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Article

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Cogent Business & Management

Provided in Cooperation with:

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Suggested Citation: Sibanda, Modeni Mudzamba; Zindi, Beauty; Maramura, Tafadzwa Clementine (2020) : Control and accountability in supply chain management: Evidence from a South African metropolitan municipality, Cogent Business & Management, ISSN 2331-1975, Taylor & Francis, Abingdon, Vol. 7, Iss. 1, pp. 1-14, <https://doi.org/10.1080/23311975.2020.1785105>

This Version is available at:

<https://hdl.handle.net/10419/244873>

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To cite this article: Modeni Mudzamba Sibanda, Beauty Zindi & Tafadzwa Clementine Maramura | (2020) Control and accountability in supply chain management: Evidence from a South African metropolitan municipality, Cogent Business & Management, 7:1, 1785105, DOI: [10.1080/23311975.2020.1785105](https://doi.org/10.1080/23311975.2020.1785105)

To link to this article: <https://doi.org/10.1080/23311975.2020.1785105>



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Received: 07 December 2019
Accepted: 09 June 2020

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Reviewing editor:
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MANAGEMENT | RESEARCH ARTICLE

Control and accountability in supply chain management: Evidence from a South African metropolitan municipality

Modeni Mudzamba Sibanda¹, Beauty Zindi¹ and Tafadzwa Clementine Maramura^{1*}

Abstract: Accountability requires supply chain management (SCM) public officials to account for, report on, explain and justify activities, and accept responsibility for municipal financial expenditure outcomes. Regardless of having SCM systems in place, efficiency in terms of procuring, tendering and sourcing goods and services in South African municipalities remains problematic. A key contributory factor to regressions in local government audit outcomes is the constant failure to develop, implement and monitor effective SCM systems, oversight, internal controls and financial reporting processes. With recurring instances of fruitless, irregular and wasteful expenditure, compliance with SCM policies, regulations and legislative frameworks needs solidification. When effectively implemented, control and oversight measures reduce waste, eradicates ethical malfeasance and promotes, integrity, transparency and accountability. The purpose of this article is to determine the SCM, risk factors that threaten accountability and how they can be mitigated in a typical South African Metropolitan Municipality. This descriptive and

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PUBLIC INTEREST STATEMENT

Continued regression in South African local government audit outcomes, in a growing number of municipalities, indicates that accountability, especially in supply chain management processes continues to deteriorate. Supply chain management forms an integral part of prudent municipal financial management. To improve supply chain performance and achieve financial accountability, the local government has to adopt and implement practices that promote effective control and management of its supply chain. It is imperative that potential supply chain threats be identified well in advance, so as to enable supply chain management practitioners to adequately respond to opportunities and risk factors influencing service delivery outcomes and sustainable municipal performance. Accountability failures negatively impact on municipal service delivery. Accountability is a core principle of sound municipal financial management and performance. To ensure accountability, risk factors within the SCM context need to be timely detected. Compliance with regulatory frameworks, judicious financial reporting, oversight and control helps in identifying municipal finance control gaps and flaws.

explanatory qualitative case study collected interview data from a purposeful sample of 14 (n = 14) information-rich participants. Secondary data were also collected from official documents and extant literature. Results indicate weak implementation of internal audit controls and policies, which make it challenging for internal audit and oversight committees to timely detect unethical, unfair, inequitable, opaque, uncompetitive and cost-inefficient SCM practices. The consequences are pervasive non-compliance with SCM policy, procuring and tendering processes, favouritism and corruptible tendencies. These have to be timely mitigated so as to remedy risks in the SCM process, which constrain municipal financial accountability.

Subjects: Public Administration & Management; Political Economy; Business, Management and Accounting;

Keywords: supply chain management; accountability; control; internal audit; oversight; contracting; South Africa

1. Introduction

Supply Chain Management (SCM) is critical for obtaining and delivering goods, services and infra-structural works to meet the needs of citizens and is a core realm of public administration practice (Rasheli, 2016; Trammell et al., 2019). South African municipalities use supply chains to procure goods, services and works for the public good. When public entities procure, maintain and dispose assets and investments of public interest they have to be accountable. In 2003, cabinet approved a Supply Chain Management policy, as part of National Treasury Regulations (National Treasury [Republic of South Africa], 2004). The policy sought to address deficiencies in the public procurement processes, previously known as the tender board system (Horn & Raga, 2012, p. 76). This policy was aimed at promoting principles of good governance, and addressing the South African government's equity policy objectives (Blome et al., 2017, p. 29; Manzini et al., 2019, p. 123; Ngobeni, 2011, p. 29). It also introduced internationally accepted best procurement practice principles.

On 30 May 2005, new Supply Chain Management Regulations (SCMR) were published in the Government Gazette, Vol. 479, No. 27,636, in terms of the Municipal Finance Management Act (MFMA 56 of 2003) (South Africa [Republic], 2005a). Section 112 requires the policy to comply with Section 217 of the Constitution, which obliges spheres of government to contract for goods and services, in ways that are "fair, equitable, transparent, competitive and cost-effective" (South Africa [Republic], 1996). The policy has to comply with a set of prescribed regulatory frameworks within which a municipality develops an SCM policy (Dekker, 2005, pp. 35–37). Supply chain management now forms a central component of prudent municipal financial management in South Africa (South Africa [Republic], 2005b, p. 5). The SCM regulations are meant to safeguard value for money when spending municipal budgets, in pursuit of critical outputs and outcomes, as identified in municipalities' Integrated Development Plans (IDPs) and Service Delivery Budget Implementation Plans (SDBIPs).

Within the context of developmental local government, municipalities are constitutionally mandated to drive transformation along a sustainable developmental trajectory in service delivery terms. In so doing, supply chain management systems are expected to promote and ensure greater efficiency and accountability (Pauw et al., 2009, p. 249; Van der Walddt, 2016, p. 301). Accountability requires SCM public officials to account for, report on, explain and justify activities, and accept responsibility for the planned outcomes (Tumwebaze et al., 2018). Internal control ensures the effectiveness and efficiency of municipal financial reporting, and compliance with SCM laws and regulations. The introduction of supply chain management systems in South African

public entities has been hailed as a positive move that can transform public service delivery and improve public welfare (Teller et al., 2016, p. 67). As such, supply chain management has gained wide acceptance as a municipal finance reform strategy that can best respond to increasing customer demands for quality service delivery, coupled with cost reduction (Van der Waldt, 2016, p. 299).

However, despite having SCM systems and policies in place, efficiency in terms of service delivery by most South African municipalities has not significantly improved (Mhelembe & Mafini, 2019). Accountability in municipal financial management and performance has deteriorated in South African municipalities (Auditor-General [South Africa] (AGSA), 2019, p. 3). The local government audit results for the 2018/2019 indicate that “municipalities with material compliance findings on supply chain management increased from 72% to 81%” (Auditor-General [South Africa] (AGSA), 2019, p. 4). One of the major contributors to this regression is failure to develop, implement and monitor effective systems and processes of internal control and lack of capacity/skills and competencies in financial reporting. Further to this, public officials are often not held accountable for poor performance (Auditor-General [South Africa] (AGSA), 2019, p. 10).

As prescribed by section 3 of the MFMA, the SCM Policy is reviewed annually. In the metropolitan municipality which was the study case, its Council adopted a reviewed SCM Policy in May 2019. Its SCM department is constituted in line with the SCM system and comprises five Sections: Demand Management and Supplier Development Section; Acquisitions Section (Buying and contracts); Logistics, Warehouse and Disposal Sections; Risk and Compliance Management Section and Contracts Performance Management Section (Buffalo City Metropolitan Municipality [BCMM], 2019a, p. 107). The SCM system in the metropolitan municipality uses quotation and open bid procurement processes to source goods and services. In the 2018/2019 municipal financial year, it awarded quotations and tenders to the values of R 134 310 145.13 and R 903 357 095.08, respectively (Buffalo City Metropolitan Municipality [BCMM], 2019a, p. 107).

The Metropolitan Municipality has made some notable achievements and improvements in the Supply Chain System. It continues to identify and report irregular and unauthorised expenditure. It is in the process of rolling out an e-Procurement System to improve procurement of goods and services. An Electronic Document Management System (EDMS) is also being implemented to access bid documents and contracts. Internal controls on Formal Written Quotations (Informal Tenders) are being implemented to improve turnaround times on the Quotation System. The metropolitan municipality developed an Audit Improvement Plan (AIP) for continuous monitoring of audit issues raised, and audit matters are dealt with and reported in the relevant structures of Council (Buffalo City Metropolitan Municipality [BCMM], 2019a, p. 108). The metropolitan municipality, however, acknowledges areas of concern in its SCM, which urgently needs remedial action (Buffalo City Metropolitan Municipality [BCMM], 2019a, p. 108). Despite having put in place measures to deal with SCM transgressions through consequence management, the metropolitan municipality regressed in implementing SCM related controls, resulting in material non-compliance being reported in the 2017/2018 audit report. With instances of fruitless and wasteful expenditure dating back to the 2013 financial year, the monitoring, reporting and control environment needs further improvements (Buffalo City Metropolitan Municipality [BCMM], 2019b, p. 10). Thus, processes or monitoring tools developed, will need to be robustly implemented, monitored or consistently applied to detect, control or prevent non-compliance with supply chain management laws and regulations. In this article, we seek to determine the SCM, risk factors that threaten accountability and how they can be mitigated in a typical South African municipality.

2. Theoretical background

2.1. New public management (NPM) and the contracting state

Supply chain management (SCM) is an administrative function, in which public financial resources are used to obtain goods, works and services to meet the needs of citizens (Manzini et al., 2019,

p. 118; Rasheli, 2016). It is a core realm of public administration practice, used by public officials to address public problems of the administrative state (Trammell et al., 2019). Theoretically, SCM is based on the New Public Management (NPM) paradigm (Rhodes, 1997, p. 180). Osborne and Gaebler (1992, p. 427) have argued that New Public Management was meant “to make public services competitive, economic, efficient, effective, value for money oriented, transparent and accountable”. Thus, the New Public Management (NPM) paradigm shift based on public choice in the 1980s focused its attention to markets and competition. A strand of NPM thinking rooted in new-institutional economics adopts a market-oriented doctrine, characterised by contracting out and compulsory competitive tendering (CCT) (Shafritz & Hyde, 2017; Sharma, 2018, pp. 4–7). With its NPM genealogy, SCM is thus premised on contracting out and outsourcing procurement (Hlakudi, 2015). It also deals with aspects such as, “contract administration, risk management, performance management, suppliers, costing and pricing models, procurement, the tender evaluation system, logistics and principal-agent relationships” (Flynn & Davis, 2014, p. 22). It seeks to enhance efficiency, and accountability (Ojok & Basheka, 2016, p. 412) and maximise value for money. New Public Management as such signals a shift “from political accountability to managerial accountability” (Baker, 2004, p. 46; Ortiz, 2010, p. 39), and to market-oriented allocation of public goods and services through competition (Ortiz, 2010, p. 36). “Efficiency” is a key buzzword in the rationality behind NPM-style reforms. Outsourcing as a component of NPM and new-institutional economics is premised on accountability, while public contracting is premised on contractual relationships between government, suppliers and contractors (Greasley, 2020, pp. 91–92), rooted in principal-agent theory.

In subsequent years the move towards governance refocused attention towards networks, hollowing out the state to include agents outside the state. With governance contracts rely on; agents’ relationships, public–private partnerships (PPP), risk sharing, cost-effectiveness and public sector innovation (Trammell et al., 2019, pp. 2–3). As a seminal public administration concept, accountability is premised on two distinct perspectives, “accountability as answerability and accountability as managing expectations” (Diggs & Roman, 2012, p. 292). Accountability denotes responsibility, integrity, democracy, fairness and justice (Blind, 2011, p. 8), and is key to the concept of governance (Carrington et al., 2008, p. 35). Accountability sustains good governance (Polidano & Hulme, 1997) by promoting answerability and enforcement (Adejuwon, 2012, p. 28). Answerability takes root in contexts where there are effective oversight and control, as well as performance measurement and enforcement of SCM policies, procedures and processes. Accountability as managing expectation is based on qualifying human factors which recognise a web of relations within overlapping, professional, political, job performance and public interest accountabilities, inevitably accounting for the social environment (Diggs & Roman, 2012, p. 293). It is a key pillar and a guide to discretionary governing, by street-level bureaucrats in the authoritative allocation of public resources (Sibanda, 2014, p. 32).

2.2. Supply chain management

The concept of Supply Chain Management was coined in the early 1980s; and can be traced back to the fields of logistics, marketing, organisational theory, management and operational research in the 1950s (Bizana et al., 2015, p. 682). Despite the wide scholarship on SCM, there has continued to be lack of definitional consensus. Some scholars view it as an operational process (Peck, 2006, p. 129), others perceive it as a management philosophy (Christopher, 2015, p. 957; Pauw et al., 2009, p. 249). Supply Chain Management (SCM) has to be conceptualised as:

“a systems approach to managing flow of information, materials, goods and services from suppliers, through to warehouses and to citizens as end users” (Horn & Raga, 2012, p. 76),
“at appropriate cost and optimum levels of quality”. (Sharma et al., 2019, p. 947)

Supply Chain Management encompasses acquisition, contracting, buying, renting, leasing and purchasing (Sharma et al., 2019, p. 950), and it places emphasis on the principles of equity, integrity, economy and efficiency. Thus, as a process, SCM is predicated on prudent planning, implementing and controlling operations of the supply chain, subject to the values of cost-effectiveness, fairness,

competitiveness and transparency (Ismail et al., 2014; Manzini et al., 2019; Simangunsong et al., 2016). The core SCM principles/pillars are, therefore, value for money, open competition, ethics, fair dealing, accountability, prudent reporting and equity (Dlova & Nzewi, 2014; Enderle, 2015, p. 60; National Treasury [Republic of South Africa], 2012, pp. 3–8).

The SCM model used in South Africa is predicated on the elements; “demand management, acquisition management, logistics management, disposal management, risk management and performance management” (Manzini et al., 2019, p. 119). Effective SCM performance management includes contract management, which deals with issues of procurement planning, solicitation planning, calling of tenders, source selection and contract administration (Bizana et al., 2015, p. 672). It uses a three bid committee (Bid specification, evaluation and adjudication) for goods and services above the R200 000 threshold. In supply chain management, the transaction costs approach theorises contracts in terms of agreements between parties. Transaction costs are incurred in negotiating contract terms, as well as in monitoring and enforcing contracts, due to uncertainty and bounded rationality (Rasheli, 2016; Xin et al., 2016).

2.3. Supply chain management and internal Controls

An internal control system crucially maintains and enhances accountability. Audit Committees and Municipal Public Accounts Committees (MPACs), control SCM activities and processes, safeguard assets, provide financial reports, increases efficiency and effectiveness, and improves early detection of SCM irregularities and non-compliance with applicable regulations (Rahayu et al., 2020). By so doing, internal auditing identifies SCM risk areas and recommends mechanisms for controlling and minimising such risks (Pamungkas et al., 2019). Internal audits check effectiveness of risk management measures, governance processes and safeguard public accountability and value for money (White et al., 2020, p. 104). Corporate governance principles ascribe internal auditing the role of “a supportive ‘critical friend’ of risk management” guaranteeing accountability, value for money, maintenance of regularity, legality and propriety (White et al., 2020, p. 104). An effective internal control requires the existence of, a proper SCM structure capable of delivering the integrated development plan (IDP) outputs and outcomes of a municipality (Hepworth, 2018, p. 81). It is expected that Audit committees work based on audit plans to effectively probe matters of audit, risks, reporting and corporate governance (Crawford et al., 2008, p. 211). The King IV Report on corporate governance for South Africa further emphasises the need for ethical leadership characterised by integrity, competence, responsibility, accountability, fairness and transparency (Institute of Directors South Africa [IoDSA], 2016, pp. 43–44).

This means that SCM public officials must at all material times dispense their discretion in a fair, responsible and honest way during the bidding process. This, therefore, calls for the promotion of transparency and accountability during the tendering process (Sallaudin et al., 2015, p. 76). Fair competition obliges practitioners to comply with SCM laws, policies, practices and procedures in ways that are transparent and accessible to bidding parties. Supply chain management risks potentially abound, whenever there is a lack of transparency in SCM processes. Such risk factors are commonly attributed to corruption, lack of skills and knowledge deficits in SCM processes. Coupled with role ambiguity in the powers, functions and roles of administration (appointed public officials) and elected public officials (political office-bearers) this often results in sub-standard service delivery (Masete & Mafini, 2018, p. 3).

3. Methodology

The study adopted an interpretive philosophical paradigm (Denzin & Lincoln, 2017, p. 23), and a descriptive and explanatory qualitative case study research design. The case study provided bounded in-depth data from information-rich participants (Edwards, 2016, p. 67; Leedy & Ormond, 2014, p. 221) from a Metropolitan Municipality in the Eastern Cape Province, of South Africa. Descriptive, qualitative data, was in the form of words that emerged from interviews (transcripts), and official documents. The study population consisted of senior municipal officials. Purposeful sampling was used to select information-rich participants (Edwards, 2016, p. 67; Leedy & Ormond,

2014, p. 221; Wolhuter, 2015, p. 151). The final interview sample was fourteen ($n = 14$) information-rich participants. It comprised of six Municipal Public Accounts Committee (MPAC) members, two Audit Committee members, four Supply Chain Management Unit officials (SCM), one Municipal Manager (the Accounting officer) and one Chief Financial Officer, who consented to be interviewed. The inclusion criteria for selecting the respondents were based on the seniority (position) of the participants in the metropolitan municipality and their expert knowledge (information-richness) in SCM practices. Following, Akşan and Baki (2017) interview data were analysed using emerging pattern themes.

Secondary data collected from official documents and extant literature were also used. Secondary data were derived from documents which included: Annual Reports and Municipal Public Accounts Committee (MPAC)—Oversight Reports of the Metropolitan Municipality; Auditor-General (South Africa) (AGSA), Consolidated General Report on the Audit Outcomes of Local Government, Municipal Finance Management Act (MFMA) Eastern Cape General Report on Audit Outcomes and the Metropolitan Municipality's Supply Chain Management Policy. Secondary data from official documents and extant literature were analysed using the content analysis technique. Ethical approval was obtained from the University of Fort Hare Research Ethics Committee (UREC) (Certificate Reference Number SIB081521N01). Permission was also obtained from the Metropolitan municipality and informed consent from the 14 ($n = 14$) interview participants. Participants were debriefed and assured that no information which identifies them would be used when reporting the study results, so as to ensure participant anonymity (Terrell, 2016, p. 88).

4. Findings and discussion

4.1. Internal audit control

Internal audits and oversight controls promote financial accountability, ultimately resulting in clean audit outcomes. Such controls place checks and balances on financial malpractices, including; irregular, fruitless and wasteful expenditure and non-compliance with key SCM policies and legislation. However, interview data from MPAC respondents suggest that the weak internal audit control system often makes it difficult for fraud, fruitless and wasteful expenditure, corruption and irregular expenditure to be curbed. Weak implementation of internal audit controls and policies, also makes it difficult for internal audit to timely detect SCM malpractices and irregularities. Without controls, SCM vulnerabilities and risks will persist, leading to poor municipal financial performance, reporting and audit outcomes. Secondary data from the metropolitan municipality's Annual Financial Reports (Buffalo City Metropolitan Municipality [BCMM], 2017/2018, p. 67) for example, indicates that irregular expenditure amounting to R747 million was incurred. The report attributes this to weak internal audit controls. As a result, municipal public officials failed to account for the irregular expenditure, as per their mandate, in terms of Section 125(2)(d)(i) of the Municipal Finance Management Act [MFMA] (Buffalo City Metropolitan Municipality [BCMM], 2017/2018, p. 48). Internal audit control can be a dynamic process, with an action-facilitating role for achieving clean audits in local government (Sibanda, 2017, p. 314). Internal controls in SCM are critical mechanisms for ensuring compliance with policies, procedures and reporting; separation of duties and oversight; effective monitoring, internal and external auditing and financial reporting. They are also potent mechanisms for reporting malfeasant behaviour and wrongdoing, and are key to promoting accountability in municipal finance (Masete & Mafini, 2018, p. 15). It becomes prudent for municipalities to be proactive and to put in place robust internal control measures.

To achieve this, monitoring, reporting and oversight must be built into the internal control system. It becomes practical that municipalities continuously upscale and build the capacity of elected and appointed public officials. It is also critically important that elected and appointed public officials be capacitated, with skills that empower them to dispense their mandates and responsibilities effectively in SCM Units, Audit Committees and Municipal Public Accounts Committees (MPACs). This is important given that, in terms of Section 165 of the MFMA, each municipality must have a functional Internal Audit Unit (South Africa [Republic], 2003). Such a Unit,

advises the Accounting Officer, reports to the Audit Committee and effectively implements the internal audit plan. It deals with matters relating to; internal audit, internal controls, risk and risk management; performance management; and compliance with applicable pieces of legislation (South African Local Government Association [SALGA], 2012, p. 4).

A well-functioning internal audit unit promotes accountability (Tumwebaze et al., 2018). Similarly, through effective oversight, Audit Committees and Municipal Public Accounts Committees (MPACs) guarantee the integrity of SCM processes. Well-monitored internal control systems detect and mitigate SCM risks and safeguard municipal finances from misappropriation. This happens where there is effective oversight, judicious reporting, effective internal control, good corporate governance, compliance with SCM laws and ethical sensitivity (Tumwebaze et al., 2018). Other studies have similarly shown that effective oversight committees and the internal audit function are significant predictors of accountability (Bananuka et al., 2018; Rahayu et al., 2020; Tumwebaze et al., 2018).

4.2. Ethics in supply chain management

Accountability rests on an SCM system that is fair and corrupt-free. Results from interviews and official documents indicate a number of SCM risk factors emanating from ethical malfeasant practices. Results suggest worrying and obstinate; discretion abuse, corrupt relationships and inducements, conflict of interest, institutional capture by powerful political interests, bid rigging/collusions and political interference in awarding contracts and tenders. This results in large amounts of municipal finances being used in pursuit of private-interests by rent-seekers, self-interested and opportunistic maximisers. In some instances, equity points for Broad-Based Black Economic Empowerment (B-BBEE) and Preferential Procurement, are manipulated to unfairly advantage preferred bidders. Those who illegally benefit from tender bid-rigging have come to be referred to as “tenderpreneurs” or “tender-licking good” (Mle, 2012, p. 29). Singh and Thwalo (2015, p. 522) in their study, similarly noted with concern that contracts and tenders got awarded to service providers with links to public officials, through nefarious means such as; political interference, nepotism and corrupt exchanges and misuse of public finances in pursuit of personal interests. In some instances, the officials charge uncompetitive prices in emergency cases and share the profits amongst themselves (Singh & Thwalo, 2015, p. 522). In other instances, public officials involved receive bribes or what are commonly known as “kickbacks” (Mle, 2012, p. 29). In such instances, where there are non-adherence and non-compliance with procuring and tendering processes, this signifies disregard for the core SCM policy principle of fairness.

Document analysis indicates that in one instance, council signed and certified irregular expenditure as irretrievable without any further investigations, violating the stipulations of Section 32(2) (a)(ii) of the MFMA (Buffalo City Metropolitan Municipality [BCMM], 2017/2018, p. 46). Such actions infringe principles of transparency, accountability, competitiveness and fairness, given that, the Accounting Officer failed to submit the requested information for auditing in the stipulated time and some financial statements were misstated and incomplete (National Treasury [Republic of South Africa], 2015). Documents further show that the municipality failed to provide sufficient audit evidence to prove that goods and services amounting to transaction values below the R200 000 threshold were procured by obtaining the required price quotations as required by SCM regulation 17(a)(c) (BCMM Audit Report, 2015/16, p. 7).

Findings from interview data also indicated that, in some cases, integrity was compromised when the municipality procured low-quality goods and services and no sanctioning consequences were meted to the offending public officials, who were in breach of SCM rules and regulations (Buffalo City Metropolitan Municipality [BCMM], 2017/2018, p. 9). Extant literature has shown that lack of transparency and accountability creates fecund opportunities for public officials to misuse public funds for personal gains (Christopher, 2015, p. 957), thereby detrimentally effecting the provision of municipal services. Municipal residents in the majority of cases end up, engaging in service delivery protests, as they become frustrated and often dissatisfied with services provision.

(I.M. Ambe & Badenhorst-Weiss, 2012; T.M. Ambe & Maleka, 2016; Chopra & Meindl, 2013; Manzini et al., 2019; Munzhenzi, 2016).

4.3. Risk factors impacting on supply chain management

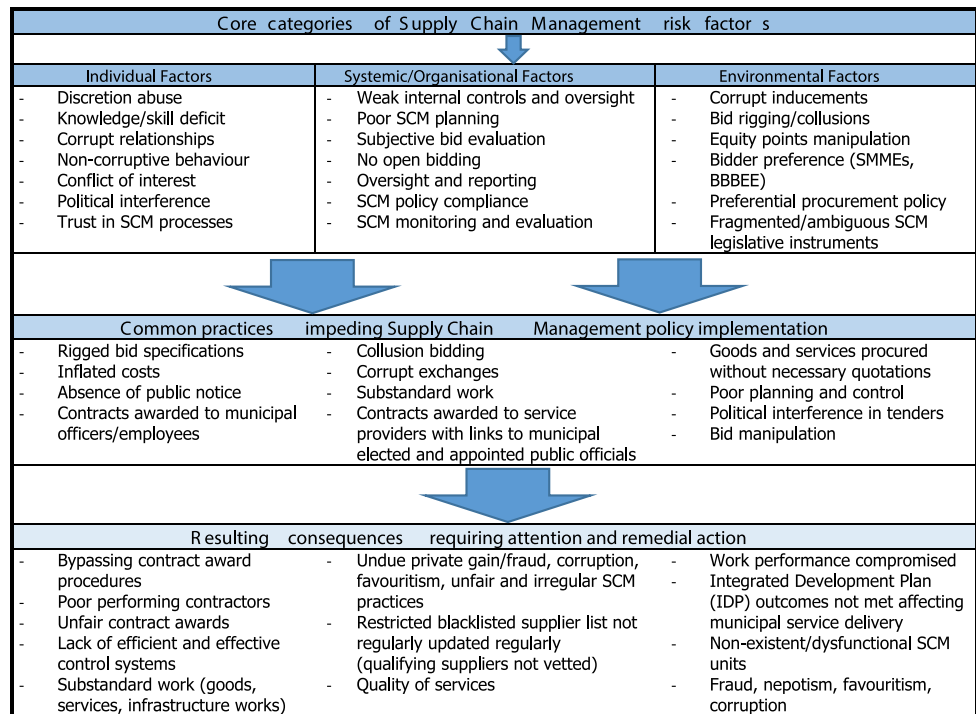
Risk management is a critical component of SCM. However, an analysis of the metropolitan municipality’s SCM review policy shows the need for concerted effort and action to remedy irregularities emanating from weak controls, if risks in SCM are to be mitigated and addressed (National Treasury, 2015, p. 19). Findings point to a dearth of risk management knowledge and skills among SCM municipal officials and practitioners (Carroll, 2015, p. 1). There is, therefore, a dire need for municipal officials to be empowered by providing training opportunities on risk mitigation. This requires a strategic approach to SCM that reforms and regulates how goods and services are procured, whilst curtailing fraud, irregular, fruitless and wasteful expenditure and legislative or policy non-compliance. Figure 1 shows a summary of results indicating common risk factors that impact on SCM, some common practices hindering effective SCM policy implementation and the resulting consequences requiring remedial action.

Results indicate that in certain instances, undue private gain manifests as a result of non-compliance with precincts of SCM policy regulations, this happens when suppliers who are not tax compliant get contracts or tenders. In other instances, CSM risks are a result of the appointment of unregistered service providers, incorrect use of the preference point system and lack of transparency in the SCM system (Bizana et al., 2015, p. 686; Pauw, 2011). It is also common that quotations get accepted from prospective providers who are not registered on the list of accredited prospective providers and who do not meet listing prescribed requirements (National Treasury [Republic of South Africa], 2015).

Effective SCM and accountability rely on sound control systems. Accountability similarly demands effective, efficient and robust control systems. Unqualified audit outcomes are symptomatic of the existence of weak control systems and weak institutional accountability cultures and municipal financial performance reporting (Sibanda, 2017, p. 314). Transparent reporting and

Figure 1. Risk factors impacting on supply chain management, their root causes and effects on SCM efficiency.

Source: Authors



record management, embedded in an ethical value system can significantly enrich accountability (Carroll, 2015, p. 38). As explained by Christopher (2015, p. 957) lack of transparency and accountable measures increase chances of public officials being involved in corrupt and rent-seeking behaviour and the channelling of municipal finances to private gains and interests.

To strengthen the functioning and performance of the SCM system, oversight roles and functions of council need bolstering and municipalities have to develop strong structures, systems and processes for oversight, reporting on, and monitoring and evaluating contracts, tenders and service providers (Van der Waladt, 2016, p. 291). Managerialism is premised on Accounting Officers managing the finances of the municipality in line with National Treasury financial management norms and regulations, so as to minimise fruitless, wasteful and irregular expenditure.

Study findings indicate that there is need for the metropolitan municipality to more effectively and regularly review monitoring and evaluation tools, to ensure timely identification of irregularities and risks in its expenditure against real deliverables in terms of service delivery. Available data from the (2017/18) Consolidated Audit Report show that the metropolitan municipality incurred irregular expenditure of up to R747 million which was understated in financial statements. Similarly, the Municipal Public Accounts Committee raised concerns regarding inadequate documentary support for verifying financial expenditure for both the current financials of the report, and those of previous financial periods, as required by Section 125(2)(d)(i) of MFMA. Generally, this is attributed to a weak control system, non-compliance with SCM regulations and uncurbed ethical malfeasance.

Results from interview data indicating a dearth in knowledge, expertise, skills and capability represent a key barrier to efficient and effective SCM and public procurement. This was also an issue of concern raised by the Accounting Officer (Municipal Manager) and Chief Financial Officer (CFO) of the metropolitan municipality. They both concurred that the municipality's public officials lacked adequate knowledge, skills and capacity in the SCM systems. The Accounting Officer (Municipal Manager) pointed out that despite the SCM practitioners having attended several training sessions and workshops, the municipality still faced challenges in procuring goods and services and in appointing reliable service providers. Results from interview data further suggest that the metropolitan municipality encountered difficulties in verifying tender documents, because the register was incomplete and some tender documents went missing. However, the SCM officials felt that this emanated from failure to develop proper communication channels and network systems for updating information on the available goods and suppliers. This state of affairs does not augur well for an effective SCM system. Conceited efforts should, therefore, be focussed on recruiting knowledgeable and well-skilled personnel in order to improve the procurement of goods and services in the municipality. It would also be prudent that a job analysis is instituted (Kakhbod, 2013, p. 29), so as to identify competencies and skills required to perform SCM related tasks and processes. Furthermore, a competency gap analysis identifying key competency gaps, for training would inform the training needs of SCM practitioners.

4.4. Political/administrative interface

Political interference unduly influences contracts and tenders (Thornhill, 2008, pp. 506–509). Schedule 1 of the Code of Conduct, enshrined in the Municipal Systems Act (Act 32 of 2000), limits undue political interference. It obliges councillors to disclose and recuse themselves from tender proceedings. Corruption in SCM and procurement often originates from contestations for dominance and influence amongst municipal administrative and political leaders (Mantzaris, 2017, p. 125). Role overlays, often resulting from a political party's power monopoly in a municipality often negatively affects the resulting power dynamics. A disregard for separation of powers between political parties and public officials often impinges upon the political oversight (political guidance) of elected public officials and the neutral competency of appointed public officials (Barasa, 2018, p. 3; Mantzaris, 2017, p. 125). Neutral Competence in the politics-administration dichotomy prescribes expertise, neutrality and hierarchy in appointed public officials, while Political

Guidance is provided by elected public officials through policy leadership and legislative oversight (Demir & Nyhan, 2008, pp. 83–85). As postulated by Demir and Nyhan (2008, p. 86) neutral competence and political guidance increase democratic accountability and planning ability.

In South Africa, the Code of Conduct for municipal Councillors prohibits political interference in the administration of municipal affairs. Section 118 of the Municipal Finance Management Act (MFMA) in particular, prohibits councillors from taking part in tender decisions. It also has provisions that, seek to separate the council from the administration. In spite of this, the political-administrative interface remains a key challenge in the metropolitan municipality, with recurring reports of political interference in tendering processes (Mhelembe & Mafini, 2019). When clear distinctions between the functions of administrative and political office bearers are blurred, political interference becomes the norm rather than the exception (Stocker & Thompson-Fawcett, 2014, p. 806). The consequence is sub-standard service delivery, contracts/tenders awarded to service providers with links to municipal elected and appointed public officials, unfair contract awards, undue private gain, fraud, corruption, favouritism and irregular SCM practices (Bevir, 2006, p. 434; De Visser, 2009, p. 18–20; Kroukamp & Cloete, 2018, p. 70; Onyango, 2019, pp. 3–4). However, the Complementarity Model proposed by J.H. Svava (1999), advocates high levels of interaction, reciprocal influence and mutual deference between elected and appointed public officials (J.H. Svava, 1999, 2001, 2006).

5. Implications, conclusions and recommendations

Supply chain management (SCM) “integrates activities related with the flow and transformation of goods and services from the procurement stage to end users, through supply chain relationships, to achieve a sustainable competitive advantage” (Uddin & Akhter, 2019, p. 68). As such, municipalities have to adopt a strategic approach to SCM. The operational policy has to effectively curtail SCM malpractices, including ethical malfeasance. In this respect, it is important that municipalities document in their SCM policies, not only their SCM systems and processes but also effective procedures for demand, acquisition, logistics, disposal, risk and performance management. Procurement guidelines issued by the National Treasury (South Africa) also need to be seriously taken into account and to do this, there must be both administrative and political will and commitment. Thus, to implement SCM policy a linear process with well-defined procedural steps, and guided by a well-integrated policy and legislative framework is essential. This must be driven by skilled, well-trained, empowered and capacitated committees for bid specification, bid evaluation and bid adjudication.

Supply chain management (SCM) is premised on competitive advantage. Competitive advantage must take cognisance of efficiency, transparency, equity and fairness. Value for money denotes; economy, efficiency and effectiveness, which also need to be balanced with other public sector values, so as to create public value (Abebe, 2008, p. 1268). Transparency in SCM requires that municipalities and their entities comply with policies, procedures and practices and consistently obtain sound audit opinions. However, cases of corruption often abound in municipalities leading to ethical malfeasance in municipal tenders and SCM processes. In many instances, non-compliance with rules and procedures manifests in tendencies to not utilise a competitive process for quotations and bids, and incorrect utilisation of the preference point system. This is exacerbated by inappropriate bid committees and incorrect utilisation of the bidding process. Strong monitoring and evaluation systems provide the means to compile and integrate SCM processes into the policy cycle, thus providing the basis for sound governance and accountability. Unsolicited bids, often get manipulated for personal gain, exposing the SCM processes to corruption, fraud, favouritism, nepotism, conflict of interest and misuse of public resources in pursuit of self-interest.

Weak control environments, negatively impact on monitoring and evaluation, resulting in deviations from SCM regulations and policy guidelines. Hence, deviations or non-compliance go undetected or are only identified after the fact. To ameliorate this, supply chain management (SCM) policies are to be annually reviewed and adopted by municipalities and municipal entities in terms

of applicable regulatory frameworks. Anti-corruption measures contained in the municipal SCM policy, also have to be robustly implemented, including enforcing the code of ethical standards with regard to acceptance of rewards, gifts, favours, hospitality and inducements (Dekker, 2005, pp. 24–26). Unfair or irregular practices must be nipped in the bud. In some cases, this happens when the SCM system is manipulated, when bid committees agree to matters that should be questioned and challenged and bidder documents “mysteriously disappearing”, ending in the disqualification of some bidders who get adjudicated as having submitted incomplete documentation (Bizana et al., 2015, p. 677).

Supply chain management also impacts on service delivery in the municipality as a result of poor contract management practices. Practices such as; late deliveries, under-quoting and use of incompetent service providers, are reflective of poor contract management. Late or non-delivery, occurs when service providers realise that the price they quoted was unsustainable, significantly contributing to poor service delivery (Bizana et al., 2015, p. 679). Empowering and capacitating SCM officials with requisite skills could help in remedying weak internal controls, especially in situations where nepotism and favouritism emanate from misrepresentations of Historically Disadvantaged Individual (HDI) statuses. Contracts, thus, get awarded on the basis of manipulated bids and tenders, get awarded to persons in the employ of the municipality and/or their close relatives or business associates.

We recommend that accounting officers in the municipality be trained and equipped with financial management skills to minimise unplanned use of money. It is also recommended that senior public officials (both elected and appointed) commit themselves to be accountable and ethical role models who act in the public interest. Identification of supply chain risks calls for timely and judicious record keeping, reporting, oversight and monitoring. Timely, accurate and informative reports also need to be submitted by oversight committees of council for purposes of SCM accountability. It is finally recommended that municipalities monitor the performance of contractors on a monthly basis, and as prescribed by legislation and appropriately respond to delays in contracted work by invoking penalties and other applicable forms of consequence management.

Funding

The authors received no direct funding for this research.

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Citation information

Cite this article as: Control and accountability in supply chain management: Evidence from a South African metropolitan municipality, Modeni Mudzamba Sibanda, Beauty Zindi & Tafadzwa Clementine Maramura, *Cogent Business & Management* (2020), 7: 1785105.

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