



Reference: RCS/C.6

My Content: WCG-2017-453

## TREASURY CIRCULAR NO. 4/2017

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THE MINISTER OF ECONOMIC OPPORTUNITIES

THE MINISTER OF COMMUNITY SAFETY

THE MINISTER OF CULTURAL AFFAIRS AND SPORT

THE MINISTER OF EDUCATION

THE MINISTER OF FINANCE

THE MINISTER OF HEALTH

THE MINISTER OF HUMAN SETTLEMENTS

THE MINISTER OF LOCAL GOVERNMENT, ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING

THE MINISTER OF SOCIAL DEVELOPMENT

THE MINISTER OF TRANSPORT AND PUBLIC WORKS

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## **IMPLEMENTATION OF THE PROVINCIAL SECURITY PROCUREMENT STRATEGY**

### **1. PURPOSE**

1.1 The purpose of this circular is to communicate the following:

- a) Provide a background summary of the Western Cape Government Security Strategy (ARUP Report);
- b) Issue the Western Cape Government (WCG) Security Procurement Strategy (attached as Annexure "A"); and
- c) Inform on the process to follow until the establishment of a transversal framework agreement for security services.

## 2. BACKGROUND

### Western Cape Government Security Strategy (aka ARUP Report)

- 2.1 The Western Cape Government, via its Department of Community Safety commissioned an analysis of the security situation at provincial institutions during 2013. The assignment resulted in a security diagnostic being performed by an international security consultancy (ARUP) which incorporated benchmarking with International Best Practice from the United States of America and the United Kingdom. A diagnostic report and a security strategy that would be transversally applicable to all WCG provincial departments were developed in the process.
- 2.2 The ARUP diagnostic revealed the following:
- a) Safety and security within WCG is currently approached in a piecemeal way, is disaggregated and does not create the level of control necessary to create and sustain a more secure operating environment;
  - b) There is a lack of wider organisational alignment of ownership, resources, authority, responsibility and accountability in respect of security;
  - c) The expenditure in respect of the commodity is ill-defined and apart from the expenditure on guarding services, is difficult to isolate within the broader infrastructure budget;
  - d) Data and information systems required to inform the understanding of the threat environment, the security requirement and to facilitate decision-making is lacking or not exploitable;
  - e) The approach to the selection and management of guarding services seems to be entirely based on lowest cost whereas guarding services should be selected on the basis of the wider "value" it can bring to an organisation where the ability to measure this value becomes critical; and
  - f) Security is not pre-emptively considered in the design of new buildings or renovations which leads to a design which is inherently flawed and more likely to warrant continual and ultimately more expensive measures from a total cost of ownership perspective to secure buildings.

2.3 Based on the observations made during the ARUP diagnostic, the opportunities for improvement were broadly envisaged to be as follows:

a) Policy and Strategy

- Incorporation of a policy framework which is less focussed on compliance and more on guiding WCG departments on how to manage security better in a more agile, risk-based and asset value-based approach.

b) Structure and Organisation

- Creation of a more coherent security structure that is integrated with departmental core business and other areas of risk management;
- Ownership of the security function at the appropriate level in the organisation;
- Clearer identification of resources devoted to security with clear lines of authority, responsibility and accountability; and
- Creation of proper security management and advisory capacity.

c) Process and Methodologies

- An integrated risk-based approach to security;
- Coherence of procurement of security services and systems;
- Performance Management of statutory, contract and service delivery compliance;
- Improved systems for assets management and monitoring of losses;
- Involving security at the design stage;
- Inventory control business processes;
- Information Management;
- Guarding – balance between in and outsourcing and a more agile, risk-based approach to how guards patrol and oversee their areas; and
- The creation of natural surveillance through business activity.

d) Skills and Training

- Creating capacity to energise change;
- Security awareness training and creation of a more pro-active security culture across WCG; and
- Training on tools and templates.

2.4 Whilst it is evident from the afore-mentioned that opportunities for improvement in terms of the WCG Security Strategy are broadly envisaged, process and methodology recommendations include that there is an integrated and risk-based approach to security, coherence of procurement of security services and systems, performance management of contracts, service delivery and statutory compliance as well as pre-emptive consideration of security in the design stage.

### **3. DEVELOPMENT OF A WESTERN CAPE GOVERNMENT SECURITY PROCUREMENT STRATEGY**

3.1 Following the adoption of the WCG Security Strategy (aka "ARUP" strategy) as per Provincial Cabinet Resolution 166/2013; the Provincial Treasury initiated a partnership with the Department of Community Safety to tactically align a procurement strategy for security services to the WCG Security Strategy. The first milestone in the partnership would be the development of a *WCG Security Procurement Strategy*.

3.2 In terms of the Provincial Treasury's mandate to provide provincial departments with capacity in respect of building support for a more efficient, effective and transparent financial management system, the Treasury introduced the methodology of Strategic Sourcing within the Province. Security services was identified as a commodity that potentially could benefit from the application of strategic sourcing.

3.3 Pursuant to this, the Provincial Treasury engaged the Department of Community Safety as co-sponsor to the project given their role as subject matter experts on security services in the Province. A management consultancy was commissioned to develop a transversal procurement strategy for security services that would be tactically aligned to the recommendations of the WCG Security Strategy ("ARUP" strategy).

3.4 Various engagements followed which included a two-day workshop with key stakeholders from across provincial departments during 2015 and which resulted in the co-creation of the *WCG Security Procurement Strategy*.

#### **4. PROVINCIAL TOP MANAGEMENT ADOPTION OF THE WCG SECURITY PROCUREMENT STRATEGY "FUTURE STATE"**

4.1 The Provincial Treasury and the Department of Community Safety, co-presented the *WCG Security Procurement Strategy* to the Provincial Top Management (PTM) on 14 June 2016.

a) PTM resolved to adopt the *WCG Security Procurement Strategy* "future state" which endeavours to achieve the following outcomes:

- Effective communication between Supply Chain Management and Community Safety during the sourcing process;
- Holistic integrated security solution that includes a security plan and risk assessment;
- Value for Money;
- Clear understanding of the roles and responsibilities;
- Reduction of losses;
- Clear communication various stakeholders of security services;
- Training for Supply Chain Management in order to achieve standardisation;
- Training to service providers to inform on service standards;
- Performance Management of security service providers;
- Restored confidence in procurement as an enabler;
- Embedded and standardised procurement process across Western Cape Government;
- Testament to new methods of procurement;
- Improved reporting of security incidents;
- Establishment of a database of all properties – effective planning;
- Reduction of loss in value = utilisation of funds where they are needed; and
- A focused approach to specific risk threats.

b) It was also resolved that the Provincial Treasury would formally issue the Security Procurement Strategy with the proviso that no additional resourcing requirements would be imposed on departments to give effect to the strategy.

4.2 The Provincial Treasury hereby formally communicates the *WCG Procurement Strategy*. Hereto attached as **Annexure "A"**.

## **5. MINIMUM REQUIREMENTS FOR THE PROCUREMENT OF SECURITY SERVICES**

5.1 In terms of the implementation of the procurement strategy for security, the Provincial Treasury will incrementally issue minimum requirements to be adhered to by provincial departments when procuring security services. Standardised processes and tools are furthermore envisaged in this regard.

5.2 The first standardised tool to support greater coherence in the procurement of security services is the establishment of a transversal framework agreement for the provision of security services.

5.3 Whilst the Provincial Treasury and the Department of Community Safety are instrumental in the development of a terms of reference for the Framework Agreement, further refinement will be done in consultation with the representatives from departments within the bid committee structures and process.

5.4 Requests for formal representation on the various bid committees will be sent to the relevant accounting officers in due course.

## **6. INTERIM PROCESS FOR THE PROCUREMENT OF SECURITY SERVICES, PENDING THE CONCLUSION OF A TRANSVERSAL FRAMEWORK AGREEMENT FOR SECURITY SERVICES**

6.1 In order to optimise the potential spend under the planned Framework Agreement and to reduce the duplication of effort, the Provincial Treasury hereby requests that departments, to the extent feasible, do not initiate new contracts for security services from date of issuance of this circular.

6.2 Where existing contracts will be expiring imminently, such contracts be extended for a period no longer than six (6) months to allow the Provincial Treasury sufficient time to consult on and conclude the Framework Agreement for Security Services. The Provincial Treasury will request this information from departments in this regard in due course.

**7. REQUEST TO DEPARTMENTS**

7.1 That accounting officers take heed of the contents of this Circular and act accordingly.

7.2 All enquiries in respect of this circular to be communicated to the following officials:

- [Theresa.Soetzenberg@westerncape.gov.za](mailto:Theresa.Soetzenberg@westerncape.gov.za) or
- [Samantha-lee.mars@westerncape.gov.za](mailto:Samantha-lee.mars@westerncape.gov.za)

  
MR ISAC SMITH

**CHIEF DIRECTOR: ASSET MANAGEMENT**

**DATE:** 21/02/17





**Western Cape  
Government**

Provincial Treasury

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# Security Services

## Sourcing Strategy

7 August 2015

## 1. INTRODUCTION and BACKGROUND

The Provincial Treasury has introduced the methodology of Strategic Sourcing and Spend/ Data Analysis within the province in line with its mandate to provide Western Cape Government departments with capacity building support for more efficient, effective and transparent financial management.

The current procurement practices within provincial departments are disaggregated, transactional and limited in value addition. The introduction of Strategic Sourcing is intended to achieve value for money through strategic procurement management; realisation of procurement process improvements to enable service delivery efficiencies; promote better procurement planning; and improve decision making.

The Provincial Treasury has been in the process of identifying strategic commodities per department with the aim of developing commodity and sourcing strategies for the identified commodities. The analysis of the commodity and sourcing strategies for Security Services and related commodities has been identified as one of the immediate priority areas.

## 2. SOURCING STRATEGY TEAM

**Sponsor** : Nadia Ebrahim (Western Cape Government Provincial Treasury)

**Co – Sponsor** : David Coetzee (Western Cape Department of Community Safety)

**Cross Functional Team** :

Denzil Samuels	Community Safety
Eloise Du Plessis	Community Safety
Therese Soetzenberg	Provincial Treasury
Samantha – Lee Mars	Provincial Treasury
Aubrey Nyaguse	Consultant – Strategic Sourcing South Africa
Andile Shabalala	Consultant – EY
Lutfiyya Khan	Consultant – EY

## 3. SECURITY SERVICE COMMODITY

The security commodity in the Western Cape Government consists of surveillance, armed response and physical security. Within these sub commodities, the following are included:

### 3.1. Surveillance

- 3.1.1. CCTV
- 3.1.2. Repairs and Maintenance
- 3.1.3. Equipment

### 3.2. Armed Response

- 3.2.1. Alarms

- 3.2.2. Beams
- 3.2.3. Motion detectors
- 3.2.4. Link to local law enforcement

**3.3. Physical Security**

- 3.3.1. Guards
- 3.3.2. Equipment

**4. SECURITY SERVICE SCOPE**

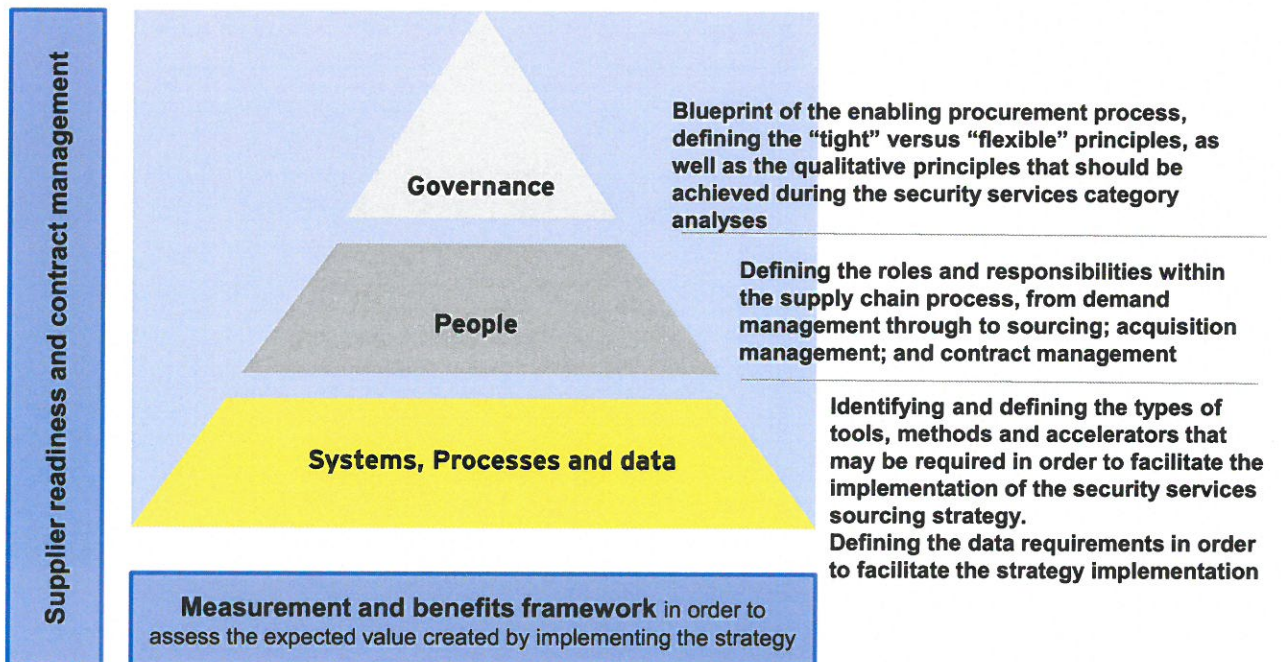
Below is the list of the Western Cape Government departments that have been engaged to develop a Sourcing Strategy for Security Services:

- 4.1. Health
- 4.2. Agriculture
- 4.3. Transport and Public Works
- 4.4. Education
- 4.5. Social Development
- 4.6. Culture and Sports

**5. FRAMEWORK FOR SOURCING STRATEGY**

This framework aims at providing a guideline to ensure that the benefits of its implementation can be tracked and measured over time.

**Fig. 1: Security Services Sourcing Strategy Framework**



## **6. SUMMARY OF SECURITY SERVICE STRATEGY (ARUP REPORT)**

- 6.1.** The objective of the Arup Security Services Strategy document is 'Maximising the Safety Contribution of the Western Cape Government institutions, assets and people'
- 6.2.** The Western Cape Government performs its functions and delivers its services in a wide variety of institutions and circumstances. As such, security services needs to align to this.  
The Security Services Strategy focuses on the technical aspects of security services. The technical aspects are not specific to any department or facility, however it does cover a wide spread generic technical specifications that needs to be included when conducting a risk assessment. The strategy document is an enabler to be used as a guideline when conducting security risk assessments for each user department as and when the security service is required
- 6.3.** International best practice from the United Kingdom and the United States of America have been included as benchmarks when considering best practices in security services for government departments
- 6.4.** The strategy document focuses on an outcomes based solution for security services by embedding performance measurement as a key principle and enabler.

## **7. AS-IS ANALYSIS AND GAP IDENTIFICATION**

### **7.1. Overview**

In order to develop the Security Sourcing Strategy, the current methods by which security services were being procured within the Western Cape Government, were analysed. Techniques used include interviews and an analysis of the processes that govern the procurement of security services.

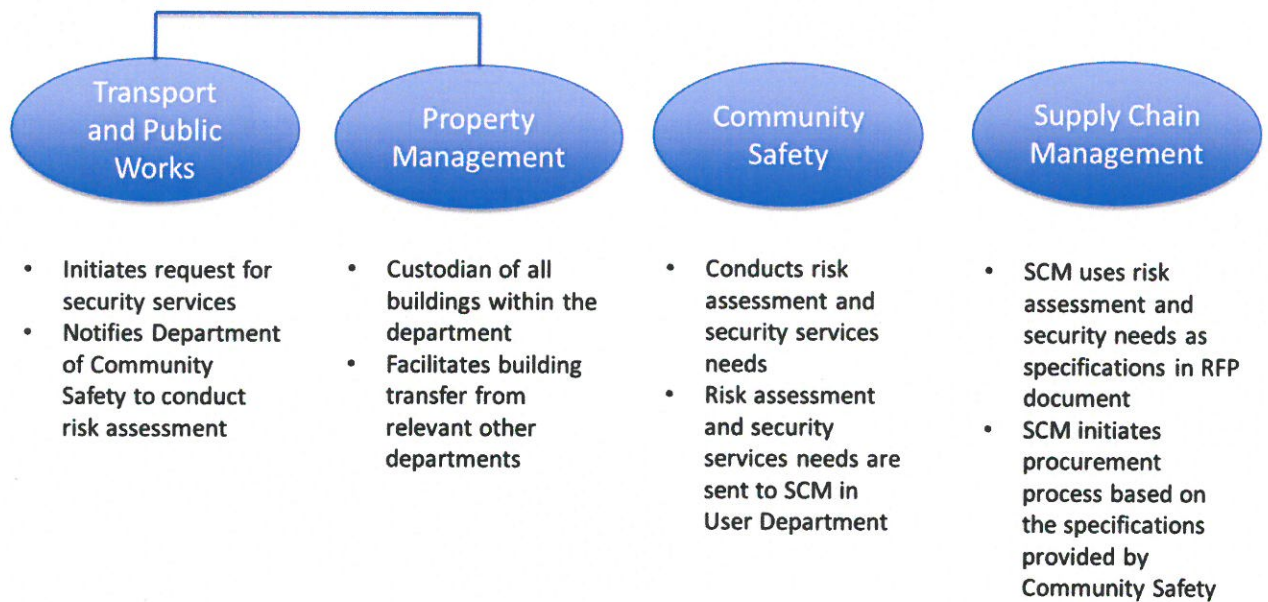
In summary, the majority of the departments follow a similar pattern of procurement processes for sourcing security services. However, following the process does not necessarily result in the procurement of a service that is fit-for-purpose and the required benefits are not necessarily derived from that service.

The Security Sourcing Strategy aims at providing benefits that can be measured and tracked over time.

**Fig. 2: Current high level view of security services procurement excluding Transport and Public Works**



**Fig. 3: Current high level view of security services procurement for Transport and Public Works**



## 7.2. Legislative requirements

The procurement process is governed by legislation and the legislative guidelines cannot be altered at this point.

In this regard the supply chain management regulatory framework is arranged in the following hierarchy;

- The Public Finance Management Act 1 of 1999, as amended by Act 29 of 1999 (PFMA);

- National Treasury Regulations;
- Provincial Treasury Instructions; and
- Accounting Officer's System for Supply Chain Management and Movable Asset Management (AOS).

Specific Security Sector and other applicable legislative requirements include the following;

- Private Security Industry Regulations Act (Act 56 of 2001), Private Security industry Levies Act (23 of 2002), as well as the Code of Conduct for Security Service Providers and Private Security Industry Regulatory Authority Regulations as amended
- Sectoral Determination 6 made in terms of Section 51 (1) of the Basic Conditions of Employment Act, No 75 of 1997, for the Security Services Trade and published in the Government Gazette.
- Occupational Health and Safety Act, 1993 (Act 85 of 1993) and Regulations of the Act
- Compensation for Occupational Injuries and Diseases Act (COIDA)

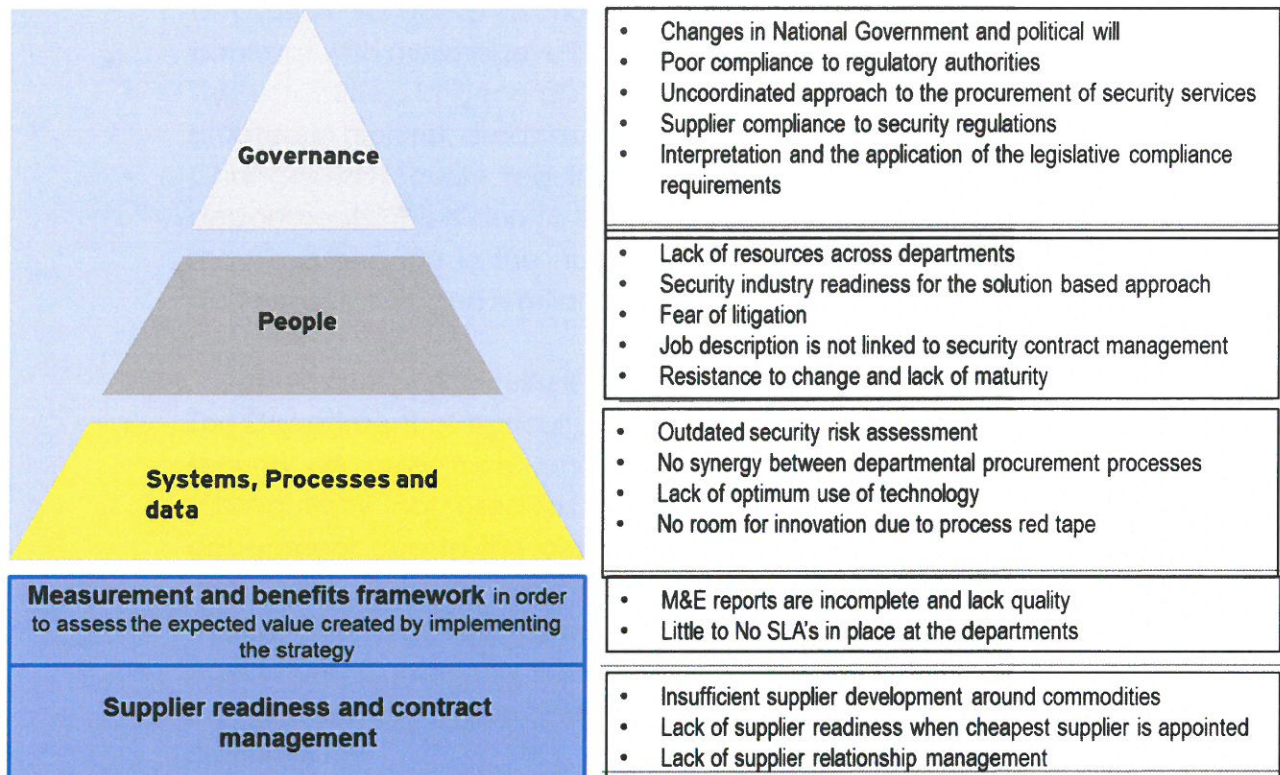
Although the key principle of decentralisation of SCM, as embodied in the PFMA, gives Provincial Government some discretion when formulating SCM policy, the regulatory framework is very complex, confusing and cumbersome. This complexity makes it very difficult to implement a compliant yet fast, efficient and cost-effective supply chain service. All of the above-mentioned legislative requirements create a complex and onerous process to navigate in the procurement of security services.

## **7.3. SECURITY SERVICES – FINDINGS AND CHALLENGES**

### **7.3.1. All Departments**

- Service providers were appointed based on the legislative 90/10 evaluation criteria rules. This process in isolation ensures that the service provider with the lowest price along with the compulsory documentation will most likely be awarded the contract.
- The procurement process itself is adequate and follows the legislative requirements. However, the process does not assess the category of risk for the respective facilities that require security services.
- However, departments have faced litigation from service providers.
- There is a lack of clear procurement processes
- The security risk assessments are used to compile the specifications in the request for proposal document that gets sent out to prospective service providers.
- There is little to no contract management of security services in the departments. This is due to a number of reasons, such as that there is no service level agreements in place for most of the departments. A lack of capacity is the main contributor preventing the Departments from monitoring the contractual obligations on a day to day basis and ensuring the service provider is performing according to the requirements of the contract.
- There is no integrated security solution. That is, security is perceived as a guard orientated service, so there is a lack of optimum use of technology and alignment to an overarching security plan
- Budget constraints do not allow for the required security services to be put in place in certain facilities within the departments.
- There is little understanding throughout departments of the Security Strategy adopted by Cabinet and currently Security Services bids are advertised without the consultation of Security Risk Management.
- There is a lack of a single transversal contract for WCG Security Services – Framework Agreement
- There is a lack of alignment between the objectives around security sourcing between departments and Department of Community Safety
- There is a lack of Supply Chain Management flexibility and understanding of the Security Strategy
- The current methodology does not suit emergency procurement of Security Services

These challenges are summarised in the diagram below:



**Fig. 4: The challenges faced across the departments by the Western Cape Government**

### 7.3.2. Department of Health

- Security contracts are already in place for the greater Cape Town Metro area. There are no long term contracts in place for the remote areas.
- Security risk assessments were conducted for the current security service contracts that are in place. The assessments that were done are guard specific and the overall requirements of the facilities are not taken into consideration.
- Contract management includes a process for the evaluation of service providers and these service providers are being penalised for non-performance where the service level agreements are clear and hold the service providers accountable for non-performance.
- Security services in remote areas are currently operating on a month to month contract basis. There is little to no contract management occurring in these areas. The department is currently preparing to send out request for proposals for these services.

### 7.3.3. Department of Social Development

- Service providers were appointed based on the legislative 90/10 evaluation criteria rules. This process, in isolation, ensures that the service provider with the lowest price along with the compulsory documentation will most likely be awarded the contract.



### **7.3.6. Department of Culture and Sports**

- The buildings that require security are museums that carry material and artefacts that are of national heritage. Budgetary constraints do not allow for an adequate level of security to be able to protect such national assets.

### **7.3.7. Department of Transport and Public Works**

- There are four departments that require interaction when security services are required. These are Supply Chain Management, the User Department, Property Management and Community Safety.
- Property management is the custodian of all buildings within the Transport and Public Works Department. Property Management do not include Community Safety during the process of buildings being handed over to the Department of Transport and Public Works. This lack of interaction does not afford Community Safety sufficient time to conduct a risk assessment and for Supply Chain Management to source adequate Security Services.
- Emergency procurement procedures are consistently used for the security services relating to buildings that have been transferred to the Department of Transport and Public Works. This means that there are no Service Level Agreements in place with the service providers. The emergency procurement process is intended as a temporary solution until Supply Chain Management is able to source a service provider permanently with a contract in place. However, the emergency service provider, in most instances, tends to become a permanent solution with no contract in place.
- The Department of Transport and Public Works is in the process of implementing a Framework Agreement for all its service providers. This is intended to improve contract management overall, particularly where emergency procurement procedures were followed.

## **8. OPPORTUNITY IDENTIFICATION**

During the interviews, a number of opportunities for improvement were identified. These are summarised below.

### **8.1. All Departments**

Across the various departments, there were a number of opportunities that were identified. In general, departments felt that there was a need to:

- 8.1.1. Develop a contract management toolkit to assist "unskilled" government officials to manage security contracts and to monitor supplier performance for the contract term.
- 8.1.2. Structure the RFP documents in line with legislative requirements as well as the security services requirements per department.
- 8.1.3. Categorise all facilities in terms of an overall security risk profile: Low/ Medium/ High.

- 8.1.4. Define and document the communications process that includes all departmental stakeholders. This will enable the timely flow of information and ease changes when necessary.
- 8.1.5. Identify the specific security services specifications in the RFP documents, such as the type of Security Company that is required based on company experience, geographical footprint, company infrastructure, etc.
- 8.1.6. Develop and document a process that will enable and allow the procurement of emergency security services that will not negate the standard of security services required.
- 8.1.7. Improve interdepartmental interaction to allow for joint process improvement in the procuring of security services.

## **8.2. Department of Health**

- 8.2.1. Specifically for the Department of Health, there is a need to reconsider the current security risk assessment for the regions' hospitals and improve the overall security requirements for the department through the implementation of a sound sourcing strategy.

## **8.3. Department of Agriculture**

- 8.3.1. Within the Department of Agriculture, there is a need to workshop the current Agriculture Master Security Plan with relevant stakeholders, such as Community Safety and SCM, with a view of creating an improved understanding of the security requirements for the department.

## **9. DEVELOPING THE FINAL COMMODITY STRATEGY**

### **9.1. The Future State**

It is envisaged that the final security service commodity strategy should enable the Western Cape Government to achieve increased performance improvement and efficiencies in the following:

- Effective communication between Supply Chain Management and Community Safety during the sourcing process
- Holistic integrated security solution that includes a security plan and risk assessment
- Value for Money
- Clear understanding of the roles and responsibilities
- Reduction of losses
- Clear communication between Community Safety and other departments
- Give training to Supply Chain officials to achieve standardised bidding documents
- Give training to service providers to make them aware of what is expected from them
- To be able to hold the service provider responsible and accountable for their actions
- Restored confidence in procurement as an enabler
- Embedded process across Western Cape Government
- Testament to new methods of procurement
- Improved reporting of security incidents
- Database of all properties – effective planning
- Reduction of loss = utilisation of funds where they are needed
- Focused approach to specific risk threat

### **9.2. SECURITY RISK ASSESSMENT**

#### **9.2.1. Organisational Risk Assessment**

It is imperative that cognisance is taken of potential risks, both internal and external throughout the strategic sourcing process of security services.

The overall risk assessment is aimed at providing a high level view of the organisational risks associated with strategic sourcing of security services and the related business changes required to deliver the benefits.

Each building or land should be categorised according to their level of risk categorisation. This will assist in ensuring that the most adequate type of security service is procured. The risk categorisation should be conducted by Community Safety in conjunction with the user department. It is recognised that the user department will have more knowledge for the types of risk that they face on a day-to-day basis the cause of these risks.

Specific risk assessment from a security services point of view, may include the following:

- Assessing the nature and extent of the risks associated with the organisation's operations
- Any potential union implications related to strike action
- Any potential third party impacts
- Deciding on an acceptable level of loss or degree of failure based on the type of facility where the security service is required
- Deciding on how to manage or minimise the risk
- Monitoring, reporting and from time to time, reassessing the level and implications of the risk exposure

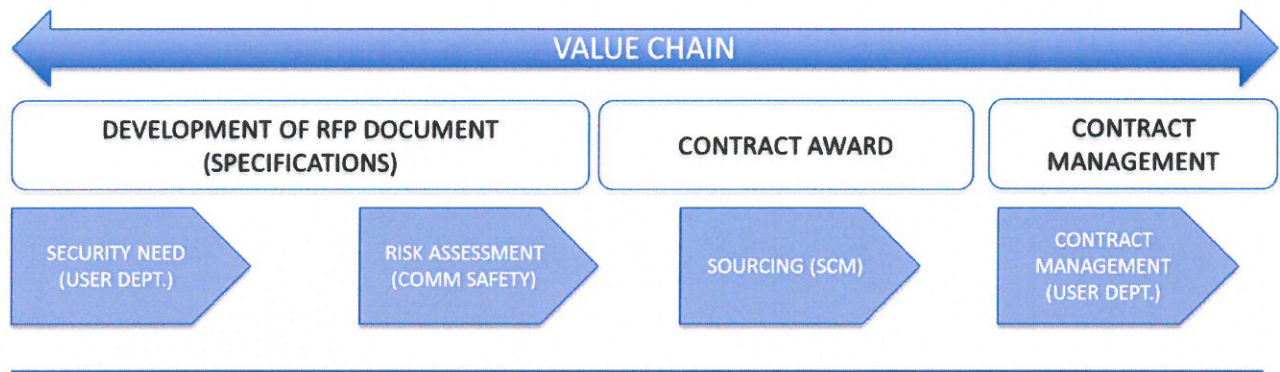
**Fig. 5: Example of Risk Categorisation**

Low Risk	Medium Risk	High Risk
0-5 years experience	5-10 years experience	10+ years experience
Local footprint	Provincial footprint	National footprint

Some of the risks to the security strategy commodity framework success include:

- There is a gap between the terms of reference, bidding documents and final SLA's
- The use of skeleton companies, selecting service providers with no Western Cape presence
- Lack of buy – in from ALL relevant stakeholders to take this forward
- Lack of accountability
- Lack of supplier readiness
- Lack of mapped process for sourcing of security
- Lack of change management strategy to influence integration
- Lack of communication between stakeholder departments
- One dimensional application of Supply Chain processes

### 9.3. Security Services Sourcing Process Steps with Departmental roles and responsibilities.



**Fig. 6: A high level view of the Security Sourcing Process**

Points to consider when examining the Security Sourcing Process include:

- Frequency of risk assessments
- Remote areas (Risk Assessments/ Service providers)
- Resource capacity of Community Safety
- Availability of Community Safety
- Avoidance of crisis sourcing
- Term of current security service provider contract
- Supplier database
- Other departments. e.g. Property Management
- Database of facilities
- PSIRA regulations
- Incident reporting
- Resource capacity for Departments
- Tender for total security solution
- Tender evaluation process
- Terms of reference/ Specifications
- Service level agreements
- Joint process involvement across departments

The communication and interdepartmental interaction is an integral part of ensuring that a service like security is handled in such a way that maximum benefit is derived from the process. The process needs to be structured in such a way that departments do not work independently of each other. When the process is not coordinated across departments, risk is introduced and service value is decreased.

There are legal and legislative constraints that guide the sourcing process. These have been taken into account in the process below.

With these design principles in mind the Western Cape Government have defined a sourcing process that adds value to the commodity. The following three high level activities were addressed:

- Development of RFP Document (Specifications)
- Contract Award
- Contract Management

#### 9.3.8 Development of the RFP Document process steps:

	Responsible departments		
	Community Safety	Dept. (User/SCM)	Provincial Treasury
<b>Agreements:</b>			
1. Invite Security Service Providers to be included on the WCG Security Services database			√
2. Conduct Risk Assessment – Self Assessment by department	√	√ Accountable	
3. Bid Specification Committee to evaluate the criteria and set the threshold based on Community Safety scorecard		√	
4. Advertise RFP (include disclosures to cover the department upfront)		√	
5. Distribute RFP Pack to suppliers with a Western Cape supplier database certificate		√	
6. Invite suppliers to compulsory briefing session		√	
7. During briefing session, suppliers receive evaluation criteria		√	

9.3.9 To complete a successful contract award process steps:

	Responsible departments		
	Community Safety	Dept. (User/SCM)	Provincial Treasury
<b>Agreements:</b>			
1. Receipt of proposals		√	
2. Documents to be sent to Community Safety for Cost Benefit analysis	√ Accountable	√	
3. Bid Evaluation Committee conducts evaluation with Community Safety as advises		√	
4. Bid Evaluation Committee short lists suppliers		√	
5. Community Safety to conduct an operational assessment on the short listed suppliers (High Level assessment)	√ Accountable	√	
6. Bid Evaluation Committee to respond to unsuccessful suppliers		√	
7. Convert security solution into specifications (based on top solutions identified in the short listed suppliers	√ Accountable	√	
8. Send out the specifications to short listed suppliers to obtain costings from short listed suppliers.	√	√ Accountable	
9. Community Safety together with Supply Chain Management to conduct Functionality test. (Site visits)	√	√ Accountable	
10. Evaluate price based on the 90/10 or 80/20 rule as per legislation	√	√ Accountable	

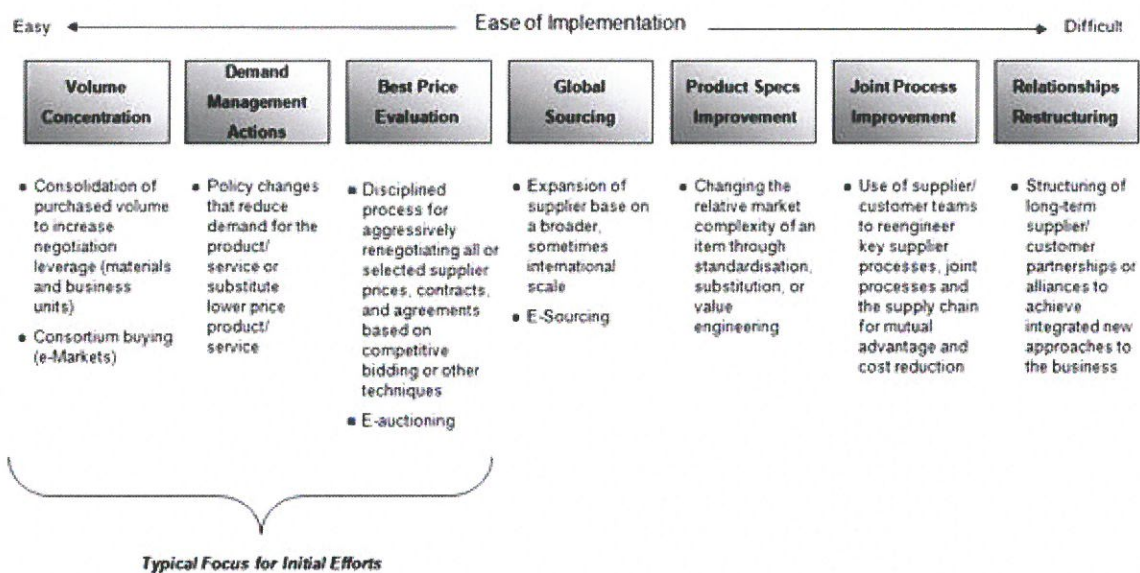
9.3.10 Manage contract award process steps:

	Responsible departments		
	Community Safety	Dept. (User/SCM)	Provincial Treasury
<b>Agreements:</b>			
1. Develop a penalty database that kept by Community Safety. This may decrease the grading of a supplier	√		
2. Develop Service Level Agreements that are performance driven	√	√ Accountable	
3. Facility Manager/ Contract Manager to be trained in respect of the Service Level Agreement	√ Accountable	√	
4. Service providers to go through induction process to understand the operational requirements			
5. Payment: Service must be approved before payment is actioned		√	
6. All penalties imposed on suppliers to be communicated to Community Safety		√	



## 9.4 Sourcing Strategies that can be applied to the Security Commodity in the Sourcing Process

The diagram below depicts the different approaches that can be taken to the sourcing process. These are shown in a continuum from the easiest to execute and implement, to the most difficult to implement. In general, the easier to implement strategies should be attempted before the more complex strategies.



**Fig. 7: Sourcing Strategy for Implementation**

### 9.3.1. Volume Concentration

Consolidate the demand for security services across a number of different sites, requiring similar services in order to standardise the service requirement and reduce the number of service providers that are required to be managed.

### 9.3.2. Demand Management

A risk assessment of conducted by the Department of Community safety may change the services required for individual sites. In general, a holistic approach will reduce the demand for services by understanding what the correct service should be, as well as removing any duplicated services within departments, or for specific sites.

### 9.3.3. Best price Evaluation

90/10 Rule for evaluation as per legislative requirements for transactions over R1 000 000 and 80/20 for transactions up to R1 000 000

At the moment we look at the lowest possible quoted price or lowest costs that are line with PSIRA requirements. This is part of legislation and cannot be

altered, however through risk categorisation, we can reach a stage where the lowest quoted price is chosen from the 'Best of the Best' service providers that are able to provide value for money at the lowest possible rate for the service specified.

#### 9.3.4. Global Sourcing

Global sourcing is not applicable to a labour intensive commodity such as security services as these are generally locally supplied services. The expansion of the supplier base through invitation may improve the calibre of the supplier.

#### 9.3.5. Product Specification Improvement

The risk assessment will provide improved specification that can be sourced from suppliers with known capabilities in the service required. This will improve the quality of the service provided. These specifications can be improved with the security service provider as technology improves and requirements may change.

Product specifications for services can also be attached to contract to enable performance management.

#### 9.3.6. Joint Process Improvement

Implement control measures that are based on legislative compliance to lower risk and increase compliance. These requirements must be known and communicated across the departments that are relevant to the procurement of security services

#### 9.3.7. Relationships Restructuring

In time, contracts can be negotiated that change the nature of the relationship with the supplier. In the security services, this may include long term plans for a centralised control centre, or managed service for security. It may also relate to the redefinition of contractual roles and responsibilities in order to move more risk to the supplier.

### **BASIS OF STRATEGY**

This sourcing strategy and agreed roles and responsibilities, as set out in this document, were based on the following assumptions as understood at the time that the sourcing strategy was developed:

- The ARUP strategy is the de facto security strategy in effect as approved by Cabinet
- The current operating model and organisational design would remain in effect for the implementation of the ARUP strategy

Where there are changes to either of these assumptions, careful consideration should be given to the impact on the sourcing strategy.

In addition, in developing this sourcing strategy, consultations were attempted with a range of stakeholders, representing the departments across the Western Cape Government. However, not all departments were able to attend the meetings and workshops. As the sourcing strategy is rolled out, consideration should be given to the roll out strategy and the need for further engagement with these departments.

## **CONCLUSION**

- This framework is intended to implement a sourcing strategy in the Western Cape Government through the use of a sourcing process that defines roles and responsibilities.
- Guidelines to sourcing Security Services have been agreed by all relevant stakeholders within the Western Cape Government
- This process can be documented in process flow diagrams for daily use. It is applicable to all commodities.
- The Workshop Approach proved to be instrumental in ensuring an agreeable solution was reached