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Preparing for Financial Year- End & Managing SCM Audit Risks

Strengthening Compliance and Improving Audit Outcomes

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Objectives of the Presentation

- Understand key SCM financial year-end expectations for municipalities.
- Identify the top 5 SCM audit findings by Auditor-General.
- Discuss practical solutions for addressing these findings.
- Promote a culture of compliance and audit readiness.
- Understanding recent case laws on Panels and Framework agreements.

Financial Year-End: What to Expect

- Accruals & cut-off procedures.
- Reconciliation of inventory and stock take.
- Verification of commitments.
- Contract register update.
- Finalization of SCM documentation.
- Preparation of audit files and supporting evidence.



Financial Year-End: What to Expect

- Disclosure notes and updating of accounting policies SCM items.
- Irregular Expenditure note.
- Deviations regulation 36.
- Regulation 45 disclosure.
- Commitments.



Deadline Tracker

- Receive goods/services – By 30 June.
- Accruals and reconciliations – Early July.
- Submit AFS – By 31 August.
- AG Audit Engagements – onwards.

Top 5 SCM Audit Findings

- Non-compliance with procurement process.
- Incomplete or missing contract registers.
- Irregular expenditure from poor bid evaluation.
- Unjustified deviations.
- Poor record-keeping and audit trails.



Finding 1: Non-Compliance in Procurement

- Missing 3 quotes.
- Deviations without justification.
- Not advertising on eTender portal.
- Not advertising on CIDB website

Management Actions:

- Refresher training on SCM thresholds.
- Pre-checklists and approval protocols.
- Demand plan alignment.
- Checklists for all processes



Finding 2: Incomplete Contract Registers

- Contracts not updated or incorrect.
- Register not linked to finance system.
- Accuracy and completeness of contract register and commitments.

Resolution:

- Real-time update of electronic contract registers.
- Periodic internal reviews.
- Integration with finance & payables.



Finding 3: Irregular Expenditure

- Non-responsive bidders awarded
- Poorly designed functionality criteria

Management Actions:

- Committee training on evaluation.
- Standardized bid criteria templates.
- Legal or internal audit oversight in major procurements.



Finding 4: Unjustified Deviations

- Routine goods via deviation.
- Emergency not supported by evidence.

Resolution:

- Track deviations in a log.
- Monthly deviation reporting.
- Departmental awareness workshops.



Finding 5: Poor Record-Keeping

- Missing documents (e.g. MBDs, minutes, score sheets).
- No audit trail.

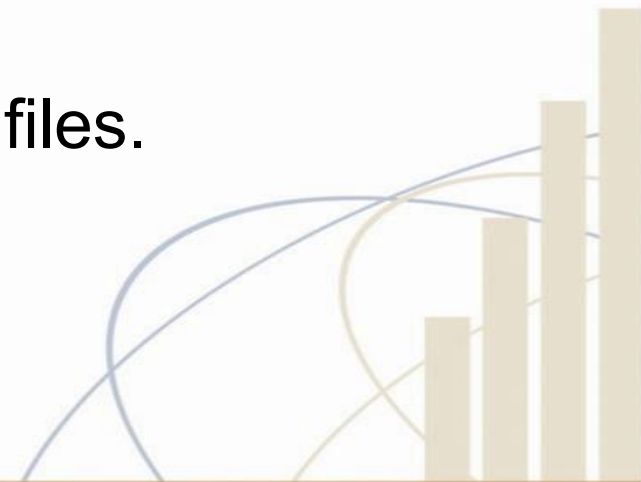
Management Actions:

- SCM file checklist.
- Digital record-keeping system.
- Appoint compliance verification official.



Best Practices for SCM Audit Readiness

- Use NT SCM self-assessment toolkit.
- Internal file audits.
- Continuous training & awareness.
- Updated SCM policies and registers.
- SLA's and contracts for all tenders.
- Checklist for completeness of information in all tender files.
- Standard operating procedures.
- Bid committee minutes and attendance registers.



Recent Case Law on SCM Panels & Framework Agreements

Focus on Municipal Compliance and Court Rulings



Mlalazi Municipality v Maximum Profit (2025)

Key Nuggets:

- 36-month Panel appointment ≠ entitlement to work.
- No pricing provided on the tender document and how will it function
- Further competition needed before allocating tasks.
- Use of panels must be transparent and fair.
- Functionality criteria – exclusions only CA's score points, directors required to be CA's though tax and actuarial do not require CA competency
- 3 quotations were sourced after the award. What informs this?

SCM Adaptation:

- Include secondary procurement process in policy and the tender document.
- Panels and framework agreement must find expression in SCM Policy
- Establish clear work allocation rules.
- Avoid direct awards without due process.



Umkhanyakude Municipality v Maximum Profit (2025)

Key Nuggets:

- 36 months panel for accounting support
- Tender document did not set out expressly how work will be allocated
- Bidders provided hourly rate for various levels of staff
- 21 SP's were appointed but only 3 were invited to submit a quote for vat recovery for 12 months at a %.
- Violated principles of fairness and competitiveness.
- Panel use does not bypass constitutional principles.
- The municipality claims to have applied discretion.

SCM Adaptation:

- Use rotation, mini competition or fair mechanisms for allocation.
- Prevent monopolization in frameworks.
- Document justification for each award.
- Policy and SOP that includes panels and framework agreements.



Naledi Municipality v Maximum Profit (2024)

Key Nuggets:

- 36 months panel for accounting support.
- 8 SP's appointed however 4 were invited to submit quotations.
- Rate prescribed by the municipality.
- Discretion over fairness.
- Breach of administrative justice and fair treatment.
- allocation must follow lawful process.

SCM Adaptation:

- Policy and SOP must talk to the panel and framework agreement process.
- Follow fair procedures and document performance.
- Maintain audit trail of decisions.



City of Cape Town v JK Structures (2023)

Key Nuggets:

- Framework agreement used to award without re-competition for work below the grade of the appointed SP's.
- Procurement of emergency work
- Panel members not given equal opportunity.
- Allocation rules must be predefined and followed.
- CIDB regulations are still required to be complied with in terms of upper limits for each grade.

SCM Adaptation:

- Clearly define framework objectives and rules.
- Use mini-bids, rotation, or ranking systems.
- Ensure allocation decisions are well documented.



Key Takeaways for Municipal SCM

- Fairness & Transparency: Equal treatment and fair opportunity for panel members.
- Secondary Competition: RFQs, mini-bids, or price comparisons are essential.
- Proper Record Keeping: Maintain documentation for all procurement decisions.
- No Automatic Entitlement: Being on a panel does not guarantee work allocation.
- Avoid having these tools as a silver bullet.

POTENTIAL FINDINGS BY AG

- How panels and framework agreements are being utilized by municipalities.
- Competitive, transparency and fairness resulting to expenditure being classified as irregular
- Allocation can only be done if the current panel or framework agreement is still in place. Avoid applying law of Lazarous.
- Policy provisions and SOP's in the absent of these where is the reliance.
- Amendment of contracts without following S116 of MFMA.
- Cost containment Regs & Circular 97 how do we compensate consultants. The % share is it in line which one is economical, time and cost basis; output specified basis
- Value for money.
- Avoid having these tools as a silver bullet.

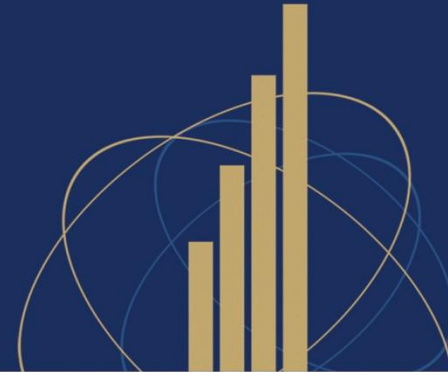
Conclusion

- Timely preparation ensures smooth audits.
- SCM is central to financial integrity.
- Addressing findings builds trust and clean governance.





Thank You!



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