



# MFMA and SCM Bottlenecks: From Compliance to Performance



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# Introduction



- The implementation of Municipal Finance Management Act (MFMA) and its supporting Supply Chain Management (SCM) Regulations by municipalities have **significantly improved compliance procedures**. Auditor General of South Africa (AGSA) audit outcomes show that policies exist, relevant committees are constituted, and processes are documented in municipalities.
- MFMA was promulgated with the objective to modernise municipal financial management, strengthen accountability, and ensure that public resources are utilised efficiently and effectively to advance local government development. Key to this objective is **SCM**, intended to ensure that **procurement is fair, equitable, transparent, competitive, and cost-effective**.

# Introduction

- Limpopo Province has generally demonstrated **limited improvement on overall municipal performance**, particularly in relation to **service delivery** demonstrated through:
  - ❑ Infrastructure delivery backlogs as a contribution to delayed service delivery
  - ❑ Under-spending of capital budgets, mostly funded from Conditional Grants
  - ❑ High levels of irregular expenditure, resulting in municipalities getting the Equitable Share withheld.
  - ❑ No value for money – projects implemented using below standard materials to cut the costs.
- Therefore, the challenge is no longer whether municipalities comply with MFMA and SCM rules, but **whether those rules are translated into efficient, effective, and developmental outcomes.**

# Common / key MFMA and SCM Bottlenecks

## 1. Over - Proceduralisation of SCM

- Municipalities introduce excessive internal controls beyond legislative requirements.
- This result in misalignment of procurement processes to service delivery plans – ultimately delays service delivery.
- *E.g. Repeated bid cancellations due to minor administrative errors, multiple approval layers beyond delegated authority, lengthy checklists prioritised over technical judgement.*

## 2. Weak Procurement/Demand Planning

- MFMA requires integrated planning aligned to the IDP, budget, and SDBIP, procurement planning, however, municipal procurement plans are still:
- *Generic and done for compliance, poorly coordinated with technical, misaligned with project readiness/cash flow planning, finalised too late in the financial year.*

**Impact:** Emergency procurement, deviations, and year-end spending spikes.

# Common / key MFMA and SCM Bottlenecks

## 3. Fragmented roles & accountability

- SCM delays are frequently attributed to SCM units alone, while in most instances –
  - ❑ End-user departments submit inadequate specifications to SCM;
  - ❑ Project managers fail to align timelines to procurement plans;
  - ❑ Ineffective senior management oversight.

**Impact:** SCM becomes a bottleneck instead of an enabler due to isolated accountability for performance.

## 4. Capacity and skills constraints

- Most municipalities have the following challenges affecting contracts:
  - ❑ Shortages of engineers, quantity surveyors, and contract managers;
  - ❑ Inadequate contract management skills;
  - ❑ High turnover in SCM and technical unit.

**Impact:** Poor scoping, inadequate/ineffective contract management, cost overruns, and compromised asset quality.

# Common / key MFMA and SCM Bottlenecks

## 5. Risk-Averse Audit Culture

- Municipalities have developed a fear of audit findings and personal liability thereof - resulting in officials not applying judgement when necessary.
- Some of the issues affecting the implementation of projects include -
  - ❑ Over-reliance on compliance checklists at the expense of judgement;
  - ❑ Delayed decision-making by bid committees;
  - ❑ Non-attendance of bid committee meetings to avoid accountability;
  - ❑ Reluctance to utilise deviations, even where justified.

**Impact:** Legitimate projects are delayed, particularly in infrastructure and urgent service delivery projects

# Reframing MFMA and SCM: From Compliance to Performance

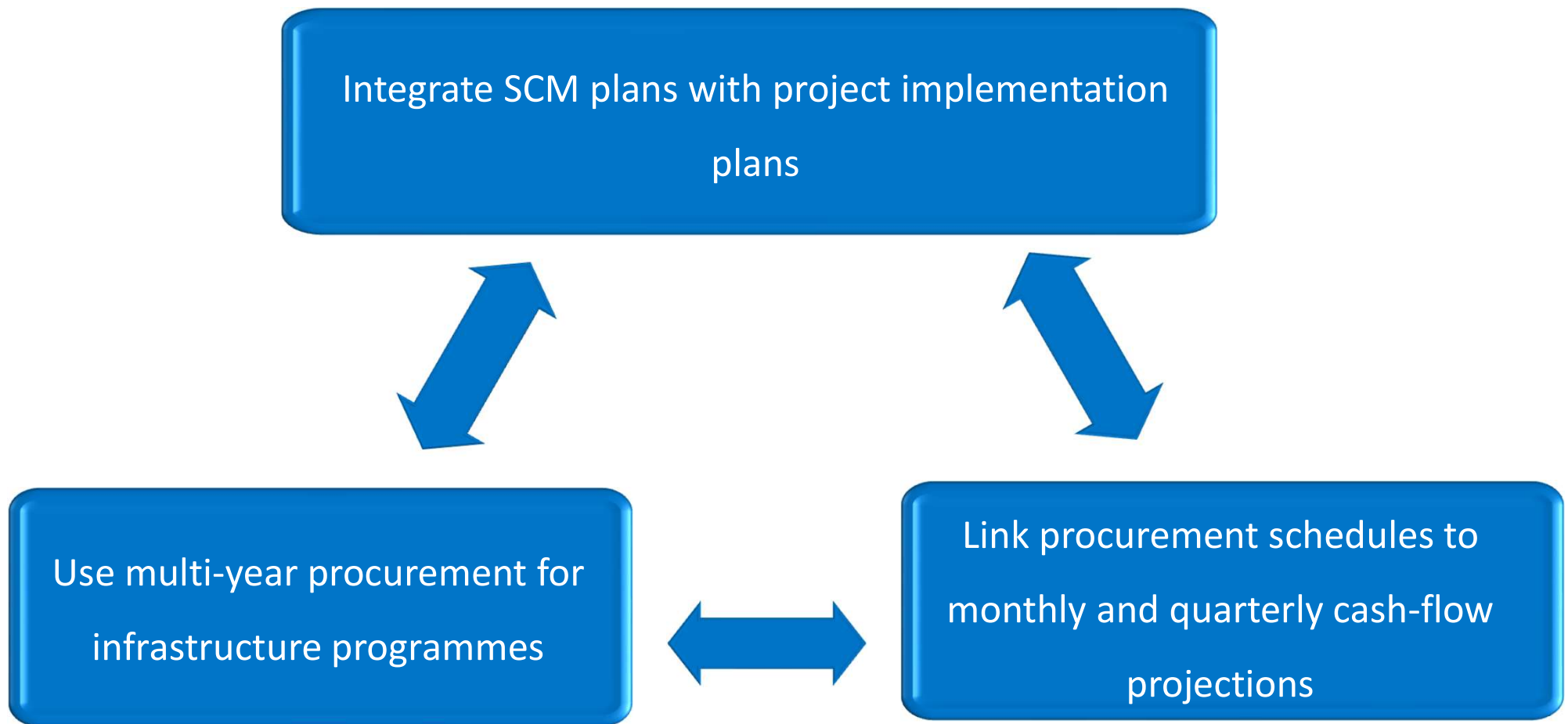
- In addressing some of the MFMA and SCM Bottlenecks – the organisations and institutions must be willing to welcome CHANGE.
- Reframing of processes and procedures requires institutional, cultural and most importantly, leadership change.
- MFMA and SCM do not necessarily promote risk avoidance - they promote risk management in ensuring service delivery, while still maintaining compliance.
- A performance-oriented interpretation typically entails shifting the lens from compliance to performance:

<b>Compliance Orientation</b>	<b>Performance Orientation</b>
Oversight reacts after failure	Oversight prevents failure
We must comply to avoid audit findings	We comply to deliver value
The MFMA is restrictive	The MFMA enables disciplined delivery
SCM delays projects	Poor planning delays projects



# Key Strategic Interventions - Performance-Driven SCM

1. Adopting an integrated Procurement Planning – result in reduced deviations and higher capital budget spending.



# Key Strategic Interventions - Performance-Driven SCM

2. Strengthening specification and bid committees – better quality contracts, procurement decisions and fewer disputes.

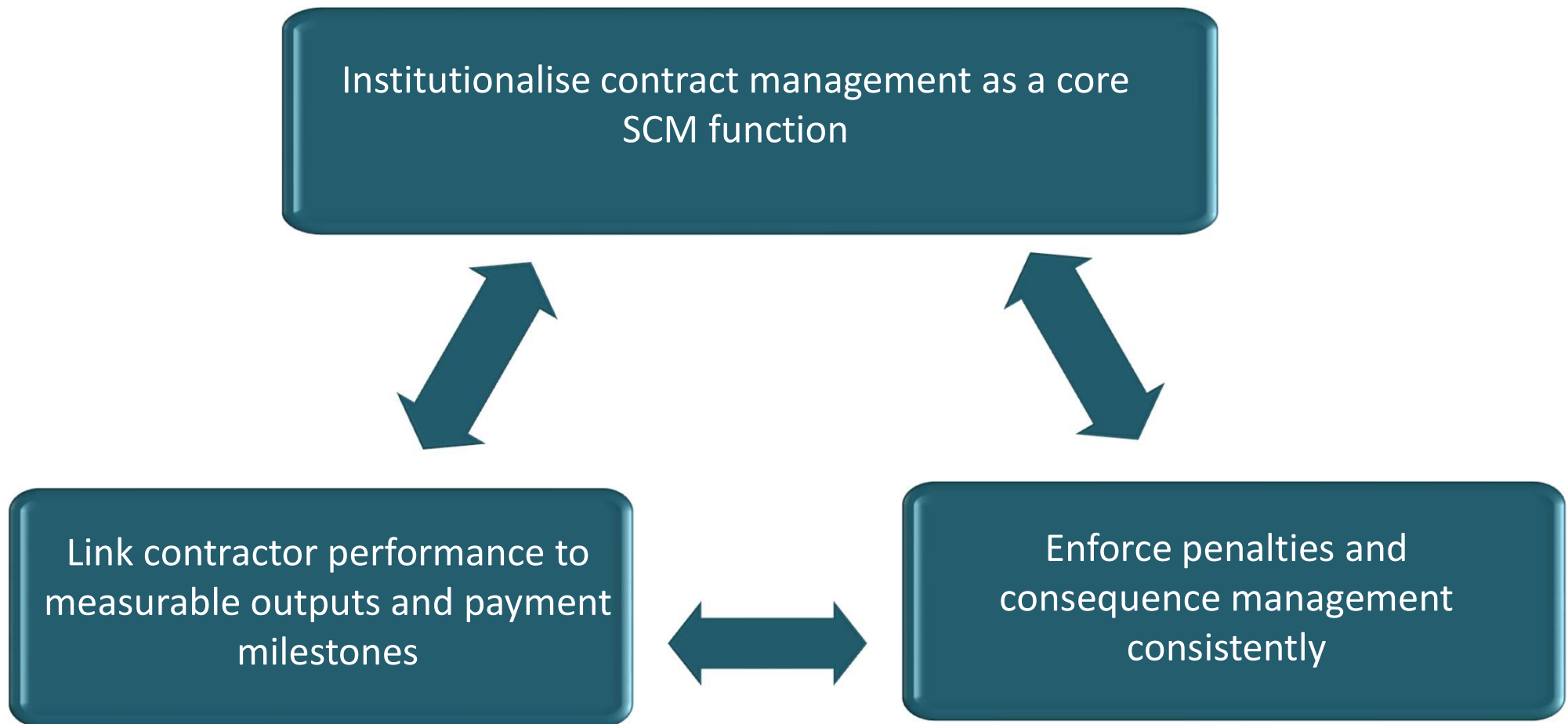
Ensure technical and financial expertise on Bid Evaluation Committees

Standardise specifications for routine procurements

Enable Bid Adjudication Committees to interrogate value for money, not only price



3. Strengthening Contract and Performance Management – Improved service delivery quality, timelines, and asset sustainability.



## Key Strategic Interventions - Performance-Driven SCM

4. Intelligent delegations and decision making – Faster procurement cycles without weakening oversight

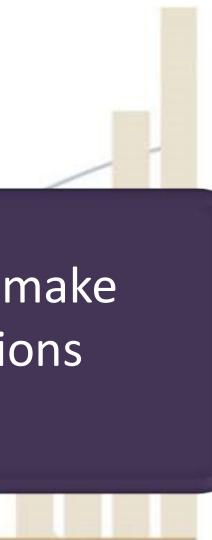
Review delegations annually in line with capacity levels



Avoid automatic escalation where authority already exists



Train senior managers to make defensible, lawful decisions



## 5. Audit Smart, not Audit Scared – Confident, lawful decision making

Engage internal audit early in high-risk projects



Differentiate between  
procedural errors and material  
non-compliance



Focus consequence management  
on negligence and misconduct—  
not genuine governance decisions

## 6. Leadership Imperatives

- ✓ The shift from compliance to performance is fundamentally a leadership challenge. Municipal leadership must:
  - ❑ Sets the tone for ethical but courageous governance tone that values lawful decisiveness
  - ❑ Support officials who make defensible professional decisions
  - ❑ Demand accountability for outcomes, not excuses

The governance narrative must shift from:

*“We complied with the process”*

To: *“We delivered services efficiently, ethically, and within the law.”*



# MFMA and SCM : Bottlenecks vs Enabling tools

- ✓ MFMA and SCM frameworks are not inherently obstructive to development.
- ✓ When misinterpreted or implemented defensively, they create bottlenecks.
- ✓ When applied strategically, they become powerful tools for service delivery, value for money, and public trust.

The path forward lies not in legislative overhaul, but in:

- Better interpretation
- Stronger capacity
- Intelligent risk management
- Courageous, ethical leadership



- ✓ A deliberate shift from compliance to performance is essential if municipalities are to fulfil their constitutional developmental mandate.

# From Forge to Forte'- the process

- The journey “**from forge to forte**” powerfully mirrors the transformation required within MFMA and SCM environments.

*The Forge*



Over-emphasis on compliance  
leads to rigidity without effectiveness.

## 1. The Forge: Compliance Under Pressure

- *Audit pressure and regulatory scrutiny, increasing amendments, circulars, and instructions, personal accountability and consequence management, a narrow focus on “avoiding findings”*

## 2. The Tempering Process: Turning Heat into Capability

- *Applying professional judgement - not just checklists, Designing SCM processes that are lawful but responsive, Strengthening planning, demand management, and contract management as performance drivers, using MFMA controls to support credible budgets, faster infrastructure delivery, and value for money.*

## 3. The Forte: Performance, Agility, and Impact

- Audit outcomes improve because service delivery improves, SCM timelines support project execution - not delay it, CFOs are strategic advisors - not procedural gatekeepers, financial governance becomes a competitive advantage for the municipality.*

**Remember: Compliance is the forge. Leadership is the tempering. Performance is the forte**

*The test of financial excellence is not the absence of audit findings, but the presence of tangible service delivery outcomes*

# Conclusion

- ✓ Auditor-General reports repeatedly highlight weaknesses in procurement planning, contract management, record-keeping, and consequence management - findings that point not to the absence of rules, but to ineffective execution and accountability.
- ✓ The persistence of adverse and stagnant audit outcomes, high levels of irregular expenditure, and consistent findings on procurement, contract management, and project planning underscore a critical truth: MFMA and SCM bottlenecks are not primarily technical failures, but systematic governance and performance failures.



# Conclusion...

## COMPLIANCE

## SERVICE DELIVERY



- ✓ *MFMA and SCM bottlenecks are not only administrative challenges; they are governance and oversight concerns that directly affect service delivery and community confidence.*
- ✓ *Municipalities that will succeed are those that allow the heat of compliance to forge competence — and the discipline of leadership to produce excellence.*
- ✓ *The real test of SCM and MFMA compliance is not clean audit outcomes alone, but whether communities experience tangible improvements in infrastructure and basic services.*



# Thank You!



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