanding on the fact that the preferential procurement policy and other legislative frameworks such as the PFMA, MFMA and MSA promote for fair, equitable, transparent and cost effective processes. They believe those SCM policies and other legislative frameworks guiding the implementation plays a role in ensuring accountability of public officials. However, these respondents indicate that the introduction of SCM has compromised the quality of products and service.

The respondents indicate that the implementation has transformed municipality's procurement and provision practices. They view the introduction of the IDP as a mechanism that supports the implementation of SCM in providing service and other infrastructure development. They also point out that

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if effectively implemented. SCM may further empower suppliers/contractors and consultants more especially SMEs to be more effective, efficient and become sustainable.

Less than half the respondents (48%) indicate that the implementation has not improved the turnaround time of procuring goods and services. They argue that this could be as a result of poor implementation of IDPs by respective departments who fail to plan and communicate procurement on time. In addition, they point out that the implementation process is dependent on SCM committees and senior management whose commitment results in tender documents not being finalised to get goods and services procured on time. Furthermore, the respondents indicate that the implementation has a great impact on the delivery of services. A significant number (61%) of respondents believe that if planned and monitored well, services can be delivered according to the IDP that highlights projects to be delivered within a specific period of time to specific areas. An insignificant number (39%) of respondents who view implementation as having a negative impact on the service delivery, base their arguments on those suppliers who do not provide after sales services on their products' and services they render. As a result, products life span could become minimal.

Research was carried out to assess the capacity, commitment and accountability of officials with the implementation of the policy, process and prescribed procedures as analysed in Chapter 4. A further discussion in this chapter focuses on how the Municipality complies with the legislation guiding the implementation. After obtaining feedback from the questionnaire and interviews, relevant elements were reviewed to check the compliance of the Municipality.

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5.3.2. Compliance with legislation

Some of the internal weakness of the municipality is compliance to legislation referred to in the SWOT analysis table as "manipulation of the legislation" (VDM IDP: 15). The Auditor-General's qualified reports for 2009/10 confirm the weaknesses that also result in the Municipality suffering fruitless expenditure. It is also indicated that there is a high level of non-adherence to the code of conduct. As a result, the systems developed for the Municipality including financial systems, are not implemented properly, hence, not serving their intended purposes efficiently. In addition, lack of technical skills is also cited as one of the challenges against successful implementation of legislation and systems.

The Auditor-General cites a lack of supporting documents balances, under-spending on the budget, inability to explain material variance from municipality's expenditure per vote, service delivery and budget implementation plan, and no remedial/corrective steps taken to ensure compliance. Specific issues presented as qualifications from the Audit-General's report and acknowledged by the municipality include "Independence declaration forms not signed, internal audit reports not signed, Internal audit recommendations not implemented, Non compliance with Section 71 of the MFMA, Infrastructure projects information not submitted, public not notified of council meetings, Website not updated and Anomalies noted on the project register" (IDP 2011/12: 128). All these indicate the non-compliance of officials with the approved policies and poor monitoring mechanisms to effectively enforce compliance, thus a lack of management of the SCM.

5.3.3. Financial accountability

The Auditor-General (AG) Terence Nombembe 2009/10 results reflect improvements in the Vhembe district municipality, as the municipality improved from disclaimers of audit opinion to qualified opinion. The report contributes to

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the Limpopo province's first clean municipal audit. However, the report highlights that 74% of municipalities in the Limpopo province and both municipal entities face challenges in meeting reporting requirements on service delivery (Auditor-General, 2001:1)

The Auditor-General's report (2010) indicates the most significant non-compliance issues related to the occurrence of unauthorised expenditure at 56% of the municipalities; transgression of Supply Chain Management prescripts at 41% of the municipalities and one municipal entity. Errors in the financial statements submitted for audit purposes were found at 93% of the municipalities and both the municipal entities. He further cites a sharp increase in a number of qualifications due to unauthorised, irregular, fruitless and wasteful expenditure from 14% in 2008/09 to 37% in 2009/10. The audits revealed that information technology continues to be a transversal challenge with most municipalities requiring intervention to address this aspect. Municipalities in Limpopo use 10 different computer application systems for financial accounting purposes; and personnel at most municipalities are not adequately trained to use these systems.

In reviewing of the 2009/2010 Auditor-General's report for Vhembe District Municipality, the municipality did not have a contract management system in place to identify and recognise contracts. As a result, the Auditor-General could not obtain sufficient appropriate audit evidence to determine the completeness of commitments of R430 million (Auditor-General SA, 2010: 2). During this period, the Municipality incurred fruitless expenditure of R238 667.00 as a result of penalties and interest imposed by SARS on late payments. In addition, the report also cites non-compliance with the MFMA in preparing the Municipality's financial statements that fairly represent its state of affairs as material inaccurate statements were corrected during the audit. Furthermore, the report indicates that the accounting officer as set out in section 65 (2) (e) of the MFMA, did not ensure that payments to suppliers are made within 30 days of the receipt of the invoice. The report further refers to the absence of internal

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control mentioning that the accounting officer does not regularly monitor compliance by management with laws and regulations (MFMA, 2003 and MSA, 2000) as well as internally designed policies and procedures. Manual or automated systems are not designed or implemented to ensure that transactions have occurred, are authorised and are completely and accurately processed pertaining to the accounting system. This is qualified by the facts in the Auditor-General's report (2009/10:2), which shows that the accounting system allocates orders as a transaction in the system but on receipt of the goods and services, the system does not offset the order against the actual transaction (Auditor-General South Africa, 2010:3-5). From the above report, one can deduce that management is compromised, as a result of lack of internal checks and balances, and non implementation of regulations and internal policies. One could further deduce that SCM related committees established are not effective.

In 2010, the Municipality was under scrutiny of the Public Protector (PP) after newspaper reports referred to by the complainants claimed that the Municipality has awarded a tender to SGL. The complainant suggested that the contract was improperly awarded. This can be considered a test of the SCM implementation. The report of the Public Protector cleared a cloud after an investigation regarding the award. The investigation findings concluded that tenders/contracts awarded to SGL by the municipality were the results of procurement processes that generally complied with the relevant provisions of the Constitution, the MFMA and the SCM Regulations (Public Protector, 2010:82). This report suggests that for the respective contract, sufficient measures were undertaken to comply with the MFMA and compliance with the Supply Chain Management process and the attendant regulations.

According to the Public Protector Report is for this contract, the tender process was followed. SCM committees, namely, bid specification, bid evaluation and bid adjudication committees carried out their responsibilities and, the design was of high standard and completed on time. However, the PP investigation

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only focused on the SGL tender allegations. This research study investigates and analyses implementation challenges faced by the municipality through the administration of the questionnaire and interviews with all the officials of the Finance Department of the Municipality.

The Municipality's bid specification committee is responsible to compile specifications for procurement of goods or services. This committee is comprised of one or more officials of the municipality. It could be argued that the tenders/contracts as awarded by officials complying with Minimum Competency Levels to ensure that the SCM units of municipalities are skilled personnel by 1 January 2013 (VDM IDP, 2011:84).

5.4. CONCLUSION

Vhembe District Municipality has complied with the national government legislation by establishing a SCM unit under the supervision of the CFO. The Municipality has developed policies in line with the legislative requirements in order to effectively carry out SCM activities.

In addition, the Municipality has set up a Supply Chain Management system aimed at ensuring that the procurement process is fair, transparent and equitable. As a result, required SCM committees comprising of bid specification, bid evaluation and bid adjudication were formed. These committees are expected to assist the Municipality in ensuring effective implementation of Supply Chain Management process namely, acquisition, logistic, disposal, risk and performance management.

The Municipality's Supply Chain Management implementation status was tested by asking respondents on the importance of SCM; the role it has played with respect to transforming procurement process; improvement on the turnaround time and the impact the implementation of SCM has made on service delivery standards. The responses of the respondents indicate that the Municipality's

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implementation has made positive changes towards proper procurement of goods and services by the Municipality.

However, compliance with the legislation was confirmed to be one of the Municipality's weaknesses by the respondents and the SWOT analysis outlined on the Municipality's IDP plan for 2011/12. The Municipality has improved from disclaimer to qualified audit opinion as obtained from the Auditor-General's report for 2010. The non compliance to legislation and qualification audit opinion of the AG are as a result of non-compliance to legislation resulting in the Municipality incurring fruitless expenditures and not paying suppliers within required 30-days period.

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CHAPTER 6

CONCLUSION AND RECOMMENDATIONS

6.1. CONCLUSIONS

Conclusions are made that will encapsulate the essence of the research, draw together the key findings of the research, illuminate key aspects to improve the Supply Chain Management implementation framework for the Municipality. Related recommendations based on the findings of the research in line with National Treasury regulations and implementation frameworks are made.

Supply Chain Management is an integral part of public and municipal financial management. Municipal financial management is a core component of public administration. Implementation of Supply Chain Management were discussed and data collection undertaken to determine challenges faced by Vhembe District Municipality with the implementation, specifically focusing on the capacity, commitment and accountability of officials responsible for Supply Chain Management.

Chapter 1 detailed discussions on the need and purpose of conducting and investigation into the challenges of implementing Supply Chain Management by the Vhembe District Municipality. The need for the study was highlighted in the fact that Vhembe District Municipality need to strengthen the implementation through building capacity of officials (practitioners), obtain their commitment to the implementation to apply their expertise and ensure their accountability through adherence to the national and municipal legislation as well as policies and procedures. A background of the research, its significance, problem statement and objectives of the research as well as mapping out the methodology used in collecting and analysing data were outlined in this chapter.

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The problem statement and research objectives for the thesis centred on ascertaining whether Supply Chain Management is effectively carried out within the Municipality with officials applying their expertise, considering the legislation and being held accountable for their actions in SCM implementation. The reason behind the problem statement deals with the fact that without effective and efficient implementation, the municipality cannot render account to the relevant stakeholders (government and general public). Supply Chain Management is a critical component of public financial management and an integral part of public administration.

Chapter 2 highlighted public administrations contributes to the implementation of Supply Chain Management. Public administration as a field of study has its origin that emerged from Wilson Woodrow's articles and publications. Public administration functions namely, policy formulation and execution; Public human resource management; organising; monitoring and control; Public Financial Management are discussed as pillars for both administration and implementation of Supply Chain Management. These functions cannot be isolated from public financial management and Supply Chain Management as they are core components of public administration. A reflection discussion was also directed to the municipal administration and the Integrated Development Planning (IDP) as a tool aimed at effectively and efficiently delivering services to the community, through the assistance of Supply Chain Management.

The main observation that could be made from the discussion in this chapter was that, the Municipality cannot isolate supply chian management and implementation approaches from public administration principles. Integrated SCM and public administration impact on each other and should be liked in order to secure effective and efficient public administration achieve an effective and accountable municipality.

Chapter 3 discussed public financial management as a core component of Public administration that deals with resource mobilisation and expenditure

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management in public institutions. The primary goal of public financial management in the public sector aims to manage limited resources to ensure the economy and efficient delivery of outputs to achieve desired outcomes. Therefore policies, procedures and frameworks developed to guide the implementation process in support of public administration functions.

Public finance policies govern the day-to-day operations of public institutions. Policy implementation has direct impact on the implementation of SCM. The implementation emerges from budget and budgetary reform that was discussed in this chapter. This includes the significance of the MTEF that shifted from line-item budgeting system towards a performance budgeting system aimed at improving the PFM system of public sector in South Africa.

These policies and procedures further provide important building blocks to facilitate effective and efficient implementation of an SCM from demand to disposal management. Hence, PFM in SA introduced a culture of risk management through the emphasis of good governance as emphasised on PFMA, MFMA, PPPFA, MSA and other policies. These policies have direct impact on the implementation of SCM.

Chapter 4 discussed Supply Chain Management and its implementation in SA. The discussions in this chapter confined the importance of Public Financial Management as core component of public administration and an essential part of municipal finance management. Legislation and frameworks prescribed for the contents of SCM. This is the result of the new budgetary and financial system in the government's attempt to modernise the management of public sector. The discussion further highlighted the four major objectives presented by the policy of Supply Chain Management in the Supply Chain Management guide for accounting officers aimed at:

- transforming the government procurement and provisioning practices into an integrated SCM function;

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- introducing a systematic approach for the appointment of consultants;
- creating a common understanding and interpretation of the preferential procurement policy; and
- promoting the consistent application of 'best practices' throughout government's supply chain.

Core elements of Supply Chain Management prescribed by the National Treasury Regulation 16A (3) (2) (d) in line with the legislations guiding the implementation were outlined. These elements emphasises that Supply Chain Management system must provide for at least demand management, acquisition management, logistics management disposal management, risk management and regular assessment of supply chain performance. It was realised that acts demand that the process to be fair, equitable, transparent, competitive and cost effective; comply with the regulations; consistent with other applicable legislation; not undermine the objective for uniformity in Supply Chain Management systems with other organs of state in all spheres; and is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

Furthermore, the relevant process of legislation encourages a municipality or municipal entity to establish an SCM unit which must operate under the supervision of the Chief Financial Officer (MFMA, 2003). However, the unit must comprise officials who meet specific minimum requirements in the category of:

- proficiency in the SCM area as prescribed in the regulation;
- possess a higher educational qualification; and
- have related work experience in executing the SCM responsibility

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Financial management skills and previous experience are one of the prerequisites for managing the Supply Chain system and the implementation environment (Guideline for Competency Levels, 2007). The main reflection from the discussion on this thesis represents the pillars of public administration as depicted on Figure 6.1. The discussion on this thesis indicate that Supply Chain Management rests within public administration as a key component of service delivery and is more visible in the local sphere of government carries as undertaken by municipalities. As a result, the policies guide the implementation of Public Financial Management and Supply Chain Management supporting the goals, objectives and functions of public administration. All these factors are taken into consideration during the implementation of Supply Chain Management and public officials and those responsible for the implementation are measured against the effective application with respect to their capacity and commitment. It is argued that public institutions that consider these guidelines are likely to effectively and efficiently carry out public administration activities.

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Figure 6.1: Pillars of Public administration excellence (Own Source)

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Chapter 5 outlined the practical implementation of Supply Chain Management within Vhembe District Municipality. The discussion emerged from the analysis of existing documents guiding the implementation of Supply Chain Management, namely, the Supply Chian Management policy, Integrated Development Plan (IDP) and Auditor-General report. Research respondents were asked to provide comments on questions meant to analyse the maturity level of the Municipality Supply Chain Management. The emphasis was focused on analysing the analysing the commitment and accountability of officials and the council with the implementation of Supply Chain Management.

Data collected was analysed in line with the research objectives that seek to determine challenges faced by Vhembe District Municipality with the implementation of SCM. Data was specifically collected to assess the capacity, commitment and accountability of SCM officials. In addition, an effort was made to determine the maturity level of the municipality's administrative system by the establishing the existence of key policies, procedures and frameworks and review them to determine their alignment with regulations.

Chapter 6 recapitulate the findings of this research followed by recommendations to improve Supply Chain Management implementation within Vhembe District Municipality. A project management model is presented as framework that provides an effective and efficient approach towards Supply successful Chain Management implementation for the municipality. The results of this research have crucial implications for the implementation of Supply Chain Management by Vhembe District Municipality.

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6.2. SUMMARY OF RESEARCH FINDINGS

6.2.1. SCM implementation status within Vhembe District Municipality

A municipality's IDP (2011) presents opportunities such as willingness of communities to participate in the council's programmes, encourage of whistle blowing and exercise best practices in PPP. The research findings confirm challenges in the implementation emerged from lack of proper training resulting in lack of commitment and empowerment of officials. Consequently, officials dealing with SCM could not account for their actions with respect to implementation. The skills gap for officials is also highlighted as one of the key issues requiring attention by the Municipality.

The findings prove that although the Municipality has established a Supply Chain Management component, it has not paid sufficient attention to the demands posed by Supply Chain Management implementation issues. There is moreover, a lack of sufficient capacity amongst the officials responsible for Supply Chain to effectively and efficiently apply their skills and knowledge. The lack of Capacity is mainly due to the fact that officials have not received adequate training in SCM. Even though most of the officials have at least four or more years of experience in SCM, this does not translate into officials' ability and competency to add value to the implementation within the municipality.

The lack of relevant topics concerning the Municipality's Supply Chain implementation and ongoing training of officials is emerging as a major issue for consideration by the Municipality. These results however, emphasise that officials also need continual hands on exposure to demonstrate how the lessons learned can be applied in a practical manner.

One could assume that after four years of involvement in Supply Chain implementation, officials would have familiarised themselves with the strategic goals of the Municipality, sought opportunities to familiarise themselves with the

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programmes and relevant activities concerning Supply Chain implementation as well as actively involved themselves in strategic planning and formulation of strategic goals. The reality that is surfacing from the findings is in stark contrast to this assumption. The fact is that the experience of the officials has not resulted in officials taking responsibility for providing strategic direction to the municipality's Supply Chain. They also fail to understand their accountability with respect to the implementation. This situation presents a major challenge to the Municipality's management, since the commitment of some officials to successfully manage the Supply Chain implementation process seems lacking.

The lack of commitment displayed by officials may also contribute to the officials not being fully aware of their roles and responsibilities. Without a clear understanding of what is expected from officials and ignorance of roles and responsibilities are likely to have a negative impact on the Supply Chain implementation. To perform effectively as a Supply Chain practitioner and guide the municipality in meeting its strategic goals, it is vital that every official must not only be aware of his/her roles and responsibilities but will also be able to carry out his/her mandate according to the regulation.

The existence of Supply Chain policy and Code of Conduct of Supply Chain practitioners present a positive intention by the Municipality to have an effective organisation. However, the lack of effective implementation should also raise alarm bells to the Municipality's management. In addition, formation of Supply Chain committees indicates a positive focus towards adhering to legislative requirements and to have an effective organisation. Committee formation to help the finance department to carry out its SCM mandate has been a significant achievement for the municipality. The awareness amongst officials of the existence of Supply Chain committees is one promising sign to emerge from this research. Empowered committees can play an important role in ensuring that critical decisions, that may not need the presence of the entire management team, can be taken effectively, efficiently and quickly. However, clear and documented definition of roles and responsibilities of these

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committees are necessary to help practitioners to carry out their mandate. The lack of defined, documented and communicated roles and responsibilities of committees will continue to inhibit officials from acting responsibly, taking corrective action and being accountable for their decisions and actions.

Without investing in officials' training and capacity building, ensuring clear understanding of roles and responsibilities, promoting active involvement in strategy development and policy formulation, exposing officials to programme activities and encouraging them to realise the importance of accountability, the municipality could be exposed to poor management, operational inefficiency and ineffective implementation of programmes. If these Supply Chain Management implementation elements are not dealt with and immediate by the long-term sustainability of the municipality is likely to be compromised. A weakened organisation faces the risk of not responding to changes in the external environment (raising demands and expectations by beneficiaries). The consequence of failing to recognise external environmental changes and non-responsiveness may lead the organisation to a risk of strategic drift (Johnson, 1998). In the worst case scenario, the demise of the Municipality may follow.

National Treasury has outlined Supply Chain Management's key elements, namely, Demand Management, Acquisition Management, Logistic Management, Disposal Management, Risk Management and Supply Chain Performance. The Department also provided frameworks and guidelines for SCM implementation. Public institutions are empowered to consider, adopt or develop their own policies, procedures and frameworks that will ensure their effective implementation and accountability to the government and public. Accountability emerges as a result of how public funds are generated and spent, hence, public scrutiny of these funds.

6.3. RECOMMENDATIONS

Every attempt has been made to offer practical and implementable recommendations for the benefit of the Municipality's SCM implementation. Recommendations are however, of no value if they are made without an understanding of the human resource capabilities of the municipality.

Since the research was carried out within Vhembe District Municipality, the recommendations are not generalisable to a municipality operating in a different geographical, social and political environment. To assess whether the suggested recommendations have been successfully implemented, it may be helpful to carry out a follow-up research study of Supply Chain Management implementation within the Municipality after a period of three years. Future research should be conducted across municipalities within the Limpopo Province so that comparisons can be made and results can be generalised. The results from a broader research study, encompassing a range of District Municipalities, will assist in developing a uniform model as well as training manuals for Supply Chain Management Implementation within the province.

Based on the findings, recommendations are made and discussed in line with Figure 6.2.

In support of the IDP which represents a strategic plan of the municipality, placement of officials must be aligned with clear job descriptions in line with an approved organogram, strategic plan and annual Integrated Development Planning.

It is critical to ensure that the district five-year plan considers SCM capacity as a key driver for SCM implementation and provide a sensitisation programme for officials. As transpired from the 2011 IDP document, it is crucial to familiarise all supply chain practitioners with the existing accounting system, budget and SCM policies. If this notion is followed, officials within the Municipality will have the

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opportunity to understand and take responsibility for undertaking their roles and responsibilities specifically with the implementation of SMC as a critical component of Public Financial Management and Public administration.

From Figure 6.2, the capacity of officials can be determined by ensuring that officials that are hired needed meet the minimum requirements academically and by experience. Undergoing induction to understand a municipality's policies, systems and programmes and services can contribute towards building capacity of officials which can be supported by training on aspects related to the implementation of SCM.

It is argued that if officials understand their roles and responsibilities and are empowered to carry out their assigned functions, they can commit themselves towards the enforcement of relevant policies as well as be involved in IDP and policy development towards improving Supply Chain Management implementation.

As a result, the enforcement of policies and the code of conduct for officials would influence the functioning of Supply Chain Management committees, hence, accountability of both the officials and the Municipality will be enhanced.

Recommendations are made here in reflection with the Figure 6.2 to improve Supply Chain Management implementation in line with research objectives for this study.

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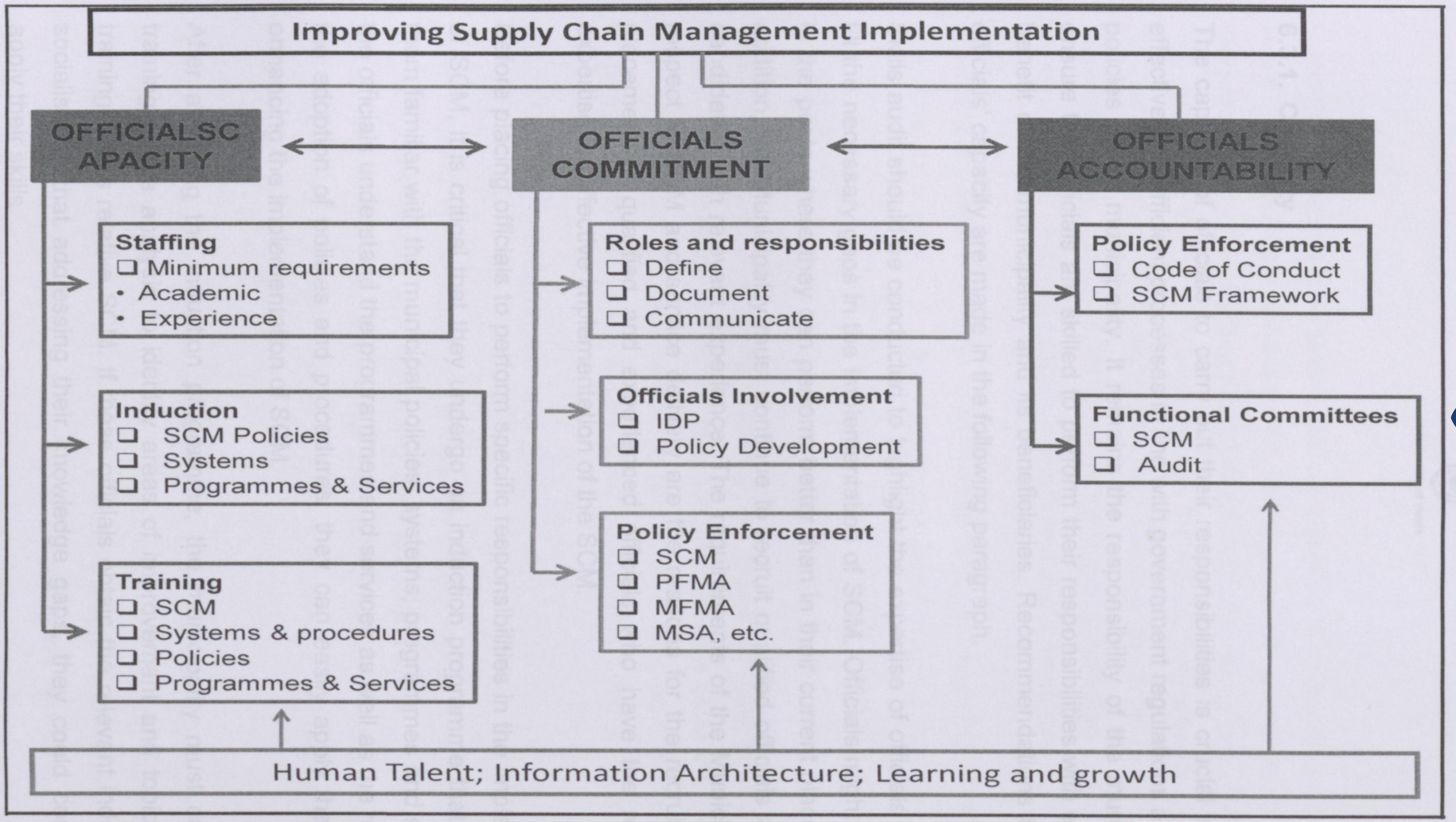

Figure 6.2: Improving Supply Chain Implementation (Own Source)

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6.3.1. Capacity

The capacity of officials to carry out their responsibilities is crucial in ensuring effective and efficient processes in line with government regulations and internal policies of the municipality. It remains the responsibility of the municipality to ensure that officials are skilled to perform their responsibilities with ease to the benefit of the municipality and its beneficiaries. Recommendations to improve officials' capacity are made in the following paragraph.

Skills audit should be conducted to highlight the expertise of officials in order to fill the necessary gaps in the implementation of SCM. Officials might be placed in the posts where they can perform better than in their current placements. In addition, the Municipality must continue to recruit qualified officials and attract candidates with relevant experience. The requirements of the Municipality with respect to SCM and service delivery are the reasons for the recruitment and placement of qualified and experienced officials who have the required of expertise for effective implementation of the SCM.

Before placing officials to perform specific responsibilities in the implementation of SCM, it is critical that they undergo an induction programme that will make them familiar with the municipal policies, systems, programmes and services. If the officials understand the programmes and services as well as the reasons for the adoption of policies and procedures, they can easily apply their skills in enhancing the implementation of SCM.

After attending the induction programme, the municipality must carry out a training needs analysis to identify areas of improvement and topics to meet training needs relative SCM. If these officials obtain the relevant induction and socialisation that addressing their knowledge gaps, they could confidentially apply their skills.

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Once the knowledge and skills gaps are identified it is imperative to develop a yearly schedule and circulate the programme in advance for optimum participation by officials. These officials can also contribute by providing inputs on the training topics that they feel that if covered, their knowledge and skills can be enhanced. Municipality ca also be able to forge partnerships with relevant training institutions to focus on the important training topics and find a strategic way of ensuring effective and efficient implementation.

Offer officials opportunities to apply their learning, for example, if officials have been trained on how to develop an implementation process, they can apply their knowledge by helping the municipality by enhancing the existing process that are applied.

Finally, provision of ongoing training that focus on specific strategic and regulatory compliance issues to keep the municipality's SCM officials updated with the important issues. The training should be conducted at regular intervals, covering different aspects of Supply Chain Management implementation.

6.3.2. Officials' commitment

After building the capacity of officials on SCM issues, it is imperative that officials' commitment are enhanced and supported through promoting and maintaining clear, open and regular channels of communications between the officials and management to ensure that the necessary information is filtered to all levels of the municipality structure.

In addition, ensuring a clear understanding of strategic goals by educating the officials and regularly involving them in strategic goal formulation (IDP) as well as the programmes and activities of the municipality could play an important role in obtaining the commitment of officials in the implementation of the Supply Chain. This can also be achieved by holding regular meetings with officials, as circumstances require discussing Supply Chain Management issues based on

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the progress with the implementation of the Supply Chain performance monitoring.

Positive outcomes can be achieved by preparing and circulating a clear and focused meeting agenda prior to the meeting. The person chairing the meeting should ensure that the meeting is kept on track and focus on strategic SCM implementation issues. Specifically, the agenda for these meetings should aim at checking the status of SCM implantation with respect to legislation and internal process. If regular meetings between the officials and management committee are held, at least once every month to update each other, review progress of activities; discuss problems in implementation and chart the way forward could improve sharing of necessary information in creating an increased awareness about the roles and responsibilities.

It could be beneficial to establish a task team comprising of Supply Chain officials and at least two Management officials to develop, document and communicate the roles and responsibilities. This committee should also be responsible for reviewing, annually, the document based on feedback received from the broader municipality officials and other relevant stakeholders. It is also necessary to create an enabling environment for Supply Chain practitioners to carry out their roles and responsibilities by involving them in programme planning (IDP) and decision-making;

Commitment can be achieved by team building sessions of Supply Chain practitioners and other municipal officials at appropriate offsite facilities to help facilitate an enabling environment within the municipality. These sessions can help develop a document that will clearly outline the areas of responsibilities of Supply Chain practitioners and the Management Committee.

It is argued that capable and committed officials can account for their actions at the municipality to be accountable on the SCM implementation.

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6.3.3. Accountability

Based on the research findings with respect to the objective of accountability, recommendations are made to ensure that policies guiding the implementation SCM are communicated and understood by officials and also enforce adherence to these policies, procedures and code of conduct with active involvement of all Supply Chain officials. The performance of Supply Chain committees should be strengthened by clearly documenting and communicating specific roles and responsibilities and capacitating the members of the committees to deliver results.

Supply Chain officials should participate in the development of IDP and individual strategic plans for departments. The involvement would ensure that SCM officials are aware of all projects that require procurements; hence, they would assist respective departments. They could provide monthly updates to Supply Chain officials on the progress of programme activities to keep them abreast of the developing situations within the municipality. Monthly update would help Supply Chain officials in identifying existing and potential problems in SCM implementation, making strategic decisions, monitoring and evaluating projects and developing appropriate solutions for identified problems.

Annual performance appraisals of Supply Chain officials and their committees on SCM implementation issues should be conducted.

Opportunities should be provided to members for engaging in dialogues with stakeholders (mainly contractors and consultants) in discussing issues to improve SCM implementation. This can be done through organising meetings on a quarterly basis between the officials and stakeholders. In addition, Supply Chain officials should be involved in meetings with contractors and management. The SCM Officials in collaboration with the Management Committee must draw up a Stakeholder Management plan, to identify, manage

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and meet demands and expectations of these stakeholders with issues related to SCM implementation.

Link the procurement of goods and services with the IDP and strategic plan for departments. Prioritise procurement and create a project plan with timelines, responsible person and budget. It is further recommended that the municipality consider a supply value chain process as a process integrated to achieve excellence in the procurement process as discussed in 6.3.

6.4. SUPPLY CHAIN MANAGEMENT VALUE CHAIN

Recommendations are made here for the municipality to integrate Supply Chain Management process with Project Management through integration of phases. Both elements of Supply Chain and project management demands that activities be conducted and documents be delivered. Adopting a project management approach may provide opportunity to evaluate all stages of the Supply Chain Management. All necessary documents can be delivered and archived for future reference in line with Supply Chain Management elements.

Demand management, should be part of the initiation phase of project management and Supply Chain management. A need assessment could be is done to ensure that goods and services required are identified. On this phase, specifications are determined, requirements linked to the budget and supplying industries are analysed to determine quality and cost structures. The necessary documents are required to ensure that those documents are completed and signed off by the relevant authorities within the municipality. Involvement of relevant structures like departments impacted by the procurement of goods and services to be taken into consideration so as to assign relevant human resources who would play an active role in the process could yield good results.

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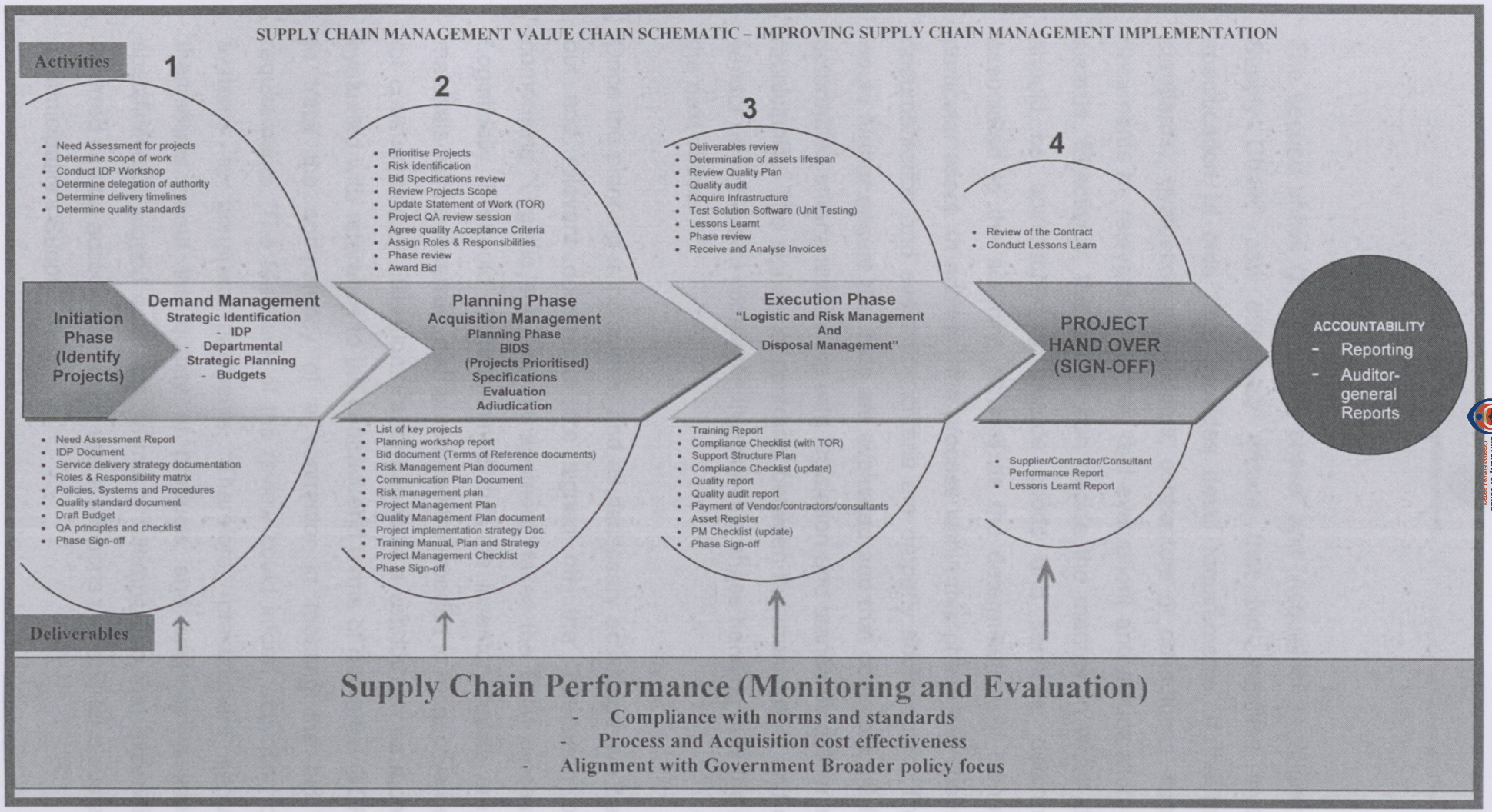

Figure 6.3: Integrated Supply Chain Management and Project Management (Own Source)

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The second phase (2), "Planning phase" and "Acquisition management of the Supply Chain" can effectively ensure that bid activities involving the specification of bids (that provides detail requirements of the project and standards); evaluation of suppliers, contractors or consultants' submitted bid documents by relevant committee (bid evaluation) and adjudication of bids for awards. Effectively, this phase can decide the manner in which the market should be approached to source goods and services; determine costs associated to the sourcing as well as the determination of ownership of a particular asset. In addition, the process within this phase will ensure that bid documentation and evaluation criteria are properly documented. The process would further ensure that bids are evaluated and that contracts are in line with determined criteria and in line with legislation and standards determined by the municipality. The signing of contracts between the municipality and contractor, vendor or consultant completes the planning phase handing over the process to the next phase.

Once the planning is completed and all necessary activities have been carried out and relevant documents are signed off, the "Execution phase (3)" comprising "Logistic and risk management" takes the SCM process forward. Logistically, it should be determined that the inventory levels are and how materials will be received, distributed and transported to respective destinations for consumption or utilisation. Performance of a vendor can be monitored and evaluated with reference to the contract and terms of reference (TOR) in order to track the competency of a contractor in meeting the bid document requirements. The feedback of the review could inform activation of financial systems to generate payments. Therefore, practitioners should satisfy themselves about the quality of products and services in line with bid specifications, signed contracts, terms of reference so that expenditure to be incurred can be accounted for and that it supports the long-term sustainability of a municipality's Supply Chain.

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At the end of the contract, once a procurement process is completed, either that the product is registered as on the municipality asset register for use or disposed off, accountability has to be determined. At "Hand Over (4)" phase, ownership of the product or services transferred to operations where a relevant party accepts the operational responsibility for the procurement process. However, al necessary documents that emerged as a result of the SCM process are kept for accounting to external stakeholders/bodies such as Auditor-General.

It is argued that if the municipality can account for its SCM implementation would mean the effective monitoring of the entire process in complying with broader government policies and procedures, norms and standards in meeting SCM objective of cost effectiveness, fairness and transparency.

Integration of Project Management and Supply Chain frameworks provide for effectiveness, efficiency and accountability. Both processes provide a framework that does not allow continuation of activities to another phase before the proceeding are completed and signed off. This integration also offers opportunity to monitor the process according to phases so that financial risks can be mitigated or eliminated at an early stage before financial losses can be incurred.

The approach provides an opportunity to determine the capacity, commitment and accountability gaps demonstrated by officials when carrying out their roles. Training needs can be identified, roles and responsibilities be updated, policies and procedures be revisited to address inefficiencies in the Supply Chain Process. The advance can also enhance competitiveness of officials in carrying out their roles, obtain their commitment and ensure accountability for both officials and the Council given the active monitoring of the entire implementation process.

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6.5. SUPPLY CHAIN MANAGEMENT IMPLEMENTATION EXCELLENCE

In an increasingly global competitive environment, the public sector's vision for the public service should have good leadership capabilities at all levels. A Supply Chain Management scorecard below highlights key areas that public administration can achieve in ensuring excellence in the procurement of goods and demonstrate accountability for the actions. This is specifically recommended for Vhembe District Municipality to fill the identified gaps highlighted on the IDP and from administration of questionnaire and interviews.

Management: In order to maintain performance in the Municipality Supply Chain Management, it is necessary to have access to sufficient well-trained human resources. Recruitment criteria should be set high in order to acquire competent personnel. These personnel should receive support to upgrade qualifications to keep abreast with the developments on the field. These human resources should be inspired to live the municipality values that encourage them to commit themselves to the programmes and services and account for the process of delivering of services.

Supply Chain Monitoring: Once planning process is complete, process determined and prioritisation has been achieved, Key Performance Indicators (KPI) are agreed upon with officials at all levels. These indicators should be in line with the strategic goals and planning of the municipality that allows for acquiring resources and execute the mission. When Governments establishes the policy and program outcomes that are to be achieved in exchange for the financial resources, management translates the vision and allocates the capabilities to achieve the delivery of agreed outputs.

Measuring both the process and human resources capabilities remain critical to secure public financial resources and ensure that commitments to the public are met accountably. Measuring performance provides opportunity to identify and fill gaps accordingly.

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Processes: Establishing standard process of procuring of all goods and services by all departments of the municipality gives the opportunity for the process and systems to be integrated. The likelihood of managing risks is highly possible to obtain performance outputs by both the municipality officials and service providers. Things such as scope change and costing needs to be linked to the phases (presented on Figure 6.3) of the project in line with Supply Chain process, hence, effective change control. Standardisation with reference to the Figure 6.4 enables the municipality to determine a standard way to handle documents and which Information technology systems to be used to handle the entire process. As a result, it makes it easy for training of officials to be planned and executed; hence capability of officials, their commitment and accountability at all levels.

Accounting systems: Financial results are amongst the key indicators to achieve organisation's success. Financial management in the public sector differs dramatically from the private sector context in that the revenue side of the budget is a given, and the focus is simply on effective and efficient management of expenditure. It is imperative to have accounting systems integrated with the supply chain process to ensure efficiency in all areas. If accounting systems are integrated, accountability can be easily monitored and measured in line with the municipality defined process.

As a result, skill is required to address unforeseen events such as fraud within the process and also ensure that resource management task is to deliver the planned outputs within budget.

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Management	Process Standardisation
- Commitment and Leadership - Empowerment and Skilling - Consistent and Skilled Project - Management	Standard Practice on: - Procurement based on value for money - Risk management - Output and performance specifications - Whole life costing - Robust change control - Information Technology and Standard Document Handling
Accounting Systems - Financial Systems - Information Technology	**SCM Monitoring (Internal Processes)** - Advance Planning of Success - Measurement - Standard Key Performance Indicators (KPIs) - Post Project Reviews - Benchmarking

Figure 6.4: Achieving SCM implementation excellence (Scorecard)

It is argued here that if these recommendations are considered, they can improve the Supply Chain implementation and also improve accountability of the municipality as a whole and the image of the municipality to its stakeholders.

The thesis examined the practice of SCM in the public sector. In the course of the discussion, the features, practices as well as the measures to improve the management of public sector supply chains were explored. SCM allows organisations to reduce costs, improve quality, reduce lead-times, and improve organisational effectiveness. It is argued that if these recommendations are considered, Supply Chain Management implementation can be improved and offer the benefits of officials motivation as a result of the direct of an offered in the engagement on municipality's strategic process, hence, their commitment and accountability, consequently it will ensure the long term sustainability of municipality's SCM.

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Website: www.vhembe.gov.za

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Ref: 4/4
Enq: Mabasa L.N
Date: 21 June 2011

ATTENTION: Mutuvhi F.L

REQUEST FOR A PERMISSION TO CONDUCT THE RESEARCH PROJECT

1. Your letter dated 06 June 2011 refers.
2. It is with pleasure to inform you that your request mentioned above is hereby granted to you.

Kind Regards

7 Makumule

ACTING-MUNICIPAL MANAGER

TSHIVHENGWA N.F

22/06/2011

DATE

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P.O. Box 4786
Thohoyandou
0950

Contact
082 464 9626
mutuvhi@webmail.co.za

Dear respondent

My name is Fhatuwani Lastborn Mutuvhi. I am conducting research about **"Supply Chain Management within Vhembe District Municipality"**. This research is being carried out with the consent of the District municipality leadership.

The purpose of the study is to review and analyse challenges faced by Vhembe District Municipality with the implementation of Supply Chain Management. The results of this research will form the foundation of the University of Venda Doctor of Philosophy in Public Administration (PhD) under the guidance of Professor Matodzi Khwashaba.

Your name will not be asked for and the information given will be kept strictly confidential and will only be used for the purpose of this study. The responses you provided will not be linked back to you. However, the results of the research will be shared with participants and management through a report in order to implement supply chain management in Vhembe district. Some questions may be sensitive and personal. To ensure the effectiveness of this research, you are requested to be as open and honest as possible with your responses.

You are kindly requested to complete the attached questionnaire by latest the **31 July 2011**. I will collect the questionnaire as soon as it is completed. Completing this questionnaire should take approximately 45-minutes.

Thank you.

Mutuvhi Fhatuwani
Contact: 082 464 9626

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SECTION A: DEMOGRAPHY

100: Please complete the following information / cross X the appropriate answer

101	Please state your highest educational qualification	Matriculation	
		Certificate	
		Diploma	
		Bachelor degree	
		Honours degree	
		Masters and above	
102	How many years of supply chain management experience do you have with the municipality?		

SECTION B
Supply Chain Management within Vhembe district municipality

Please complete the following by rating your responses between 1 and 5 as follows by putting a cross to the appropriate answer. Explain and provide information where applicable.

Strongly Agree	1
Agree	2
Not sure	3
Disagree	4
Strongly Disagree	5

200: Implementation Status of Supply Chain Management within Vhembe District Municipality

201	Supply chain management plays an important role in delivering services by the municipality	1	2	3	4	5
202	The implementation of supply chain management transformed municipality's procurement and provisioning practices into an integrated supply chain management function.	1	2	3	4	5
203	The implementation of supply chain management created a common understanding and interpretation of the preferential procurement policy.	1	2	3	4	5
204	The supply chain management system prescribed by National Treasury promotes the application of international best practices for the implementation by the municipality	1	2	3	4	5
205	The turnaround time in procuring goods and services has been enhanced since the implementation of supply chain management	1	2	3	4	5
206	Officials responsible for supply chain management are qualified and capable individuals	1	2	3	4	5
207	It is important to develop or adopt supply chain management framework for the municipality	1	2	3	4	5
208	Implementation of supply chain management may impact service delivery	1	2	3	4	5

300: Officials capacity to implement supply chain management

301	Have you received training about supply chain management for the municipality?	Yes		No		
302	If Yes, how many supply chain management trainings have you attended?					
303	The topics of the trainings you attended were useful.	1	2	3	4	5
304	The skills gained from training are easily applied to the benefit of the municipality's supply chain management	1	2	3	4	5
405	Officials responsible for supply chain management receive ongoing training and education in supply chain management issues					
306	It is critical that officials receive ongoing training about the supply chain management implementation	1	2	3	4	5

400: Commitment and accountability of officials

401	I am aware of the roles and responsibilities of supply chain management within the municipality	1	2	3	4	5
402	The roles are in line with the prescribed regulations & frameworks	1	2	3	4	5
403	These roles and responsibilities have been written down	1	2	3	4	5
404	The roles and responsibilities have been clearly communicated to the officials	1	2	3	4	5
405	The following are responsible for defining the roles and responsibility					
	Management	1	2	3	4	5

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		Supply chain committees	1	2	3	4	5
		Other: (Specify)					
406	These roles and responsibilities are in line with the strategic goals for the municipality		1	2	3	4	5
407	Officials are able to carry out their respective roles and responsibilities		1	2	3	4	5
408	These roles and responsibilities are being reviewed		1	2	3	4	5
409	Roles and responsibilities are reviewed	Quarterly	1	2	3	4	5
		Semi-annually	1	2	3	4	5
		Annually	1	2	3	4	5
410	The management established supply chain committee		1	2	3	4	5
411	The roles of supply chain committee have been	Defined	1	2	3	4	5
		Written down	1	2	3	4	5
		Communicated	1	2	3	4	5
412	There is a municipality supply chain policy		1	2	3	4	5
413	The supply chain policy is being implemented		1	2	3	4	5
414	The code of conduct is being implemented		1	2	3	4	5
415	There is a written code of conduct for supply chain management officers		1	2	3	4	5
416	The roles of supply chain committee have been	Defined	1	2	3	4	5
		Written down	1	2	3	4	5
		Communicated	1	2	3	4	5
	500: Supply chain management monitoring mechanism						
501	There a mechanism in place to identify potential problems in the implementation of supply chain management within the municipality		1	2	3	4	5
	Please elaborate						
	600: Recommendations						
601	Please indicate ways in which supply chain management can be effectively carried out within the municipality to increase commitment and accountability of officials.						

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ANNEXURE 3: INTERVEIW GUIDE PROTOCOL

Challenges facing Vhembe district municipalities with the implementation of supply chain management and logistics

Consent

My name is Fhatuwani Mutuvhi and I am conducting research about "Supply Chain Management within Vhembe District Municipality". This research is being carried out with the consent and approval of the Municipality leadership.

The purpose of this research is to assess challenges faced by Vhembe District Municipality with the implementation of Supply Chain Management.

Information that you share with me will be kept strictly confidential and will not be shared with anyone. Some questions may be sensitive and personal. To ensure the effectiveness of this research, you are requested to be as open and honest as possible with your responses. The responses you provide will not be linked back to you. However, the results of this research will be shared with the Municipality in a form of report with recommendations aimed at improving Supply Chain Management implementation.

The results of this research will form the foundation of the University of Venda Doctor of Philosophy in Public Administration (PhD) under the guidance of Professor. Dr. Matodzi Khwashaba.

This interview will take approximately 1 (one) and half hour.

Are you willing to participate in this interview?	**Yes**		**No**	

QUESTIONS	
100: SUPPLY CHAIN MANAGEMENT IMPLEMENTATION STATUS WITHIN VDM	
Q101	Please tell me about your understanding of Supply Chain Management
Q102	What is your experience about the implementation of Supply Chain Management within Vhembe District Municipality
Q103	Please share with me about the SCM structure within the Municipality
Q103a	Are there SCM committees?
Q103b	Do you understand their functions, roles and responsibilities?
Q103	Please share with me about the policies and procedures implementation within the Municipality
Q103a	Did the municipality develop a SCM policy and code of conduct for SCM officials?
Q103b	Share with me about the understanding of these policies and procedures by SCM officials and other officials who are impacted by the implementation of SCM
	200: CAPACITY OF OFFICIALS TO IMPLEMENT SCM
Q201	Please share with me about the composition of the SCM team with respect to - Educational qualifications and working experience with respect to SCM

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Q202	Please share with me about the training that is organised for SCM officials by the Municipality
Q202a	How often do they attend training?
Q202b	Who facilitate these trainings?
Q203	Please share with me about the usefulness of trainings and relevance of topics for the training.
Q203a	Are the officials able to implement what they are trained on?
300: COMMITMENT AND ACCOUNTABILITY OF OFFICIALS	
Q301	Please share with me about the roles and responsibilities of officials responsible for SCM within VDM
Q301a	Are these roles and responsibilities written down and communicated?
Q302	Please share with me about the implementability of these roles and responsibilities.
Q302a	Do they support Municipality SCM goals?
Q302b	Are they in line with national SCM legislative framework?
Q303	Please share with me your view about the Municipality Accountability with respect to SCM implementation
Q303a	Are the policies and procedures been considered during the procurement process?
Q303b	To whom do the officials account to with respect to SCM implementation?
Q303c	To whom does the Municipality account to with respect to SCM implementation?
400: Monitoring mechanism for SCM	
Q401	Please share with me about the monitoring mechanism put in place to ensure effective and efficient implementation of Supply Chain Management.
Q402	
500: RECOMMENDATIONS	
Q501	What would you put forward as recommendations for the Municipality to consider in order to improve the implementation of Supply Chain Management? ....

Thank you for your participation

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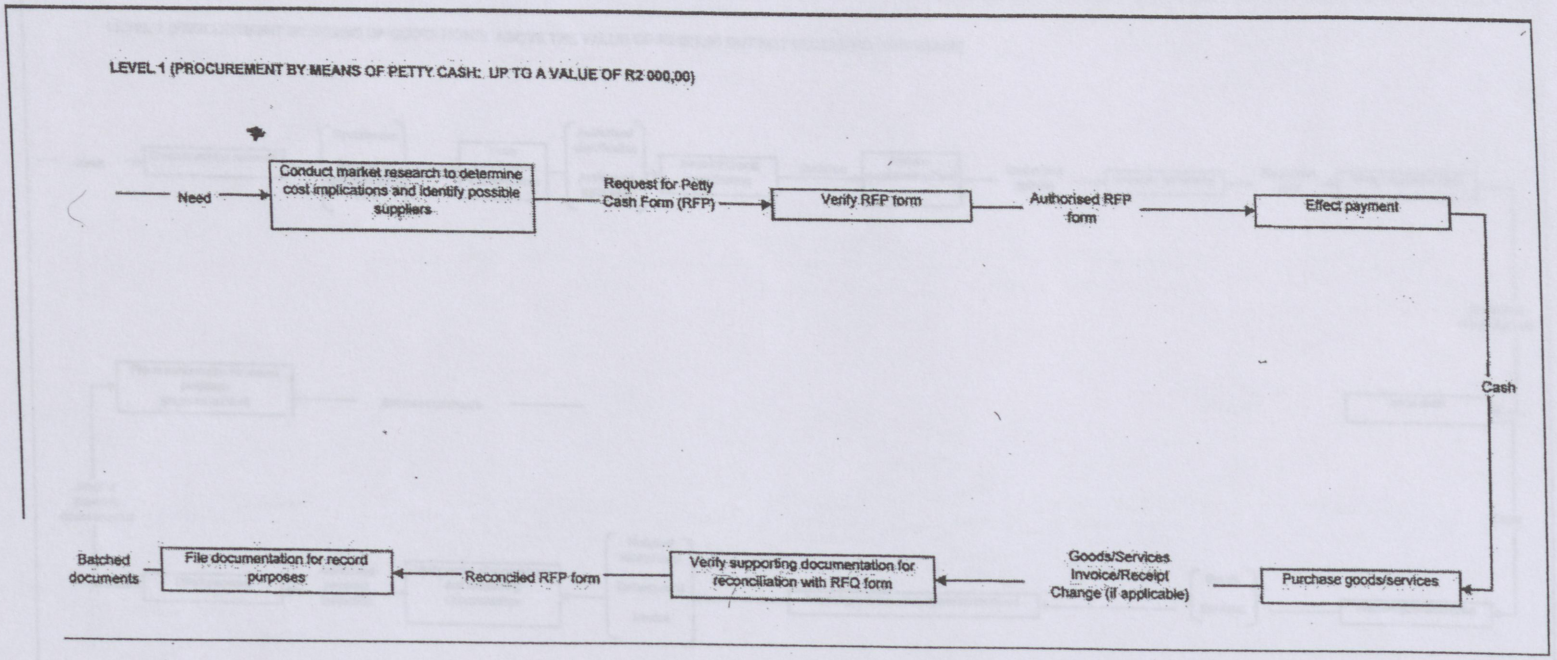
Annexure 4 Procurement by means of Petty Cash: Up to a value of R2 000.00



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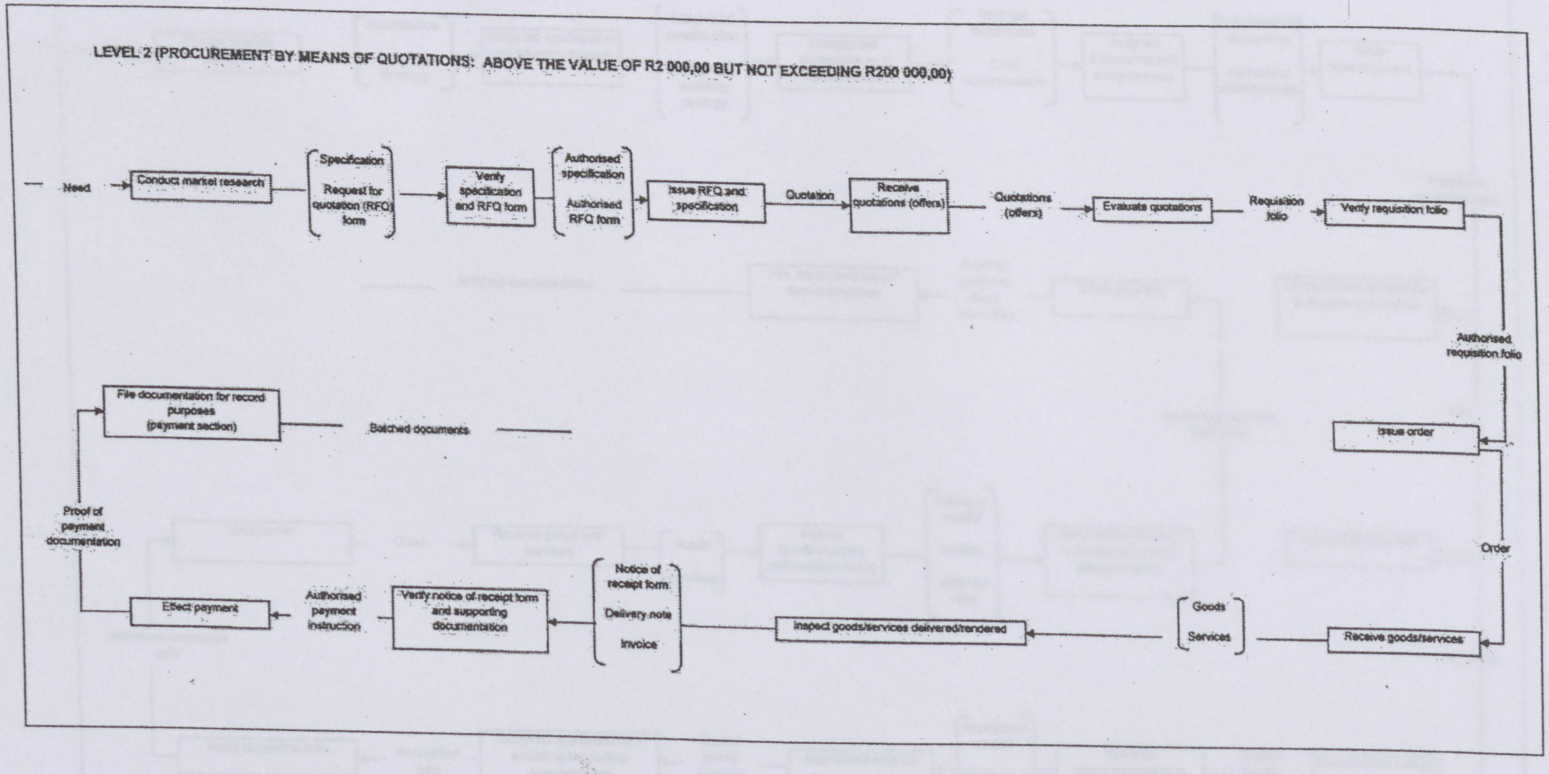
Annexure 5 Procurement by means of quotations: Above the value of R2 000.00 but not exceeding R200 000.00



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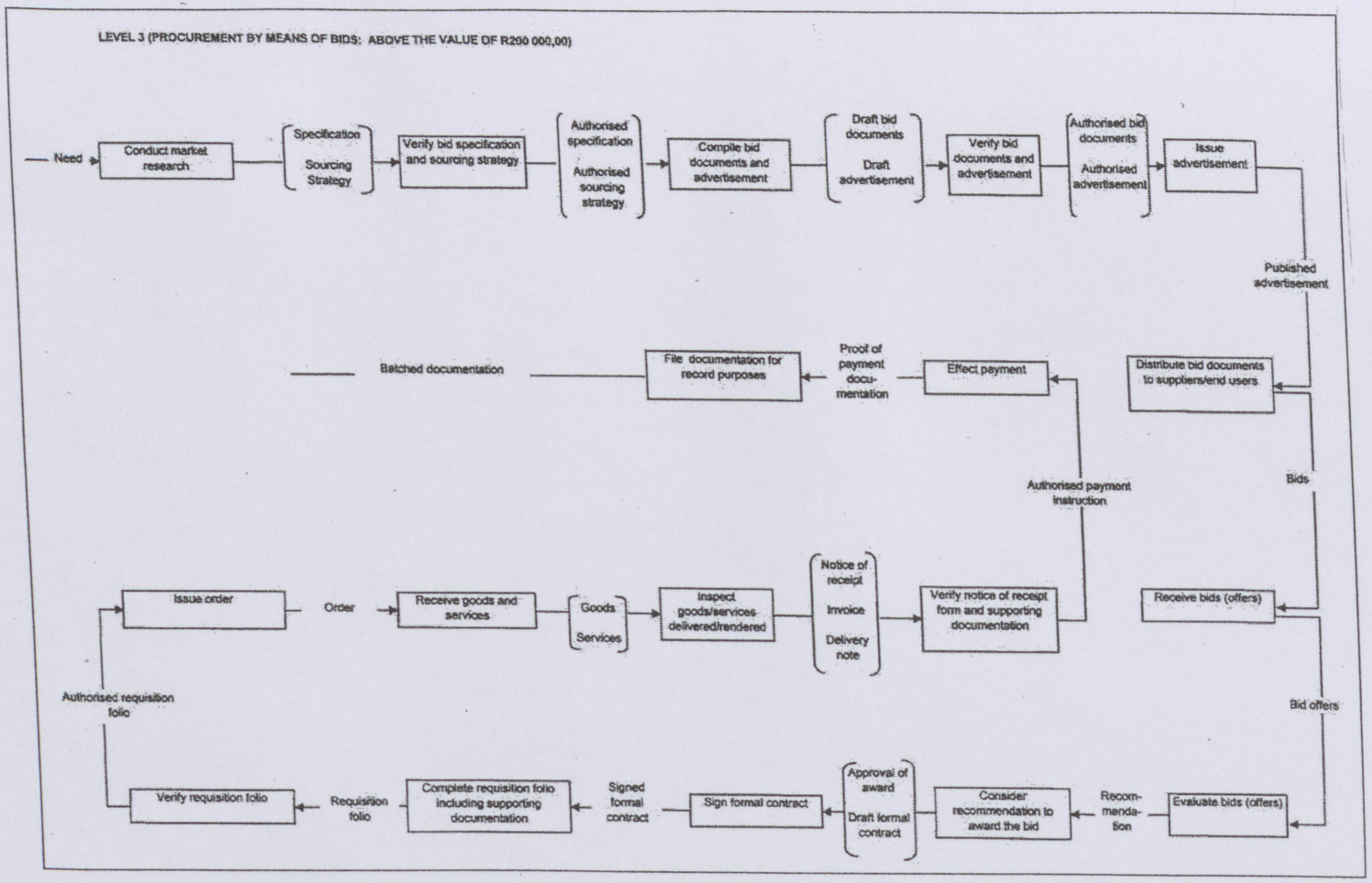
Annexure 6 Procurement by means of bids: Above the value of R2000 000.00



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