

## CHAPTER 6

### **GAUTENG SHARED SERVICE CENTRE AS PROCUREMENT OFFICE AND PROVIDER OF SERVICES FOR GAUTENG PROVINCIAL GOVERNMENT DEPARTMENTS**

#### **6.1 INTRODUCTION**

This chapter highlights the origin and purpose of the establishment of the Gauteng Shared Service Centre as procurement office, which has been referred to in this study as the GSSC. The chapter serves as a focus chapter as it summarises what was discussed about the GSSC in the previous chapters. For the GSSC to carry out its task, it has to have systems and processes that make its task easier to execute. Chapter 5 analysed the conditions for the implementation of BEE/BBBEE. Reference will be made to the systems of control and management of finances GSSC has been assigned to administer, which resonate the conditions as analysed in Chapter 5. The committees and structures that have been put in place, their role and responsibilities in relation to user departments are discussed. The Gauteng Provincial Government, as it is the case with the other provinces, also observes the prescripts of the *Constitution* (1996) and the Acts promulgated by the national Government. From time to time reference will be made to how the national financial policies and legislations are implemented in the province and the effect that these policies and pieces legislation have on poverty alleviation through BEE initiatives.

The chapter refers to the vision/mission statements of the GSSC and its procurement unit, values guiding its operations and the strategic objectives, as they relate to SCM and *Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)*. The information technology (IT) support service as a means towards achieving effective and efficient service delivery is discussed. The Human Resource Services, Finance Services, Audit Services and Corporate Services are discussed as important vehicles for the execution of

a core business of procurement for the 13 Government departments in Gauteng for the realisation of BEE through PPP.

A number of audit services will be referred to in this chapter, which forms a basis for equitable service delivery. The GSSC has been designed to accomplish its tasks as centre of excellence. Whether this objective has been achieved will depend on how the GPG under the premier Mokonyana and its clients, namely, the departments, perceive the services rendered by the GSSC. Of note will be the strategic objectives of the GSSC as well as its role and responsibility side by side with other similar formations such the Gauteng City Region Academy (GCRA) and the Gauteng Economic Development Agency (GEDA). The purpose of highlighting similar formations is to ensure whether the duplication of functions if any, does not hamper the realisation of the rationale for which the GSSC was formed. The afore-mentioned agencies serve to enhance the work of the GSSC in as far as provision of skills and capacity building for the aspirant entrepreneurs, without which it will be difficult to achieve the BEE goals. Of importance is that the establishment of the GSSC has been for the purpose of rendering the procurement service for all the departments in Gauteng, including the Gauteng Department of Education.

## **6.2 THE ESTABLISHMENT OF THE GAUTENG SHARED SERVICE CENTRE**

The GSSC was established in 2001 by the Gauteng Provincial Government, which will be referred to as the GPG. The purpose of its establishment has been to provide a dedicated and professional back-office support. The GSSC's core function is the provision of a provincial government- wide internal support service in terms of procurement, harnessing the Gauteng Provincial Government's collective buying power, thereby reducing the overall cost of purchasing goods and services (*Gauteng Shared Service Centre*, 2010). The GPG started the process of creating the GSSC in 2000. One component of GSSC was the creation of a procurement organisation for the GPG (*Gauteng Provincial Government Supply Chain Management*, 2004:16). GSSC procurement vision is spelt out as follows:

*GSSC procurement is a trusted world class organisation that effectively and efficiently renders quality service to satisfied GPG customers (Gauteng Provincial Government Supply Chain Management, 2004:18).*

The vision is based on four thrusts, namely: finance, customer, people and process. In terms of finance, the GSSC procurement commits itself to good governance and economic empowerment by unlocking value through optimal and equitable utilisation of resources in strategic sourcing and shared supply chain initiatives. As customer-oriented organisation, the GSSC procurement commits itself to building a purchasing organisation that is performance-oriented, flexible yet aligned to process, both socially conscious and driven by customer satisfaction. In respect of the people-oriented thrust, it boasts of empowered teams of professionals and thoughtful and socially responsible leaders, while in terms of its process, the GSSC uses up-to-date reliable systems to enable simple standardised processes providing satisfactory delivery management information to drive continuous improvement.

Currently the GPG expends R4 billion a year on goods and services, which the GSSC aims to achieve 2,5% cost saving, translating to annual saving of R100 million. The GSSC strives to drive and redirect provincial spending patterns as a means of promoting BBBEE. Former premier Shilowa said the Gauteng Provincial Government has launched a BBBEE strategy to accelerate transformation and ensure the redistribution of the country's wealth. Shilowa further indicates that Gauteng has paid special attention to services and programmes aimed at dealing with the needs of young people in the province (Gautalk, 2006). The GSSC' procurement business unit has set out five year strategic priorities which will be mentioned in paragraph 6.9. The challenging priority is that of finding a balance between the commercial imperative and the social responsibility.

The challenge of balancing commercial imperatives with social responsibility requires dedication and high-level risk-taking. Above all, the necessity to identify entrepreneurs remains a priority.

In balancing the commercial and social imperative, the entire SCM needs to be geared towards achieving the BEE imperatives, which consist of the following:

- i. providing historically disadvantaged persons with the opportunity to directly or indirectly acquire shares or interest in state-owned commercial enterprises;
- ii. encouraging and promoting savings, investments and meaningful economic participation by historically disadvantaged persons;
- iii. promoting and supporting business ventures pioneered and run by historically disadvantaged persons;
- iv. promoting the universal understanding of equity ownership among historically disadvantaged persons;
- v. encouraging the development of a competitive and effective equities market inclusive of all persons in the Republic of South Africa;
- vi. contributing to the creation of empowerment opportunities; and
- vii. generally employing such schemes, business and enterprises as may be necessary to achieve the objective of the Act (*National Empowerment Fund Act, 1998 (Act 105 of 1998)*).

In the light of the thrust aimed at helping the beneficiaries, which are, the historically disadvantaged persons, the pressure may be divested of the commercial banks to be intrinsic providers of the start-up companies whose survival remain precarious, given a lack of experience and sustainable capital.

The aims of the GSSC are to provide the following services to 13 departments:

- i. audit;
- ii. finance;
- iii. procurement;
- iv. technology; and

- v. human resource (*Gauteng Shared Service Centre Annual Report, 2009-2010:10*).

The current strategic plan of GSSC focuses on attaining the four strategic objectives identified as follows:

- i. improve customer experience;
- ii. optimise efficiency and service delivery;
- iii. improve quality; and
- iv. establish the GSSC as an employee of choice.

Reference is made to the agreements between user departments and the GSSC, which are regulated by the service level agreement, which is referred to later in this chapter. The user departments can as well be referred to as internal customers. It is expected of the user departments to enjoy a favourable customer experience. It is imperative to consider the operations of the GSSC from the perspective of its vision, mission and values. The following paragraph will highlight the vision, mission and values of the GSSC. The GSSC maintains a positive influence over the role played by the departments it serves. The departments are relieved of the burden of day-to-day management of administrative functions; instead the departments are afforded the opportunity to focus on their core service delivery (GSSC, 2010). In this case for example, the Department of Education focuses on curriculum delivery, the Department of Health focuses on the delivery of health services and the Public Works focuses on building roads and bridges; while the GSSC is delivering procurement-related services.

Pooling of departmental resources within the GSSC has enabled the creation of centres of excellence which render specialised advisory and consulting services across the province. Though various departments focus on their core business, the identification of their area of needs may not be abdicated. It is envisaged that the identified needs are met in line with the BEE through PPP initiatives. For example, if the Department of Health requires a new machine, the procurement of such a machine complies with the policies of

preferential procurements, which are in harmony with the BEE/BBBEE initiatives. The specialised services of the GSSC are provided in the following fields:

- i. labour relations;
- ii. organisational development;
- iii. computer auditing;
- iv. information technology; and
- v. training (GSSC, 2010).

The primary objective has been to share knowledge and to deliver standardised, quality service. The training was aimed at offering employees of the GSSC to grow professionally and develop new skills for them to be on the cutting edge of service delivery. Chapter 5 of this study analysed the conditions for the implementation of BEE/BBBEE, which are resonated in the above fields. The Gauteng Provincial Government in pursuit of an equitable and efficient procurement system has introduced the GSSC as procurement office. The paragraph that follows highlights the salient factors of the GSSC.

### **6.3 GAUTENG SHARED SERVICES CENTRE AS SERVICE PROVIDER**

The GPG started the process of creating GSSC in 2000 as procurement organisation of the GPG. In 2002, the GSSC conducted an analysis of the entire GPG procurement expenditure, where it was determined that R4, 2 billion across all departments was spent. It was on the foregoing basis that procurement strategy was developed using as a baseline, the dimension of commodity, location and supplier (*Gauteng Supply Chain Management*, 2004:16).

The Gauteng Provincial Government, referred to as GPG established the GSSC to ensure that the departments continue to render their respective core business while the GSSC takes the responsibility of rendering procurement service and other relative tasks for the

departments. In rendering service to the departments, the GSSC shall adhere to the following:

- i. to carry out the instructions given to it by the client and to perform services in accordance with the partnering agreement and the service level agreement;
- ii. to identify cost-reduction and service enhancement opportunities;
- iii. to periodically assess the costs and the value of existing services, communicate recommended changes and implement approved adjustments as appropriate;
- iv. to explain significant variances in relation to performance and pricing targets and to implement corrective actions thereto;
- v. to alert the department of any changes in pricing in time for the department to incorporate such changes in its budgeting and planning for the relevant financial year; and
- vi. to present the GSSC pricing structure of the services in such a manner that the budget and estimates coincide with the budgeting and MTEF cycles (Partnering Agreement, 2004:4).

The role that is played by the GSSC appears to be that of *back office* in that it takes over functions that are duplicated by all provincial departments. The GSSC has been adopted as the common service provider model for procurement in the GPG. Central to the GSSC's responsibilities is, value adding services in the areas of finance, human resources, procurement, technology support services (Partnering Agreements 2004:13). These functions are critical in the promotion of the conditions for BEE/BBBEE through the ethics and risk management, as analysed in Chapter 5. Managing procurement-related risks requires the availability of technology as well as reporting as required by *PFMA*, (1999). The management of procurement is essential for the realisation of BEE through PPPs.

To comply with reporting as one of the pillars of procurement, the GPG approved the establishment of a variety of permanent procurement decision making structures in the province. Though these structures have been fully spelt out below, they will be referred to in the paragraphs following, in abbreviation form. The abbreviations are spelt out as follows:

- i. the Gauteng Provincial Government Acquisition Council (GPG-AC);
- ii. the various Departmental Acquisition Councils (DAC);
- iii. the GSSC-Accredited Procurement Unit (GSSC-APU); and
- iv. the various Departmental Accredited Procurement Units (DAPUs)  
(*Gauteng Supply Chain Management Manual, 2004:24*).

The GPG-AC is a permanent structure appointed by the MEC of the Department of Finance and Economic Affairs and the GSSC, consisting of the heads of department of various GPG departments, chaired by accounting officer of the GSSC or the delegated official. The DACs are permanently appointed bodies, established in each department by the relevant head of department. Each DAC consists of the management of the department at the level of senior management, chaired by the accounting officer or his/her delegate. The procurement-related services to the GPG institutions are provided by the GSSC-APU. The DAPUs were dissolved and their functions were taken over by the DACs as the supreme procurement decision-making body. The roles and responsibilities of DAC are stipulated as follows:

- i. participate in drafting tender specifications, to be incorporated in the tender document;
- ii. participate in the technical tender evaluation;
- iii. exercise the choice of supplier based on the points awarded for performance, price and preference;
- iv. review the adjudication process on all material and high risk tenders in the department;



- v. sign term agreement (compiled by the GSSC-APU) as contracting party together with supplier;
- vi. monitor compliance to Acts, procurement strategies, policies and procedures;
- vii. arbitrate in disputes regarding compliance to the regulatory framework between GSSC-APU and departmental users;
- viii. attempt to resolve external disputes regarding open and effective competition with suppliers;
- ix. handle court cases with suppliers;
- x. monitor the conduct of the procurement staff of the GSSC-APU;
- xi. manage the conduct of all departmental staff associated with procurement;
- xii. monitor procurement performance against BEE strategies;
- xiii. recommend corrective actions; and
- xiv. monitor implementation of corrective actions suggested by GSSC-AC and/or department (Transition from the GTB Act to PFMA, 2002:Appendix B).

Two different needs are identified, namely: normal needs and high-priority needs. The normal needs are requirements that must be fulfilled by the GSSC-APU by using normal tender procedures as detailed below:

- i. estimated value < R500, 000: 3 quotations, according to service level agreement, the stipulated period of tender shall be 19 working days;
- ii. estimated value > R500, 000: 4 week public tender; according to service level agreement, the duration for the tender will require 70 working days; and
- iii. call-off orders from a term agreement, which according to service level agreement between the GSSC and a GPG department, will require 2 working days to fulfil (*Gauteng Supply Chain Management Manual*, 2004:36).

The high-priority needs must be fulfilled by the GSSC-APU by using the emergency procedure which deviated from the normal tender procedures. This deviation may happen under exceptional circumstances where such deviation is duly authorised. The GSSC APU acts as common service provider or procurement agent on behalf of the departments (*GPG Procurement Reform, 2002:6*). The GSSC-APU will not have any decision-making power over department budgets, procurement requirements or choice of suppliers. Decisions that GSSC-APU has to take will be in collaboration with the DAC, head of procurement and users (*GPG Procurement Reform, 2002:18*).

In the case of the unbudgeted needs, the Member of the Executive Council (MEC) of the Department of Finance and Economic Affairs may authorise emergency funds. The deviation may create difficulty if not kept under check. For example, if the Department of Education has experienced an emergency need for the provision of hearing aids for the hard of hearing children, who have suddenly enrolled in Gauteng schools from other provinces, the procurement of such devices must first be authorised accordingly. This procurement must however be in accordance with BEE through PPP provisions. This postulate is explored further in Chapter 7. The steps that the accounting authority of an institution has to take to avoid abuse of SCM system are as follows:

- i. take all reasonable steps to prevent abuse of supply chain management system;
- ii. investigate any allegations against an official or other role player of corruption;
- iii. check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, nor any of its directors are listed as companies or persons prohibited from doing business with the public sector;
- iv. reject any bid from a supplier who fails to provide written proof from the South African Revenue Service that that supplier either has no outstanding tax obligations or has made arrangements to meet outstanding tax obligations;

- v. reject a proposal for the award of a contract if the recommended bidder committed a corrupt or fraudulent act in competing for the particular contract; or
- vi. cancel a contract awarded to a supplier of goods or services if the supplier committed any corrupt or fraudulent act during the bidding process or execution of that contract (*Framework for Supply Chain Management, 2003*).

The above provisions play an important role in preventing procurement fraud. The realisation of BEE through PPP happens through procurement guided by the policies of SCM. It is envisaged that the GSSC in the execution of the procurement role, will take the above steps into consideration. Where deviations in respect of the above have been noticed, it is vital that the deviations are reported expeditiously to avoid the perpetual recurrence of fraud and corruption.

Critical to the management of finances in relation to procurement is reporting. Through reporting, the principle of transparency is enhanced and deviations reported. Access to information makes it easier for the Auditor-General to identify weaknesses well in advance so as to evolve strategies of resolving them. Having made reference to the roles and responsibilities of the DACs in the previous sections, it is essential to refer to the role and responsibilities of the DAPUs, which have been spelt out as follows:

- i. participate with GSSC-APU in value teams to jointly develop commodity for top GPG spend items;
- ii. jointly with the GSSC-APU review recommendations on commodity strategies prior to submission to the GSSC Acquisition Council for approval;
- iii. enter into supply agreements as communicated with the DAC and the GSSC-APU;
- iv. provide advice to department users to ensure that they receive appropriate services at a cost best suited for their needs;

- v. compile tender documents;
- vi. advertise and receive tenders in line with policies and procedures;
- vii. compile recommendations for the departmental APU/DAC;
- viii. compile purchase orders;
- ix. compile any amendment to purchase orders as required;
- x. manage the departmental APU procurement staff's compliance to the Acts, procurement strategies, policies and procedures;
- xi. participate in internal audits of the procurement process in the departmental APU;
- xii. negotiate and implement service level agreements with the GSSC-APU, which will contribute to improved service delivery through a more effective and efficient procurement approach; and
- xiii. report timeously and accurately on the procurement performance to all stakeholders, e.g.:
  - the Treasury;
  - the GSSC-APU;
  - the DAC; and
  - departmental users (*GPG Procurement Reform, 2002:23*).

It seems as if with all the procurement-related structures the GSSC has introduced; it may be difficult for acts of fraud to be committed. It remains a problem though that these structures have the propensity to create the red tape that will at the end defeat the very purpose for which the GSSC was created, which is speedy and efficient delivery of procurement for the user-departments. The small and medium enterprises are unlikely to survive if they experience delay in payments after rendering a service. The ideals of BEE through PPP would be gravely compromised if the process of procurement is long and convoluted.

### 6.3.1 COMPOSITION OF BID ADJUDICATION COMMITTEE

The procurement process forms part of the essential component of the BEE/BBBEE in the Public Sector. In order for BEE through PPP to be realised, for instance, the identification of private partners should be done through the equitable procurement process of the SCM. The composition of bid adjudication committees, which forms part of the procurement process is latched on the understanding that tender boards in the GPG have been abrogated (*GPG Procurement Reform, 2002:2*). The following are the principles underpinning the proposed procurement reform, without which the realisation of BEE through PPP would be difficult, these are:

- i. there will be no tender boards;
- ii. accounting officers will be fully responsible for procurement decisions;
- iii. accredited procurement units will be responsible for awarding tenders;
- iv. there will be pillars necessary to ensure that procurement system is effective;
- v. there will be a framework for preferential procurement; and
- vi. best practice models and IT will be fully utilised to ensure maximum benefits in achieving efficiency and effectiveness (*GPG Procurement Reform, 2002:2*).

The bid adjudication committees are appointed in writing by the accounting officer or the accounting authority who will determine the term of office for members. This committee can be equated to the Departmental Acquisition Council (DAC) in the Gauteng procurement context (*National Treasury Circular on Code of Conduct for Bid Adjudication Committee, 2006:3*). This circular served as a directive to all provinces, and was circulated as such. Such committee shall consist of at least four senior officials with the chief financial officer as chairperson. The duties of the chairperson are as follows:

- i. has a casting vote as well as a deliberate vote;
- ii. retains all his or her rights as a member;

- iii. may adjourn a meeting;
- iv. may rule on points of order which will be final;
- v. may withdraw any proposal or other matters under discussion before it is put to the vote; and
- vi. convene extraordinary committee meetings on request.

The circular stipulates code of conduct for committee members, which is based on mutual respect for the rights of each other and respect for the purpose of the meeting, where members accept the following:

- i. the chairperson must be respected;
- ii. the chairperson has the right to interrupt and ask a member to stop speaking;
- iii. a member must stop speaking if ruled out of order by the chairperson;
- iv. decisions are made by general consensus or by a show of hands when a matter is decided upon by voting;
- v. once a decision has been made it is final and not open for discussion unless additional information which was not available at the time of decision making can be produced;
- vi. information and documentation are confidential;
- vii. a member shall declare beforehand his or her interest regarding any matter serving before the committee and the member will then recuse her or himself;
- viii. outvoted members must abide by the majority decision of the Committee; and
- ix. no communication should be made with a bidder/contractor by any member prior to or after any meeting (*National Treasury Circular on Code of Conduct for Bid Adjudication Committee, 2006:8*).

The above stipulations cannot be considered watertight given the fact that the composition of this committee is made up of colleagues whose familiarity with each

other may compromise the purpose for which the committee was formulated. This submission will be discussed further in Chapter 7. The achievement of BEE through PPP depends on transparency and compliance with the code of ethics, which forms part of the component for the promotion of the conditions for the implementation of BEE/BBBEE as analysed in Chapter 5. A lack of proper monitoring and venting of officials participating in bid committees is likely to make it difficult for PPP through BEE to be achieved.

#### **6.4 REPORTING**

The National Treasury in collaboration with Institute for Public Finance and Auditing (IPFA), have conducted Standard Chart of Accounts (SCOA) Road Show in 2008 for Gauteng province personnel working with finance. The New Economic Reporting Format (NERF) and SCOA as a significant national development and change management exercise were introduced (Learner's Toolkit, 2008:1). The purpose of NERF is to classify financial transactions accurately and consistently Learner's Toolkit (2008:5). Paragraph 5.13 outlined five programmes within which the budget is allocated. It is envisaged that through NERF, it will be possible to identify programmes that are lagging behind in the implementation of BEE imperatives.

Reporting on how the departments spend the allocated budgets per programme is essential, for example, overspending on one programme and underspending on another will not be appropriate. It is therefore essential for departments to report regularly on their budget expenditure patterns. A report on the amount of money spent in relation to the budget allocated on training for instance, will have to reflect how procurement of service providers complied with preferential procurement policies that are in agreement with BEE/BBBEE provisions. Suppose there were no reports presented on the details of how the budget was spent, this will inevitably hamper the realisation of BEE through PPP. NERF has been introduced as a new budget reporting format whose aim is to harmonise the budgeting and reporting definitions of items of payments, receipts, assets and liabilities. The SCOA is a combination of the requirements of NERF and annual financial statements and it upholds the principles of transparency and accountability in

the management of resources as prescribed in Section 216 (*National Treasury*, 2004). The national legislation must establish a national treasury and prescribe measures to ensure that both transparency and expenditure control in each sphere of government are in place, by introducing the following:

- i. generally recognised accounting practice;
- ii. uniform expenditure classification; and
- iii. uniform treasury norms and standards.

The mandate to introduce SCOA is derived from *PFMA*, (1999). The *SCOA* is defined as a new structure of government accounts based on both Government finance statistics and International Public Sector Accounting Standards (IPSAS) (Laerner's Toolkit, 2008:7). The *SCOA* contains detailed spending items supporting the new budget format, which is NERF. *SCOA* has the following as its main features:

- i. it is standard- there are standard sector-specific items;
- ii. any changes to the budget format will be supported by corresponding changes to *SCOA*; and
- iii. the accounts correspond to the requirements of the new budget format (Learners' Toolkit, 2008:7).

Given the number of budget items that have to be accounted for, to curb the levels of fraud and corrupt practices there has to be standardised reporting format for the Auditor-General to detect deviation and solicit deviations from the accounting officers where they occur. There is however no guarantee that these measures are so water-tied that the issuance of clean audits by the Auditor-General would be a common practice across the departments. It is for this reason that a standardised reporting format is required, which will be more user friendly than the previous format. The question can be asked: why the switch over to the new uniform format of reporting? The main reasons for the change are as follows:



- i. the old standard item structure of classification was characterised by outdated account labels, for example, stores and livestock;
- ii. as a result, government reports were not a reliable source of accurate and timely information needed for decision-making ;
- iii. in the old system a vast number of line items existed, including several which were no longer in use. This was an unmanageable system, which did not promote transparency;
- iv. the old system allowed for duplication of items, with standardised item comparable information could be attained; and
- v. the old system was fragmented where departments used a range of financial systems such as BAS, FMS and Walker.

NERF as a reporting format has been developed as:

- i. part of a public sector budget reform;
- ii. being compliant with the Government Finance Statistics (GFS) classification system;
- iii. being compliant with the Special Data Dissemination Standard (SDDA); and
- iv. the format to be employed for the budgeting process for all of the government sector (Learner's Toolkit, 2008:8-15).

GSSC as a procurement office needs to be well equipped with the knowledge of new systems for it to account for the budgets of all Gauteng departments it caters for. It is expected of all officials responsible for finance to be familiar with the new system and the new reporting format. As the reports will be on the basis of the item-based expenditure, it is vital these items are standardised across all the departments. The Government recognises the effect of capacity constraints on the ability to spend effectively (*National Treasury Budget Review*,2006:3). It is for this reason that the emphasis is placed on improving the efficiency of Public Sector delivery. Technical support to boost planning and financial capacity in provincial and local governments has

received new impetus. The GSSC and the Gauteng Provincial Government departments have also been beneficiaries of the new impetus in the form of training in the implementation of the SCOA and the NERF. Through improved technical support, the implementation of PPP through BEE will be achieved as proper planning and allocation of resources will be done in advance and any form of deviation from the norm of propriety will be detected and corrected promptly.

## 6.5 THE VISION, MISSION AND VALUES

The GSSC vision statement is to be a provider of world-class support services in the Public Sector (GSSC, 2010). Its mission statement is to enable the improvement of the quality of service in the public sector by providing efficient support services by continuous improvement through leading-edge technologies and processes, by being customer-focused, by implementing quality service standards and performance measures and consolidating functional expertise into centres of excellence. The values are stated as follows:

- i. superior performance and continuous improvement;
- ii. high level of customer satisfaction;
- iii. organisational learning and development;
- iv. use of appropriate technologies to improve efficiency; and
- v. competitiveness and cost-effectiveness.

The achievement of the above would make the GSSC a centre of excellence. The GSSC as centre of excellence would be measured against its ability to execute procurement services to the user departments, the function which is guided by *PFMA*, (1999). The substance of a PPP is normally the procurement of service. The paragraph that follows discusses GSSC as a centre of excellence in relation to the realisation of BEE through PPP (*National Treasury Standardised PPP Provisions*, 2004).

## 6.6 GSSC AS CENTRE OF EXCELLENCE

The GSSC as a centre of excellence outlines the following:

- i. project management office of the Gauteng Audit Service;
- ii. focuses on audit methodology, processes and best practice investigation;
- iii. manages a quality assurance programme focusing on consistent quality reporting;
- iv. ensures compliance with international standards for professional practice of internal auditing;
- v. coordinates customer relationship management;
- vi. coordinates training to ensure that personnel are continuously improving their skills regarding audit capabilities; and
- vii. provides template audit software support to users (*GSSC Annual Performance Plan, 2009-2010:16*).

Of importance is whether the external customer feels any impact as a result of what the achievements excellence stipulated above. The translation of excellence into quicker delivery of service to user departments will result in an improved service of note, in hospitals where lower mortality would be reported for instance. Improved payment of service providers for service rendered would result with fewer SMMEs going bankrupt. Quicker delivery of textbooks to schools as well as expeditious transfer of subsidies to institutions of learning would assist these institutions implement procurement policies. Schools would be able to implement BEE imperatives, by commissioning service providers for learner support material on time and be able to pay for the service rendered expeditiously, in line with the National Treasury requirements. Strengthening partnership with private sectors helps in the creation of jobs (*Gauteng Treasury Budget Booklet, 2010:7*). Job creation forms part of BEE. In the following paragraph, it will be proved whether BEE through PPPs in the Gauteng Shared Service Centre has achieved what it set out to achieve, guided by the vision/mission statement as reflected in paragraph 6.5.

Any excellence that does not translate into tangible outcomes may not be accepted by customers as such. Having referred to the GSSC as procurement entity, it is vital to consider the measures it has put in place to manage a variety of risks, ranging from fraud to incapacity. The Procurement Business Unit has implemented the supplier relationship management module used to facilitate the procurement of goods and services, whose benefits include the following:

- i. creation of shopping cards;
- ii. supplies on line registration and bidding;
- iii. automatic creation of purchase orders;
- iv. enhanced reporting that will include spend analysis; and
- v. enlarged contract management (*GSSC Performance Plan, 2009-2010:50*).

The aim of the GSSC is to provide procurement-related services to the GPG customers. For this objective to be achieved it is vital that it improves its systems and processes to give expression to what has been analysed in Chapter 5 as far as the promotion of conditions for BEE/BBBEE implementation is concerned. The GSSC develop and implement sourcing strategies that will assist the GPG departments to purchase goods and services effectively from suppliers (*GSSC Performance Plan, 2009-2010:45*). It is envisaged that the suppliers from whom the GSSC procures should be BEE accredited to ensure compliance with the provision of the preferential procurement processes. It is mentioned in paragraph 6.7.3 for instance, that Tshwane South District of the Gauteng Department of Education was found to have not completely complied with all the procurement requirements in that some suppliers used were not accredited.

The 58% of the budget during the financial year was spent on the historically disadvantaged individuals. Women in Gauteng departments have benefited 17%, while the youth and people with disabilities benefited 3,7% and 0,8% respectively. Information pertaining to the service providers has not been disclosed in the report, though this would have assisted in determining the number of PPPs that have been established in line with the preferential procurement policy. In order to check

compliance, weekly in-house BBBEE development workshops involving 1,620 participants were conducted (*GSSC Annual Report, 2008/2009:28-29*).

The following table presents information pertaining to BEE/BBBEE expenditure in Gauteng Provincial Government and GSSC (*Gauteng Treasury Budget Booklet, 2010/2011:30*):

**Table 6.1- % Value of contracts awarded to BBBEE owned companies**

<b>Beneficiaries</b>	<b>Target</b>	<b>Actual results for the Gauteng Provincial Government</b>	<b>Actual results for GSSC</b>
<b>Historically disadvantaged individuals</b>	70%	49, 1%	65, 2%
<b>Women</b>	15%	15, 5%	4, 4%
<b>Youth</b>	5%	4, 3%	1, 7%
<b>People with disabilities</b>	5%	0, 4%	0, 02%

Source: Gauteng Treasury Budget Booklet 2010/2011, Johannesburg: Gauteng Provincial Government. p30.

The information as presented in the table above provides the extent to which Gauteng Provincial Government Departments and the GSSC have succeeded in reaching the procurement targets for BBBEE owned companies. The Gauteng Departments as well as the GSSC seem to have not missed the set targets significantly. There seems to be a determination from the departments in Gauteng as well as the GSSC to conduct procurement processes to achieve BEE imperatives as discussed in paragraph 4.5 of this study. The maintenance of medical equipment in the Department of Health has 40% of maintenance contracts procured through the BEE suppliers (*Gauteng Treasury Budget Booklet, 2010/2011:31*). The GSSC could achieve its objective of being a center of

service excellence if it conducts procurements in the manner that enhances the realisation of BEE through PPP. The areas where the Gauteng Provincial Departments fell short of reaching their procurement targets need to be identified and reported in accordance with the New Economic Reporting Format (NERF), as discussed in paragraph 6.4 so as to speed up the process towards the realisation of BEE through PPP initiative.

Paragraph 4.5.2 of this study referred to the need for rural people to benefit from the BEE initiatives. Agriculture plays a small role in Gauteng, constituting 1% of import and export category of goods in Gauteng Province, with contribution to the national GDP ranging from 0,5% in 2005 to 0,3% in 2011 (*Provincial Economic Review and Outlook*, 2008:8). Regarding the employment by sector, Agriculture constitutes 2,5%. The statistical presentation above poses a challenge in that rural development may be considered of lesser importance by virtue of the value it adds to the Gauteng Province economy (*Provincial Economic Review and Outlook*, 2008:8-40).

*Rural area* is defined as a sparsely populated area in which people farm and depend on natural resources. A *rural area* is further defined as rural development that enables the rural people to take control of their destiny through the effective use of and management of natural resources (*Gauteng Department of Agriculture and Rural Development*, 2010:7). The overall objective of the Gauteng Rural Development Strategy is to support the implementation of poverty alleviation and to enable rural communities to achieve sustainable livelihood. The predicted outcome of the strategy is the closer cooperation with local government and the private sector. The challenge here is predicated by a lack of evidence whether this rational has been achieved. The statistical records of the number of PPPs formed, for instance; would have lent credence to the success or failure of this objective.

## **6.7 GAUTENG AUDIT SERVICE**

Having analysed the GSSC as a centre of service excellence and the importance of reporting as outlined in paragraph 6.4, it is imperative that the information reported on

the aspects of budget expenditure is followed up appropriately. Should it be pointed out in the report for instance, that the Department of Public Works has achieved its procurement targets for BEE suppliers and that such tenders were awarded to one company, the mechanisms of control should be put in place to avoid the recurrence of such a practice. The Audit Service as discussed in the following paragraph would be essential to ensure compliance with all procurement processes and to put mechanisms in place to detect fraud at its inception.

The GSSC (2010) stipulates that the main aim of Gauteng Audit Service is to provide a world class service in internal control, corporate governance, integrated risk management processes and best practice in order to maintain an efficient and effective internal control environment. The Gauteng Audit Service aims to provide a full range of internal audit services to all GPG departments including the Gauteng Department of Education. The services carried out are the following:

- i. risk and compliance audit;
- ii. computer audit;
- iii. performance audit;
- iv. control risk self-assessment; and
- v. centre of excellence.

The above services are discussed in the following sub paragraphs showing how they impact on the study of BEE through PPP in GSSC. An analysis of how these foregoing factors contribute towards the promotion of conditions for the implementation of BEE/BBBEE as discussed in Chapter 5 finds expression in this chapter as well.

### **6.7.1 RISK AND COMPLIANCE AUDIT**

The risk audits review processes comprehensively at a strategic level. Risk audits include an evaluation of the department's control environment and performance improvement recommendation (GSSC, 2010). The department's level of compliance with legislation,

regulations, policies and procedures in relation with procurement processes is also audited. The departments in Gauteng for instance, would be expected to procure goods and services through BEE companies to achieve the set targets as outlined in paragraph 6.6. The paragraph that follows will discuss computer and performance audits.

### **6.7.2 COMPUTER AND PERFORMANCE AUDITS**

Computer audits perform risk assessment of the IT environment. They evaluate a department's general computer control environment as well as the system in use (GSSC, 2010). Performance audit reviews the processes and control measures implemented to assess whether the use of resources is economical, efficient and effective. It evaluates whether value for money has been achieved and conducts performance information review.

The Gauteng on Line is a provincial initiative initiated in 2001 aimed at province-wide computer network. R500 million has been allocated for the project over the period of three years. The ultimate objective is access to internet and personalised email addresses to about 1,5 million learners in Gauteng by 2006 (Finance Portfolio Committee, 2010). To make the project successful, cooperation with information and communication technology industry was sought in pursuance of PPP initiative. The SMMT Online Consortium became the successful bidder for the Gauteng on Line project in 2001. The SMMT is a 100% black-owned company (<http://www.smmt-gol.co.za> [accessed: 2011-9-3]). As the need for computer literacy among learners is vital for their future participation in the digital world, it is the responsibility of the province to ensure that its young citizens are equipped with the knowledge of computers at their early stage. The Gauteng on line project is an important portal for finding information, resources and opportunity. The portal has been designed to improve communication and service delivery across governmental agencies and stakeholders (Gauteng on line, 2010). Vital information pertaining to tenders for BEE through PPP would be located in this portal.



An assumption is made that with the knowledge of computer acquired, learners will in future be able to access information electronically in terms of available tenders advertised as well as acquiring information through internet in terms of the requirements pertaining to tenders and procedures in GPG. It seems as if the youth stand to benefit in technological empowerment to fully participate in the mainstream economy of South Africa. Paragraph 4.5 discussed the empowerment of the youth.

### **6.7.3 CONTROL RISK SELF-ASSESSMENT**

The Gauteng departments are assisted with risk and control identification ratings by carrying out facilitated control risk self-assessment workshops (*GSSC Performance Plan, 2009-2010:13*). The aim of these workshops is to ensure that employee operations are comparable with best practices. In the context of this study, the best practice would be that of seeking to promote the effective and efficient implementation of BEE/BBBEE through PPPs. It is hoped that turn-around time productivity would improve. For example, customer demand would be responded to timely, more especially with the payment of money for the services rendered.

Having discussed audit services as one of the strategic areas of operation for the GSSC, it is vital to discuss service units of the GSSC such as Technology Support Services, Procurement, Human Resource, Finance and Corporate Service and how these units assist the Gauteng departments realise the objectives of BEE through PPP.

The Gauteng Department of Education internal audit report has as its objective, to provide assurance as to whether the new procurement framework manual was being complied with among schools. In reviewing the compliance, the scope of audit covered the following:

- i. obtaining of quotations according to the procurement framework;

- ii. the procurement preferential system as prescribed in the procurement framework, in particular adherence to the 80:20 preference point system in the awarding of orders between R30,000.00 and R100,000.00;
- iii. delegation of authority for procuring of goods and services;
- iv. purchasing and authorisation limits as prescribed in the procurement framework manual;
- v. Pre-qualification of suppliers; and
- vi. validity of orders with approved vendors.

In view of the above scope, a sample of schools was selected for audit with the hope that the findings would reflect the common procurement practices in the Gauteng schools. It is expected of schools in Gauteng to comply with pieces of legislation governing the procurement processes.

The purchase orders and payment advices at a sample school were not authorised according to the delegation of authority. The delegation of authority for the procurement of goods and services stipulated that the senior provisioning administration officer had to authorise the amounts between R10,000.00 and R29,999.99, while the assistant director delegated authority was limited to the amounts between R30,000 and R49, 999.99 and the deputy director authorisation power limited to the amounts between R50,000.00 and R99,999.99 (Procurement Framework Compliance Review at Tshwane South District of Gauteng Department of Education, 2003:2-3). A number of transactions were discovered where officials authorised purchase orders and payment advices in excess of their approval limits as per the delegation of authority (Procurement Framework Compliance Review at Tshwane South District of Gauteng Department of Education, 2003:6). Paragraph 5.10 of this study elicited the budget allocation processes. Having mentioned the importance of programme budgeting is essential that every employee in charge of the budget spend the budget in an acceptable manner. If employees approve budgets above their delegated powers for instance, this will pose challenges of control in terms of curbing over expenditures on the budget. Compounding the problem in the area of procurement was instances where quotations and orders were requested from vendors not

on the vendor master, which will result in service providers falling outside the BEE criterion being awarded tenders that would have been set aside for the designated groups catered for in terms of the policy of preferential procurement.

The procurement anomalies identified above if not corrected would create serious systemic complexities, more especially if those vendors had not been validated and accredited for compliance with BEE qualification standards. Non-compliance would make it difficult for the ideals of BEE in the Gauteng Department of Education to be achieved. The identification of accredited vendors has been made possible by captured data on the vendor master, which is made possible by use of technology.

An example of good practice in as far as procurement is concerned is the Glen High School in Tshwane South District of the Gauteng Department of Education. The development of a property on the corner of Corrobay and Garsfontein Road, has required the Glen High School to send out a tender notice where the prospective bidders were invited to tender (Tender Notice of 12 January 2007). The tender notice specified the time and venue for a compulsory site meeting. The address and facsimile for postage are clearly specified. It should be noted though, that no mention was made in the tender notice whether the bidders coming from the designated groups in terms of BEE would be considered favourably, guided by the provisions of the (*Preferential Procurement Policy Act*, 2000 Act 5 of 2000). The risk with open tenders is that big companies may become beneficiaries at the expense of the smaller companies.

## **6.8 TECHNOLOGY SUPPORT SERVICES (TSS)**

Technology Support Services Unit, gives effect to the transition of the GPG into a smart province through the use of information and communication technology. Technology plays a role in the procurement processes as well as in the compilation of reports for audit purposes (GSSC, 2010:1). In the absence of checks and balances, it will be difficult to gauge the extent at which BEE/BBBEE imperatives are put to effect. If for instance, the Department of Health expects all programme managers to implement preferential

procurement policies in the allocated budgets and that in procuring goods and services, there are no measures to ascertain if all service providers comply with BEE imperatives, that directive would be useless. The information technology infrastructure covers end-user devices and technology, to enable users to run end-user and business applications to perform their job-related tasks. This service includes the following:

- i. workstation services;
- ii. local area network;
- iii. wide area network services; and
- iv. executive support services.

The executive support is targeted to the senior management team of all the departments and the GSSC. A lack of roll out plan may result with the Technology Support Services not achieving its objective. The plan should cover training of managers on the use of computers and a variety of soft-ware programmes that would assist management in monitoring and managing the budget.

Other services rendered by the unit include communication services by internet, email, intranet and web development. The housing, hosting and managing server is the responsibility of the TSS. It remains the responsibility of the unit to deliver and support IT services, which are appropriate to the business requirements of the organisation. The other agency of the GPG is the Gauteng Economic Development Agency (GEDA). GEDA (2010) has as its main thrust, the development of the GPG as a smart centre with specific emphasis on information technology and telecommunication equipment. GEDA is an independent organization, which is funded by the provincial government. It has a CEO who reports to the board of 10 directors. It is not clear whether GEDA performs its role in collaboration with what the GSSC has identified as its thrust in this regard.

As far as technology is concerned, Gauteng Department of Education has worked on proliferation of technology ahead of the right applications or training (Price-Water-House

Coopers, 1999:27). The existing systems in the Gauteng Department of Education are as following:

- i. Persal;
- ii. FMS;
- iii. Vulindlela;
- iv. Oracle Financial Analysis (OFA); and
- v. Virtual Bank (Price Water House Coopers, 1999:5).

A lack of working systems for example, in the Gauteng Department of Education would result in difficulties when budgets for schools are rolled out as well as ensuring the effective tracking of expenditure for all institutions in the Gauteng Department of Education, such as further education and training colleges and the payment of service providers. Technology plays an important role in as far as keeping record of vendors is concerned, so as to ensure that only the vendors on the data-base are the ones who have met selection criteria. These institutions are expected to spend their budget in line with the procurement processes and legislations for the furtherance of BEE ideals. This aspect will be discussed in paragraph 6.9 below.

## **6.9 PROCUREMENT SERVICE BUSINESS UNIT'S ROLE**

The Procurement Service Business Unit facilitates the acquisition of goods and services, thus enabling the departments to effectively execute their legislative mandates. The unit strives to redirect provincial spending patterns as a means of promoting BBBEE within the provincial economy and achieving empowerment targets. The unit ensures delivery in respect of the GPG's five-year strategic priorities, which according to Gauteng Department of Education Annual Performance Plan include the following:

- i. enabling faster economic growth and job creation;
- ii. fighting poverty and building safe, secure and sustainable communities;
- iii. developing healthy, skilled and productive people;

- iv. deepening democracy and promoting constitutional rights; and
- v. building an effective and caring government (GSSC, 2010:1).

The above priorities form part of an essential strategic direction which the departments should take to realise the broader aspects of BEE. The realisation of these priorities requires PPP, more especially as far as skills transfer is concerned, for instance. In order to achieve the above priorities, the unit set out the following objectives (GSSC, 2010:1):

- i. to develop and maintain a world class procure-to-pay process within the Public Sector;
- ii. to ensure continuous improvement through a process of ongoing training and development of the unit's staff and end-users;
- iii. to develop and implement sourcing strategies for high-value, high-volume and complex commodities as an enabling mechanism for the purchase of goods and services across all departments;
- iv. to develop relationship with, specifically black empowered SMME vendors in support of the GPG preferential procurement strategy;
- v. to provide procurement process optimisation support through the creation of an enabling environment for the Procurement Services Business Unit; and
- vi. to develop and implement effective and efficient contract processing and management, which enhances value delivery to departments.

As far as the above factors are concerned, the procurement of goods and services in accordance with the preferential procurement policy would help in the achievement of BEE through PPP. The Procurement Services Business Unit has identified the following initiatives, which are to be undertaken during the 2008/2009 financial year:

- i. the achievement of the GPG preferential procurement target of 60%;

- ii. ensuring that the GPG business opportunities are made more accessible through the identification of and support for competitively viable BEE-based SMME;
- iii. continuing to improve the management of the GPG centralised vendor database of pre-qualified and BEE-verified vendors;
- iv. continuing with the provision of procurement process and system support;
- v. enhancement of management of online tendering and online supplier self-registration;
- vi. introducing a purchasing card which will have an effect on reducing time consuming administrative processes in respect of high volume purchases;
- vii. analysing the GPG spend report at various levels to assist departments with budgeting;
- viii. promoting alternative channels for interacting with the GPG in terms of e-tendering; and
- ix. improving customer/supplier experiences through the introduction of simplified and streamlined forms and documents (GSSC, 2010:1).

Though the above initiatives appear plausible, the challenge will inevitably be the implementation thereof. Notwithstanding the levels of computer literacy among the potential vendors, the high levels of poverty in the country and in Gauteng in particular are of such a nature that tendering on-line would only deepen the marginalisation of the communities who stand to benefit from the system. The BEE is intended for the poorest of the poor. In implementing tendering on-line, it is essential that the designated beneficiaries are not further marginalised. A study will have to be conducted to ascertain if the majority of potential vendors would benefit whether procurement processes are digitised. Another challenge facing the implementation of and achievement of preferential procurement targets, more especially in terms of gender is the attitude of management to gender issues.

Of managers, 41 % perceive that gender focuses equally on women and men, while 52% perceive that gender issues focus on women and that gender equality is often considered

to be for women and about women (*Report: Gender Audit of All Departments of the GPG*, 2006:34). This causes tensions in both gender mainstreaming strategic and programmatic development. Paragraph 4.5 has addressed the need for women empowerment. It is expected of managers to embrace women empowerment policies in GPG and implement them. Given the tensions alluded to, the implementation of women empowerment policies in respect of wealth creation may pose a challenge. This challenge is in spite of the fact that according to the *Report on gender audit of all departments of the GPG* (2006:41) most of the departmental plans appear to recognise the importance of targeted women and girls' intervention programmes.

The challenges besetting the procurement system to meet the demands for BEE are myriad. The significance of these challenges in schools in the Gauteng Department of Education ranges from a lack of effective and economical management of school finances to poor management of assets. The paragraph that follows outlines school-based challenges as identified by O.M.A Chartered Accountants Report of 2007. The achievement of the ideals for BEE through PPP is dependent on the effective management of finances by all institutions, including schools. As procurement is a vehicle for the achievement of BEE through PPPs, it is essential that all institutions involved in procurement manage resources responsibly.

Detailed findings and recommendations flowing from the audit of schools in the Gauteng Department of Education, were made (O.M.A Chartered Accountants Report, 2007:8). The findings in this regard helped to determine whether an environment existed for the implementation of BEE through PPP. Chapter 5 of this study has discussed the promotion of the conditions for the implementation of BEE/BBBEE, which among other things, is latched on the effective, efficient and economical use of the allocated budgets. An inference can therefore be made that in the absence of proper financial controls, the implementation of BEE through PPP would pose challenges. These include the following:

- i. lack of formalised policies and procedures;



- ii. composition of Finance Committees not in accordance with regulations;
- iii. there is no criteria for the selection of service providers; and
- iv. the list of preferred suppliers is not maintained and a lack of quotations obtained in respect of the procurement of goods and services.

In order to correct the identified anomalies mentioned above, O.M.A Chartered Accountants (2007:64), has recommended the following:

- i. the finance committees should elect other members of the finance committee to assist the finance officer with the bookkeeping functions of the school;
- ii. income and expenditure reports, cash book, bank and payroll reconciliation should be performed monthly;
- iii. the principal should perform monthly reviews and sign the income and expenditure reports, cashbook, bank and payroll reconciliation as evidence of review;
- iv. the finance committee must ensure that an approved budget is made available to the school;
- v. monthly income and expenditure projections should be prepared based on the budget;
- vi. financial management training should be provided to the staff responsible for the financial management of the school; and
- vii. bank reconciliation should be reviewed and signed as having been reviewed by an independent senior official to ensure that reconciling amounts are resolved timeously.

The implementation of the above recommendations requires some training of the school managers and school-based finance officials, through partnership with renowned financial institutions such as Price-Water-House-Coopers, for instance. This partnership would help build capacity in schools for the effective implementation of BEE through PPP. A number of schools in Gauteng do not have a finance committee (O.M.A Chartered Accountants, 2007:10-12). For these committees to perform their duties

effectively, they need to be trained. The paragraph that follows addresses the Human resource services rendered by the GSSC.

## **6.10 HUMAN RESOURCE SERVICES**

*The Human Resource Development Strategy* of the Gauteng Provincial Government, (2006:4) in recognition of the importance of the Human Resource Development (HRD) Strategy and its impact on economic growth, has spelt out the following overall provincial priorities:

- i. enabling faster economic growth and job creation;
- ii. fighting poverty and building safe, secure and sustainable communities;
- iii. developing healthy, skilled and productive people;
- iv. deepening democracy, nation building and realising constitutional rights;  
and
- v. building an effective and caring government.

All the above play a major role in the achievement of BEE in that poverty eradication is an important component of BEE.

The Human Resource Services endeavours to provide departments with a wide range of human resource interventions (GSSC, 2010:2). The unit is responsible for the provision of expert advice on and support for the formulation of organisational design, development, job evaluation and change management. The unit is responsible for the management of PERSAL, report analysis and policy formulation. The focus of the unit is on skills development. Former deputy president Mlambo-Ncquka (2006) pointed out that failure in the human resource and skills development sphere caused the failure of AsgiSA. She asserts that for the dreams about the economic growth to be achieved, suitable skills are essential. To enhance the performance of Gauteng provincial economy, the provincial government has adopted an economic plan, which is premised on three strategic pillars for a new growth trajectory, which are as follows:

- i. the development of Gauteng as South Africa's smart centre;
- ii. the development of high value-added manufacturing and mineral beneficiation; and
- iii. developing the province's service sector (Gauteng Provincial Skills Plan, 2001:4).

The GSSC is expected in its endeavour to enhance the skills of its personnel, to pursue the above identified provincial prerogatives as they contribute towards the development of the economy of the province.

The role and responsibility of the Human Resource unit of GSSC are in tandem with what has been stated in the *National Treasury Budget Review* (2006:7) namely, achieving equity and human development requires full realisation of human dignity and the freedom to pursue economic opportunity, which are incompatible with the poverty that continues to afflict a large number of South Africans. Sustained progress in reducing poverty requires continued economic expansion, job creation and quality services, which enable people to improve their standards. The improved efficiency of the public sector is critical for the reduction of poverty.

The challenge facing the GSSC to achieve this endeavour lies in the evident lack of common approach in achieving the skills development goal. There are a number of challenges facing various departments in the GPG (*Maximizing Human Capital for Shared Growth*, 2007:68-69). There are few official systems to support HRD initiatives in the province. While some departments pay close attention to the skills development and explain how they plan to approach the development of their employees, others simply vaguely refer to the development of their employees. Not all departments have done skills audits, hence training of employees tends to be *ad hoc* and it is neither needs-driven nor outcome-based.

The challenge the GSSC has to grapple with in its mandate of executing capacity building lies in the conceptualisation of the capacity building initiative itself. The cliché of

building capacity needs to be reviewed to achieve the benefits. Mokgoro (2005:5) posits that the word *capacity* does not need to be used too loosely without clear and common understanding. Administrative capacity implies effective administration of basic physical and social infrastructure.

Where teachers are not producing good results for instance, because learners do not receive learning materials on time and learn under trees where learning only happens when it does not rain, there is no need to send teachers on capacity building workshops to improve on their results. The other variables contributing to the poor performance of learners also need to be attended to. The same goes for putting personnel in wrong jobs and positions and expect them to improve their performance. The delivery of an acceptable standard of service in the Public Sector is dependent on the skills and administrative acumen of personnel. Human capital plays an important role in the achievement of BEE ideals in that PPP formation requires a variety of aspects to succeed, these are for example, feasibility study, project management skills, knowledge of budget and financial management. Building capacity among employees is vital to avoid disastrous service delivery, more especially in the area of management of finances.

The GSSC has through the Matthew Goniwe School of Leadership and Governance been able to reach out to the school based managers in the Gauteng Department of Education, offering exclusive training courses for the newly appointed principals and providing mentorship programmes. These programmes cover, among other things, school development planning and money matters, the latter addresses the effective management of school finances (Matthew Goniwe School of Leadership and Governance: Quarterly Report for the Period, 2005:46). Paragraph 6.7 has discussed the procurement issues in schools in the Gauteng Department of Education. The need for training in the management of finance cannot be overemphasised because the inability to manage finances would make it difficult for the ideals of BEE to be achieved. The school budgets in Gauteng are spent on activities that do not seek to advance the realisation of BEE.

## 6.11 FINANCE SERVICES

The Finance Services plays a role in ensuring that payments for service rendered are made on time. If for instance, a service provider has been procured to supply stationery and struggles to get paid for the service rendered, the possibility is that such service provider may not sustain the business, more especially if it is an SMME. The Finance Services provides an effective enterprise-wide transversal financial service for the GPG. The key objectives of Finance Services are:

- i. maintaining general ledger accounts of the departments;
- ii. accurately and timeously processing payments to the suppliers;
- iii. administering the payroll;
- iv. administering the cash books; and
- v. acting as the debt collection agent (GSSC, 2010:1).

The payroll services are the following:

- i. processing salary-related mandates;
- ii. implement and authorise garnishee and other court orders;
- iii. recover and pay salary-claims;
- iv. process salary related amendments;
- v. perform month and payroll closure and deduction reconciliation;
- vi. perform the annual tax reconciliation, and
- vii. clear outstanding ledger accounts (*Service Level Agreement between Gauteng Department of Education and Gauteng Shared Service Centre, 2007:55*).

While the GSSC performs finance-related tasks, the problem emerges when other departments seem to be executing more or less similar functions. What has to happen is to delineate roles and functions that have to be carried out by departments and those that remain the terrain of the GSSC. A lack of clarity in this regard may result in audit

problems as the GSSC may report on asset register of a particular department for instance, while the same department provides a different report on the same to the Auditor- General.

The priorities that would have fallen within the jurisdiction of GSSC were identified. Among others, the priorities include effective, efficient and economical financial management systems, sound asset management systems and human resource development (*Gauteng Department of Education Annual Performance Report Plan, 2008/09:30*). It is not very clear where the responsibility of the GSSC should start in this regard and where it should end. The same goes for the recovery of debt. It is not clear if the recovery of debt would be the responsibility of individual departments or the GSSC on their behalf as a procurement office. Given the role and responsibility of the GSSC with all the systems outlined, it would have been difficult to experience acts of alleged fraud or irregularity in the departments. The promotion of favourable condition of the implementation of BEE/BBBEE as discussed in Chapter 5 will be in jeopardy where the allocated budgets cannot be accounted for and subsequently, PPP with special reference to the realisation of BEE, would be a failure.

## **6.12 SERVICE LEVEL AGREEMENT**

The GSSC provides to the sourcing Gauteng Department of Education, the services that are provided to the other GPG departments such as the following:

- i. finance-related;
- ii. human resource;
- iii. procurement;
- iv. technology support; and
- v. audit services (*Service Level Agreement between Gauteng Department of Education and Gauteng Shared Service Centre, 2007:15*).

The agreement defines the minimum acceptable levels of service that were provided by the GSSC to the Gauteng Department of Education. The above services have been discussed in paragraphs 6.7 to 6.11. In the event where there are variances in respect of the agreed service standards, the same shall be managed in terms of the following key processes:

- i. the early warnings;
- ii. managing service variances; and
- iii. dispute resolution mechanism (*Service Level Agreement between Gauteng Department of Education and Gauteng Shared Service Centre, 2007:12*).

As indicated in paragraphs 6.1, it remains to be seen whether the GSSC has achieved the mandate it set out to be achieve, among others, to ensure the speedy delivery of service and payments and the creation of a smart and excellent centre. The premier Mokonyana is reported as having said GSSC has now been incorporated under the Gauteng Department of Finance. The reason for the incorporation has been that the GSSC experienced the backlog of R1,7 billion it owed to suppliers to schools and hospitals Incorporating the GSSC under Gauteng Department of Finance (Anon, 2010:2). This may serve as an indication that the GSSC was not able to satisfy the requirements for which it was formed or that it did not get sufficient time to prove itself. Any partnership where partners are not committed to conditions of that partnership, for instance, prompt payment of service rendered would result in chaos and endless litigations. PPP as a means towards BEE has to be contracted in a manner in which all partners stand to benefit.

## 6.13 CONCLUSION

Chapter 6 as focus chapter of this study highlighted the role played by the GSSC as procurement office. A number of challenges and limitations were highlighted to serve as a basis for recommendation in the final chapter of this study. A wide range of technical systems and policy processes were referred to. The GSSC was presented as a strategic

partner, though referred to as procurement office; by virtue of the strategic role that it plays in ensuring that the GPG departments are relieved of secondary responsibilities and focus on the mandated core businesses. Whether the GSSC has succeeded in its role will depend on how the user departments conceive the services it provides and how the public at large perceives the quality of the service it renders.

The GSSC as procurement office, in view of the service it renders and its relation to user departments; could not be portrayed as yet another department. Its existence depends on how it helps other departments to exist. The GSSC as procurement office keeps data of vendors who qualify as beneficiaries of preferential procurement policy. The success hereof is in record keeping, which would be dependent on appropriate reporting by user departments, hence the introduction of SCOA and NERF.

The following chapter provides recommendations and conclusion. In discussing recommendations and conclusion, reference is made to a variety of issues raised in the previous chapters. The suggestions as to how the identified challenges may be dealt with are made in a manner that is not reflected as a mere repetition of what has been mentioned already. A new thinking will be introduced to address the problem of leadership and management in the organisation, which will call for a new culture and a new way of rendering service in a manner that makes it possible for BEE rational achievable.