GSP II Reflection Learning Sharing

Public Procurement

eProcessing of Supply Chain Management on the Municipal Standard Charter of Accounts (MSCOA)

The General Report on the Local Government Audit Outcomes (Auditor General of South Africa, 2019) found huge issues in the current state of financial in municipalities, indicating that compliance with SCM legislation has steadily regressed since 2016. Oversight and controls were shown to have large gaps, and procurement processes were found to be often unfair and uncompetitive. High levels of irregular expenditure become apparent from analysis of service delivery projects (Auditor General of South Africa, 2019).

The decision to research and develop a regulation to digitalise SCM processes on an existing financial accounting platform (MSCOA) was a clear conclusion from these reports, as change is necessary even in incremental form, to enhance transactional recording, resolution to tenders, data intelligence and reporting and importantly compliance to legislation.

Overview

The eProcessing of SCM on the Municipal Standard Charter of Accounts (MSCOA) intervention is focused on digitalising supply chain management processes within municipalities. The project aims at strengthening the quality and timing efficiencies, reduce irregularities and to standardise processes for reporting.

The first stage implemented included research aimed at developing a feasibility study to determine the possibilities of enabling SCM electronic processing of the SCM modules that integrate with the municipal financial management (core) system of municipalities, i.e., MSCOA.

Next, a draft regulatory and best practice requirement was developed which incorporated eProcurement processes which are already a part of local government endeavours to comply with the current legislation, the National Procurement Bill, local government business processes, system specifications and relevant National Treasury circulars. Furthermore, all necessary SCM workflows are included to provide specification for the improvement of the MSCOA system. This draft will be published in the first quarter of 2022 and put into practice shortly after.
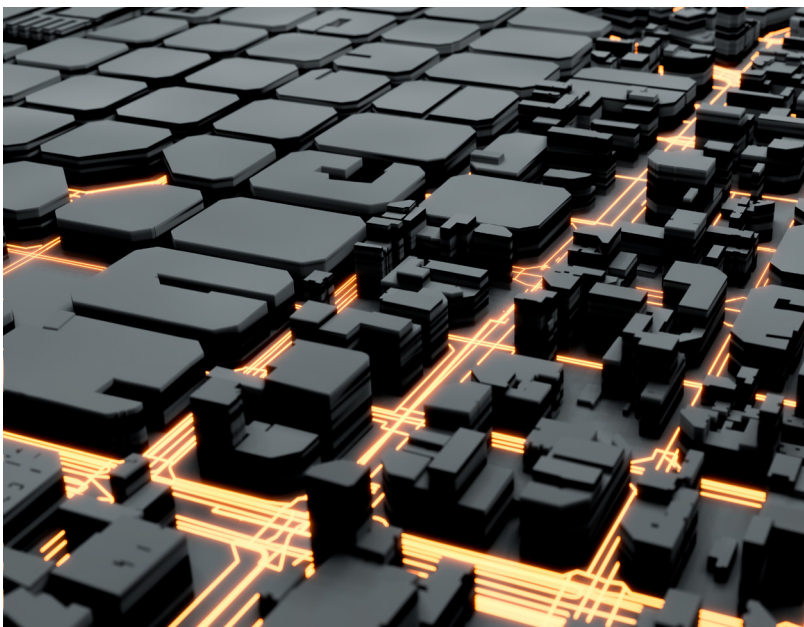
What was done

The research aspect utilised two methodologies: literature research, and primary data collection using questionnaires.

The literature research delved into the following sources:

- The Public Finance Management Act, 1999 (PFMA) and MFMA.
- SCM regulatory framework for Local Government
- MSCOA framework specifications and operations.
- The IFMS SCM module.
- Documentation on the Central Supplier Database (CSD) of NT;
- The OCDS (full) .

This research was combined with a review of academic publications, dealing with SCM in municipalities in general, and e-processing at selected municipalities.

The Primary data collection looked at a sample of the municipal financial system vendors and nominated municipalities and sent out questionnaires in the format of google forms.

The total population of 11 vendors was requested to respond to the questionnaire. Ten vendors participated and several offered additional information. The list of nominated municipalities was extended to include the 8 municipalities which are currently being supported by GIZ, therefore a total of 32 municipalities were approached to participate in the research and are deemed a fair representation of the available functionality. Sixteen responses were received, accepted as a fine response rate by the research steering committee.

The findings from the literature review and data collection alluded to the development of a draft regulation incorporating best practice requirements, the enhancement of SCM workflows, determination of amendments to standard operating procedures (SOP) and identify the expansion of business processes to accommodate e-processing of SCM on MSCOA platform. Consideration was given to the implementation of e-Processing processes to accommodate smaller and financially constrained municipalities and rural municipalities with ICT challenges.

Furthermore, the following models or approaches to the implementation of e-processing of SCM in municipalities and municipal entities were considered:

- Regulatory model.
- People focused model.
- Centralized e-processing (shared service) model.
- Vendor centric model; and
- System based model.

What was Achieved

- In a first for digitalization in Government, an existing platform was managed by a unit other than the SCM unit itself.
- The was positive commitment from Local Government, vendor community and SCM practitioners.
- Contribution by all stakeholders to the project was sustained throughout the engagement.
- Draft regulation is project to be adopted early 2022.

Reflection and Learning

This intervention has come close to achieving a standardised processing of SCM by municipalities, where data integrity and reporting is uniform and within strict paradigms. Vendors of MSCOA will be able to apply a standard process and cease being in competition with each other.

The research that has been done has led to a strengthened SCM with corruption being curtailed. SCM processes have been revised and SOPs will be amended.

The intervention has not been fully published and implemented and thus there will still be more to learn once the e-processing has been put into practice.