

Demand and Contracts: “WHERE THE MONEY DISAPPEARS”

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Welcome Delegates

Every year, billions of Rands vanish into a black hole of paperwork. We have flawless files but dry taps. This presentation focuses on the two areas where our budgets bleed out: the beginning and the end of the procurement lifecycle.

COMPLIANCE DOES NOT EQUAL DELIVERY

- ❖ Audit checklists are perfect, yet public infrastructure continues to crumble.
- ❖ Clean audits often mask zero actual value on the ground.
- ❖ True governance metrics must shift from rules to tangible impact.
- ❖ Auditor-General reports, South Africa's collective five-year accumulated figure for unauthorised, irregular, fruitless, and wasteful expenditure (UIFWE) across national, provincial, and local spheres has reached an astounding **R1.377 trillion**.
- ❖ Approximately **R31.84 billion to R35 billion** is classified strictly as **fruitless and wasteful expenditure**.

Where the Scrutiny Goes vs. Where Money Vanishes

- ❖ Auditor-General data shows that **57%** of auditees have uncompetitive procurement processes, **21%** struggle with inadequate contract management
- ❖ If you look at the media, the focus is always on who won the tender. But the corruption and waste are engineered during the planning phase and exploited during the execution phase.
- ❖ True financial hemorrhaging happens long before and long after the tender is won.
- ❖ **Demand Management** (the Alpha) and **Contract Management** (the Omega) are the actual points of failure.

How Budgets Drain Before the Tender Begins

- ❖ Requirements intentionally tailored to favor preferred suppliers and a premium.
- ❖ Procuring basic, off-the-shelf items at higher rates than open-market retail values.
- ❖ **Case Study:** SITA **R12.1 Billion** wasted on failed government digital infrastructure.

Out of 72 crucial ICT projects reviewed across 44 state entities, **41 projects collapsed completely** or suffered severe material defects

- ❖ Demand management requires rigorous needs assessments and market testing. When we fail here, we allow suppliers to gouge prices or write specifications so narrowly that only one friend can win. We must clean this up proactively, not wait for the AG to write a report about it two years later.

Turning Signed Tender Awards into Blank Cheques

- ❖ Inflation of project scopes without lawful, transparent approvals.
- ❖ Approving and paying invoices for services never rendered.
- ❖ Accepting broken facilities and half-built public roads and of poor quality.
- ❖ **Case Studies: Park Road Police Station** from R31M to **R63M** over 9 years from 2017 and still incomplete at 76%.
- ❖ Eskom's **Medupi and Kusile power stations** Initially budgeted at a combined **R150 Billion** (R79 Billion for Medupi and R71 Billion for Kusile), the final estimated costs **R467 Billion**

CONTRACTOR CONSEQUENCE MANAGEMENT



Plugging Leaks at the Inception Stage

- ❖ Mandate automated market-benchmarking tools for all accounting officers.
- ❖ Flag inflated estimates before procurement plans go to market.
- ❖ Enforce absolute alignment between municipal budgets and community needs.
- ❖ Eliminate subjective vendor-aligned specifications during tender formulation

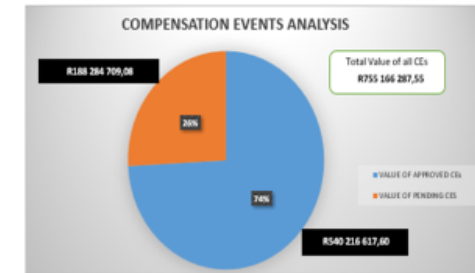
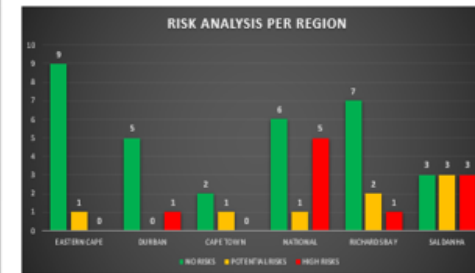
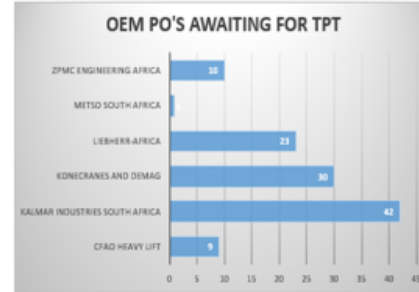
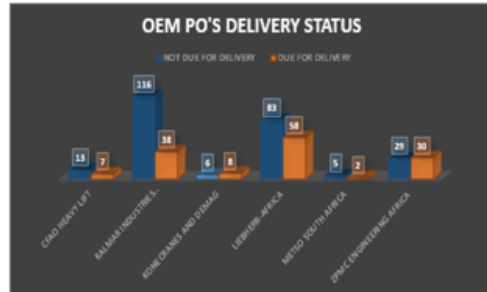
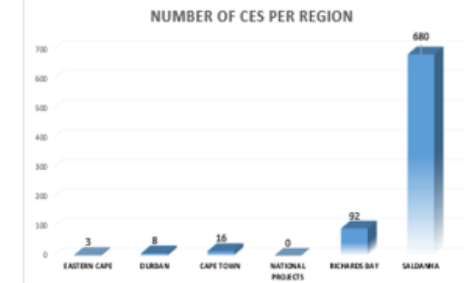
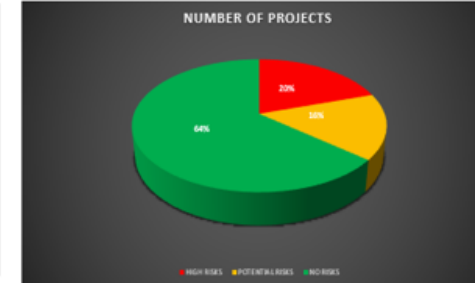
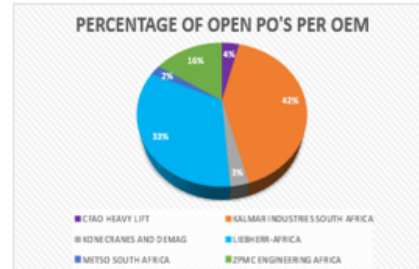
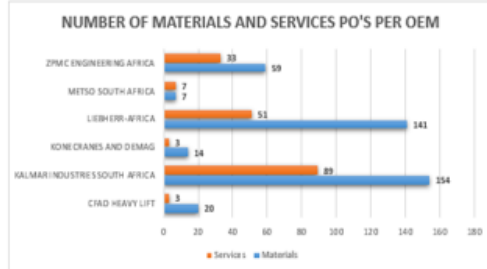
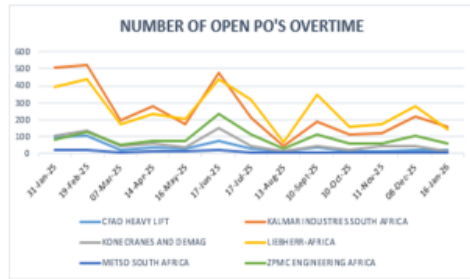
Locking Down Delivery After the Award

- ❖ Tie all project milestones to automated government disbursement systems.
- ❖ Require independent, technical verification of work before releasing payments.
- ❖ Blacklist non-performing contractors immediately across all state-owned entities.

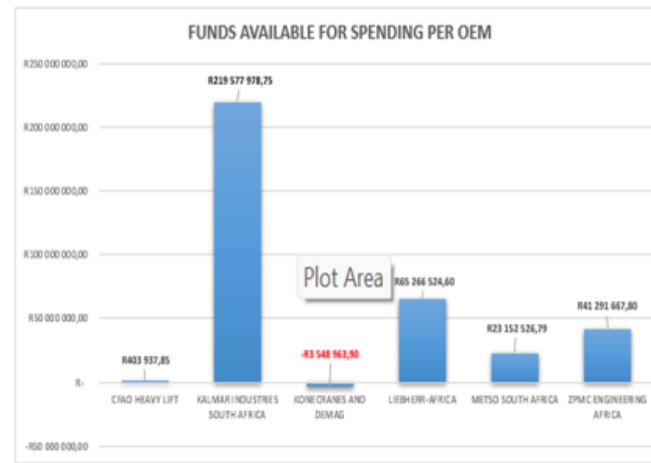
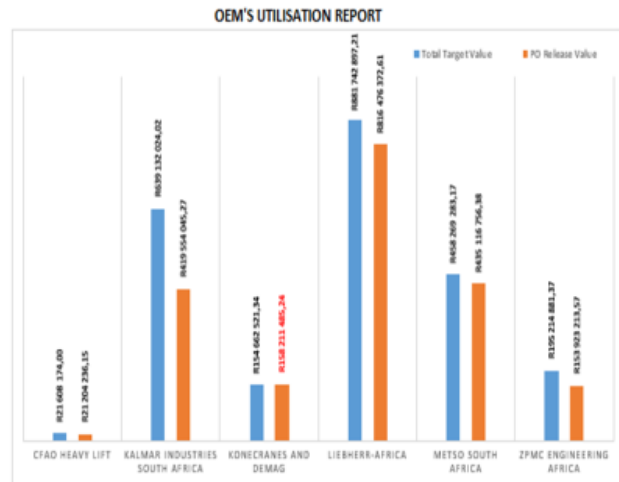
Real-Time Dashboards & Verification

- ❖ Embedding real-time dashboards to continuously monitor performance and compliance.
- ❖ Automating price checks against retail standards during the demand phase.
- ❖ Tying financial disbursements strictly to independent technical or engineering sign-offs.
- ❖ We cannot manage modern procurement with paper files. We need real-time digital dashboards that flag delays and price variations immediately. Furthermore, no invoice should be paid without an independent engineer verifying that the actual work matches the paper.

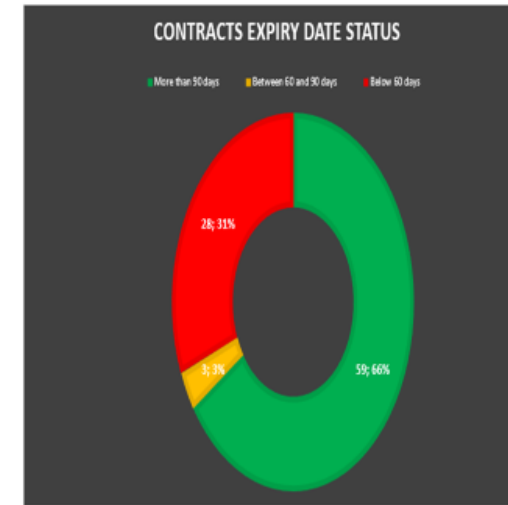
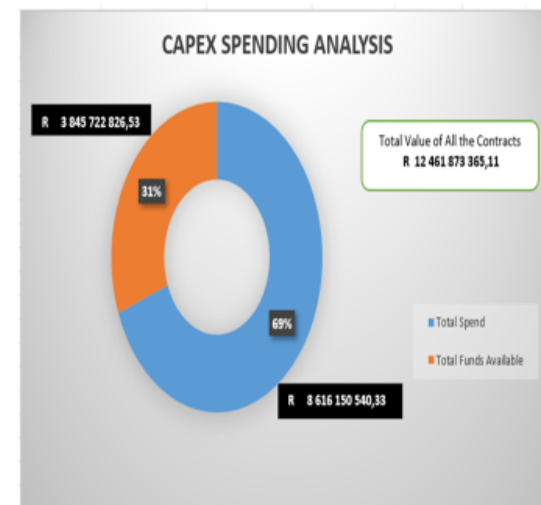
Modernising Oversight



SPENDING ANALYSIS



ACTIVE CONTRACTS ANALYSIS



From Audit Insight to Strategic Impact

- ❖ We have a decade of data proving where systems bleed.
- ❖ Audit findings must cease to be autopsy reports of wasted billions.
- ❖ Enforcing blacklisting for non-performing suppliers.
- ❖ Ensuring every Rand spent manifests as dignity, infrastructure, and progress..
- ❖ The AG's expanded mandate allows us to track material irregularities, but the state must enforce the consequences. We must blacklist bad suppliers and hold accounting officers personally accountable. Let us use this 10th Convention to turn SCM from a compliance box-ticking exercise into a delivery engine for our people.



THANK YOU

