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ROTATION 3: EXPENDITURE & SCM

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Objectives of the Session

- Understand the Procure-to-Pay process
- Understand SCM compliance requirements
- Identify procurement and expenditure risks
- Understand the relationship between SCM, budgeting and audit outcomes
- Identify causes of irregular expenditure
- Understand preventative controls and corrective measures



Legislative Framework Governing SCM

- Constitution Section 217 principles.
- MFMA.
- Municipal SCM Regulations.
- PPPFA & Preferential Procurement Regulations.
- CIDB Regulations.
- Municipal SCM Policy.



Procure-to-Pay (P2P) Process

- Need Identification.
- Demand Management & Budget Confirmation.
- Procurement Process.
- Bid Committees (BSC, BEC, BAC).
- Award & Purchase Order.
- Delivery of Goods/Services.
- Invoice Verification.
- Payment Processing.
- Contract Management & Reporting.



Request for Goods & Services

- Identify operational need.
- Ensure procurement is in procurement plan.
- Confirm approved budget.
- Prepare clear specifications.
- Risks: poor planning, incorrect specifications, budget shortfalls.
- Preventative measures: planning, controls and SCM review.

Procurement Methods

- Petty cash.
- Verbal quotations.
- Written quotations.
- Competitive bidding.
- Role of BSC.
- Role of BEC.
- Role of BAC.



Purchase Orders & Contracting

- Appointment letter issued.
- Contract/SLA concluded.
- ERP purchase order generated.
- No procurement without approved PO.
- Vendor and tax compliance verification.
- **Risks:** unauthorized expenditure and fraudulent suppliers.



Delivery & Payment Process

- Delivery note verification.
- Inspection by end-user.
- Goods Received Note (GRN).
- Valid invoice and approved PO.
- Three-way matching process.
- **Risks:** duplicate payments and overpayments.



SCM Compliance & Risks

- Application of mandatory requirements.
- Correct preference point allocation.
- Delegation compliance.
- Conflict of interest declarations.
- **High-risk areas:** deviations, contract amendments, emergency procurement.

Common SCM Risks

- Poor planning.
- Weak specifications.
- Non-compliance with SCM policy.
- Inadequate contract management.
- Fraud and corruption.
- Poor record keeping.
- Lack of segregation of duties.



SCM, Budgeting & Audit Findings

- Procurement must align with approved budget.
- Procurement plans support MTREF.
- Audit findings arise from non-compliance.
- Missing supporting documents.
- Unauthorized deviations.
- **Impact:** irregular expenditure and reputational damage.



Common Irregular Expenditure Issues

- Procurement without quotations.
- Procurement without competitive bidding.
- Expired contracts.
- Unauthorized contract extensions.
- Incorrect preference point calculations.
- Non-application of mandatory requirements.



Municipal SCM Challenges

- High volume of bids.
- SCM capacity constraints.
- Delays from end-users.
- Incomplete specifications.
- Community disruptions.
- Manual procurement processes.
- Backlogs and audit findings.



Preventative Measures & Controls

- Annual procurement planning.
- SCM compliance checklists.
- Bid committee training.
- Contract management monitoring.
- Probity audits.
- Segregation of duties.
- Internal audit reviews.
- SAP controls and automated workflows.



Consequence Management

- Investigation of UIFW.
- Corrective measures.
- Disciplinary processes.
- Reporting to Council and Treasury.
- Recovery of losses.
- Promoting ethical procurement and accountability.



Key Takeaways

- SCM is central to service delivery.
- Procurement must comply with legislation.
- Planning reduces risks.
- Controls prevent irregular expenditure.
- SCM, budgeting and audit outcomes are interconnected.
- Ethical leadership is essential.



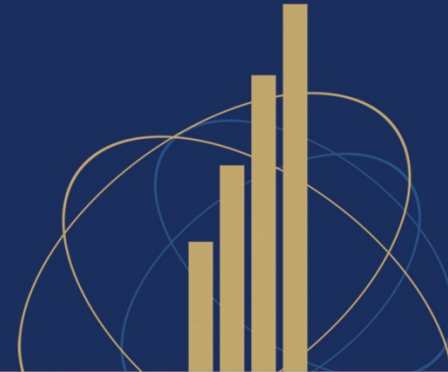
Questions & Discussion

“Effective procurement is not merely compliance — it is a strategic tool for sustainable service delivery.”





Thank You!



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