



**KWAZULU-NATAL PROVINCE**

**SOCIAL DEVELOPMENT**  
REPUBLIC OF SOUTH AFRICA



# **9<sup>th</sup> LIMITED EDITION NATIONAL PUBLIC SECTOR SUPPLY CHAIN PROCESS AUDIT CONVENTION**

## **THE CFO'S ROLE IN STRENGTHENING PUBLIC PROCUREMENT INTEGRITY**

**MR SENZO ZUNGU  
CHIEF FINANCIAL OFFICER  
KZN DEPARTMENT OF SOCIAL DEVELOPMENT**



# PRESENTATION OUTLINE

- Purpose
- Legislative Framework
- Legislative Role of Chief Financial Officer
- Financial Management and Oversight:
- Strengthening Integrity in Procurement Processes:
- Leadership and Ethical Conduct:
- Conclusion
- Recommendations



# PURPOSE

To present to the 9<sup>th</sup> Limited Edition National Public Sector Supply Chain Management Process – Audit Convention:

- The CFO's role in strengthening the Public Procurement Integrity.



# LEGISLATIVE FRAMEWORK

## ❑ Constitution of Republic of South Africa – Act 108 of 1996,

### Section 217 of the Constitution of RSA

(1) When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, **contracts for goods or services**, it must do so in accordance with a **system which is fair, equitable, transparent, competitive and cost-effective.**

(2) Subsection (1) does not prevent the organs of state or institutions referred to in that subsection from implementing a **procurement policy providing for—**

**(a) categories of preference in the allocation of contracts;** and

**(b) the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.**

(3) National legislation must prescribe a framework within which the policy referred to in subsection (2) must be implemented



# LEGISLATIVE FRAMEWORK

## ❑ **Public Finance Management Act No 1 of 1999**

### Section 38 – General Responsibilities of the Accounting Officer

- ✓ Section 38 (1)(a)(iii) Accounting Officer 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;



# LEGISLATIVE FRAMEWORK

## ❑ Treasury Regulations – 16A

### 16A3 Supply chain management system

- ✓ 16A3.1 The accounting officer or accounting authority of an institution to which these regulations apply must develop and implement an **effective and efficient supply chain management system** in his or her institution for –
  - ✓ (a) **the acquisition of goods and services; and**
  - ✓ **(b) the disposal and letting of state assets, including the disposal of goods no longer required.**

16A3.2 A supply chain management system referred to in paragraph 16A.3.1 must – **(a) be fair, equitable, transparent, competitive and cost effective;**

**(b) be consistent with the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);**

**(c) be consistent with the Broad Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and**

**(d) provide for at least the following: –**

- (i) demand management; (ii) acquisition management;
- (iii) logistics management; (iv) disposal management;
- (v) risk management; and (vi) regular assessment of supply chain performance.



# LEGISLATIVE FRAMEWORK

## ❑ Treasury Regulations – 16A

### 16A8 Compliance with ethical standards

16A8.1 All officials and other role players in a supply chain management system must comply with the **highest ethical standards** in order to promote –

(a) **mutual trust and respect; and**

(b) an environment where business can be conducted **with integrity and in a fair and reasonable manner.**

16A8.2 The **National Treasury’s Code of Conduct for Supply Chain Management Practitioners** must be adhered to by all officials and other role players involved in supply chain management.

16A8.3 A supply chain management official or other role player –

(a) must **recognise and disclose any conflict of interest** that may arise;

(b) must treat all **suppliers and potential suppliers equitably;**

(c) may **not use their position for private gain** or to improperly benefit another person;

(d) must ensure that they **do not compromise the credibility or integrity** of the supply chain management system **through the acceptance of gifts or hospitality** or any other act;

(e) must be **scrupulous in their use of public property;** and

(f) must assist **accounting officers or accounting authorities in combating corruption and fraud** in the supply chain management system.



# LEGISLATIVE FRAMEWORK

## ❑ Treasury Regulations – 16A

### 16A8 Compliance with ethical standards

16A8.4 If a supply chain management official or other role player, or any close family member, partner or associate of such official or other role player, has **any private or business interest in any contract to be awarded**, that official or other role player must:

**(a) disclose that interest; and**

**(b) withdraw from participating in any manner whatsoever in the process relating to that contract.**

16A8.5 An official in the supply chain management unit who becomes aware of a **breach of or failure** to comply with any aspect of the supply chain management system **must immediately report the breach or failure to the accounting officer** or accounting authority, in writing.



# THE CFOS ROLE IN STRENGTHENING PUBLIC PROCUREMENT INTEGRITY

- The Chief Financial Officer (CFO) plays a crucial role in overseeing SCM within their respective institutions.
- CFO is responsible for implementing and overseeing the SCM processes, ensuring compliance with the PFMA and related regulations.



# ALIGN BUDGETING WITH PROCUREMENT PLANNING

- **Budgeting**

The CFO is responsible for compiling and managing the budget, ensuring that resources are allocated effectively and aligned with procurement needs. When compiling a budget, contractual obligations must be prioritized.

- **Procurement Plan**

The CFO must ensure that the Procurement Plan developed is in accordance with the appropriate budget for the financial year.

- **Cash Flow Allocation**

The CFO must ensure that adequate cash is available to pay contracted services or goods. Ensure compliance with PFMA and TR – 30 days compliance.



## FINANCIAL MANAGEMENT AND OVERSIGHT

- **Financial Accounting and Reporting:**

They ensure accurate and transparent financial accounting and reporting on all procurement-related transactions, promoting accountability and public trust.

- **Risk Management:**

The CFO implements systems for financial risk management and internal control, identifying potential vulnerabilities and implementing measures to mitigate risks associated with procurement.

- **Compliance:**

They ensure compliance with relevant legislation, regulations, and policies related to public procurement, including Treasury Regulations and National Treasury guidelines.



## **STRENGTHENING INTEGRITY IN PROCUREMENT PROCESSES**

- **Preventing Corruption:**

The CFO plays a key role in preventing corruption and fraud in procurement by establishing robust internal controls, promoting ethical conduct, and ensuring transparency in all procurement activities.

- **Conflict of Interest Management:**

They ensure that any potential conflicts of interest are disclosed and managed appropriately, adhering to regulations and ethical standards.

- **Fair and Equitable Treatment of Suppliers:**

The CFO ensures that all suppliers and potential suppliers are treated fairly and equitably throughout the procurement process.

- **Enhancing Transparency:**

They promote transparency by making information about the procurement process, including budgets, expenditures, and contracts, publicly available.



## LEADERSHIP AND ETHICAL CONDUCT

- **Setting the Tone:**

The CFO sets the tone for ethical conduct within the organization by demonstrating integrity, professionalism, and a commitment to good governance.

- **Promoting a Culture of Integrity:**

They actively promote a culture of integrity within the finance department and across the organization, encouraging ethical behaviour and discouraging corruption.

- **Training and Awareness:**

The CFO provides training and awareness programs to procurement staff and other relevant stakeholders on ethical conduct, fraud prevention, and compliance with regulations.

- **Enforcing Consequences:**

They ensure that violations of procurement regulations and ethical codes of conduct are addressed with appropriate sanctions, deterring future misconduct.



# COLLABORATION BETWEEN FINANCE AND SCM TEAM

## Roles in Collaboration

- There should be a collaboration between SCM and Finance Team.
- Finance prepare and allocate the budget to Responsibility Managers.
- SCM facilitate compilation of Procurement Plan with Responsibility Managers. Should understand Budget and Market Related Prices.
- SCM facilitate procurement, asset management and disposals and reporting.
- Finance process invoices and ensure record keeping (Transparency).
- SCM Update Asset Register (invoices, purchase price, disposals, etc)



## CONCLUSION

- ❑ Compliance with Legislation is crucial on public procurement integrity.
- ❑ Officials to comply with the highest ethical standards.
- ❑ CFO must encourage ethical behaviour and discouraging corruption.
- ❑ CFO responsibility is to ensure and enforce compliance in order to promote good governance.
- ❑ Ensure collaboration between finance and SCM Teams.



## RECOMMENDATIONS

It is recommended that the 9<sup>th</sup> Limited Edition National Public Sector Supply Chain Management Process – Audit Convention notes and discuss the presentation on :

- The CFO's role in strengthening the Public Procurement Integrity.



**KWAZULU-NATAL PROVINCE**

**SOCIAL DEVELOPMENT**  
REPUBLIC OF SOUTH AFRICA

# THANK YOU

**GROWING  
KWAZULU-NATAL  
TOGETHER**