

PREFERENTIAL PROCUREMENT POLICY FRAMEWORK(PPFR)- AUDIT OUTCOMES- CONSEQUENCE MANAGEMENT & ACCOUNTABILITY

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Presentation outline

- ▶ **Introduction**
- ▶ **Preferential Procurement Policy Framework**
- ▶ **Accountability & Consequence Management**
- ▶ **Is there a loophole in legislation that hinders the implementation of accountability & consequence management?**
- ▶ **Conclusion**

Introduction

- ▶ Procurement system in SA government: a complicated space
- ▶ Procurement vulnerable to amongst others mismanagement of public funds, fraud and corruption, non-compliance to National Treasury polices & regulations, lack of accountability and consequence management
- ▶ The Preferential Procurement Policy Framework Act 5 of 2000 exists but state organs are still facing a huge challenge of lack of accountability and consequence management which hinder efficient and effective governance.

Preferential Procurement Policy Framework (PPPF)

- ▶ The purpose of the PPPF Act No. 5 of 2000 to enhance the participation of Historically Disadvantaged Individuals (HDIs) and the small, medium and micro enterprises (SMMEs) in the public sector procurement system.
- ▶ This Act is applicable to all spheres of government.
- ▶ Section 2 (1) of the PPPF Act stipulates that “an organ of state must determine its preferential procurement policy and implement it within the framework stipulated in section 2 (1) (a-g) of the Act.
- ▶ PPPF Act requires a preferential procurement policy with clearly defined internal controls guiding the implementation of the PPPF Act.

PPPF Continues...

- ▶ The implementation of the Act further requires the right people who are qualified and competent to understand the Act and the developed policy in order to effectively implement it.
- ▶ The right people must have clear processes of implementing the developed policy and need to be supervised for efficiency and effectiveness.
- ▶ The implementation of this Act requires accountability in leadership, finances (i.e. auditing) and social accountability (i.e. citizens, civil society and oversight bodies).
- ▶ Accountability ensures that those who are tasked to use and manage taxpayers' money give account to their client (i.e. citizens) on how they have used financial resources in a manner that benefits citizens effectively and efficiently by procuring goods and services that are value for money.

Accountability

- ▶ Accountability defined as the “proactive process by which public officials inform and justify their plans of action, their behaviour and results and are sanctioned accordingly” (Ackerman, 2004, p. 3).
- ▶ Ackerman’s definition helps us understand accountability as the process whereby citizens require government to account on their plans of execution through explanations, justifications and remedial actions when necessary
- ▶ In SA governance, accountability has tended to be reduced to accountability for financial accounting.
- ▶ Accountability must be implemented in the use and management of all state or public resources where public servants, as social service providers are obligated to give account to citizens, civil society and oversight bodies through explanations, justifications and corrective action when necessary.

Forms of Accountability for Effective Governance



Financial Accountability

- ▶ The office of the Auditor General is constitutionally mandated to audit and report on how the government is spending the South African taxpayers' money. This office is further obligated to strengthen financial and performance management in local government in South Africa.
- ▶ The Auditor General (AG), one of the chapter nine institutions, established in terms of section 181 of the Republic of South African Constitution. The functions of the AG are stipulated in section 184 (1-4). To give effect to the Constitutional provision, the Public Audit Act becomes the framework guiding how the AG does his work.
- ▶ In the 2015-16 local government audit outcomes report, the AG said overall the local government had failed to maintain the promising five-year momentum – gained in the years 2010-11 to 2014-15 – that he reported on last year.

Local Government Audit Outcomes 2015/16: Procurement & Expenditures

- ▶ The AG indicated that there is a failure in oversight and controls in the area of compliance to key legislation in a number of areas, including in Procurement (e.g. SCM), leading to increased irregular expenditure.
- ▶ The AG further said that “municipalities were also slow in preparing for the implementation of the SCM reforms introduced by the National Treasury. Although these reforms should have been implemented from 1 July 2016, 63% of municipalities either had not started using the database/portal or had not updated their SCM policies by then.”
- ▶ The existence of functioning consequence management systems and people applying them would have ensured that actions are taken for those who failed to comply with key legislations.
- ▶ the AG indicated that ‘Municipalities should implement consequence management for officials who fail to comply with the applicable legislation, while appropriate and timely action must be taken against transgressors.’
- ▶ The AG says ‘without entrenched consequence management systems, the local government audit results we have just released are unlikely to shift or change towards the desired state.

Political Accountability

- ▶ Political accountability refers to the responsiveness of governmental policies to the preferences of the electorate (Peruzzotti and Smulovitz, 2006)
- ▶ The governing political party must be accountable to citizens & citizens, as voters, must hold their parties accountable during elections .
- ▶ At the local government level, the municipal council through ward councillors must account to the citizens (i.e. electorates)
- ▶ Ward councillors are obliged to account to citizens (as political party appointed representatives of the electorates) and their political party (as party representatives)
- ▶ Are ward councillors accounting to the political party or citizens?

Social Accountability

- ▶ Social accountability is defined as “an approach towards building accountability that relies on civic engagement where ordinary citizens and civil society organizations directly and indirectly demand accountability [from government actors]” (Malena, Forster and Singh, 2004, p.1).
- ▶ Social Accountability is therefore about the interaction between the people, civil society and government demanding accountability from government for the use of public resources.
- ▶ In leadership roles, accountability should be about acknowledging and taking responsibility for policies, decisions and actions on administration and governance.
- ▶ Leaders are also obligated to report, explain and justify for resulting consequences , and take corrective actions.

Do legislations on accountability (e.g. Public Audit Act) need to be amended for consequence management to be implemented by state organs?

- ▶ Legislations do not require amended, but rather practical application
- ▶ Developed policies responding to accountability must be aligned to the relevant legislations
- ▶ Within state organs, consequences management frameworks are necessary to guide the implementation of policies
- ▶ Qualified and competent staff are required to implement the consequence management frameworks.
- ▶ Internal staff must account to their managers on their performance through explanation, and justification
- ▶ Senior management must hold their subordinate staff accountable for their performance & apply consequence management when necessary

Continuation....

- ▶ Government oversight bodies need to use all their powers and be robust, to effectively hold government administrations accountable in the delivery of social services
- ▶ Citizens must hold their political representatives accountable to ensure that their socio-economic rights are realised through the maximum use of available public resources
- ▶ Citizens (as clients & right holders) must hold state organs accountable for use and management of public resources to deliver social services
- ▶ CSOs must hold state organs accountable for use and management of public resources to ensure that people's socio-economic rights (as entitlements) make their lives better today than they were yesterday.

Conclusion

- ▶ Even if legislations on accountability & consequence management are amended to ensure that these two are implemented, legislations do not implement themselves. They require people to implement them (i.e. patriotic public servants).
- ▶ Leadership accountability requires accounting officers to exist first (filled vacancies) for stability & sustainability, requires patriotic leadership with vested interest on delivering services to the most poorest people.
- ▶ Political accountability requires politicians who prioritize the interests of the people and over the political party. It further requires voters who vote for the party that delivers on its promises & voters who will actively hold the party accountable.
- ▶ Social accountability requires active citizens (i.e. rights holders) & robust CSOs who make an effort to understand how government works, so that they are robust through evidence-based information & knowledge

List of references

- ▶ Peruzzotti, E. and Smulovitz, C. 2006. *Social Accountability: An introduction*. University of Pittsburgh: University of Pittsburgh Press.
- ▶ Malena, C., Forster, R. and Singh, J., 2004, July. The Role of Civil Society in Holding Government Accountable: A Perspective from the World Bank on the Concept and Emerging Practice of "Social Accountability." *International Society for Third Sector Research Sixth International Conference* (pp. 11-14).
- ▶ SALGA News: <http://www.salga.org.za/Salga%20News14.html>.