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## SUPPLEMENT 4 TO TREASURY CIRCULAR 14/2012

THE PREMIER

- THE MINISTER OF AGRICULTURE AND RURAL DEVELOPMENT
- THE MINISTER OF COMMUNITY SAFETY
- THE MINISTER OF CULTURAL AFFAIRS AND SPORT
- THE MINISTER OF EDUCATION
- THE MINISTER OF FINANCE, ECONOMIC DEVELOPMENT AND TOURISM
- 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

} For information

- THE SPEAKER: PROVINCIAL PARLIAMENT
- THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

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- THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (DR JC STEGMANN)
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- THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR P VAN ZYL)
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- THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)
- THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR S FOURIE)
- THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS)
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THE CHIEF FINANCIAL OFFICER: WESTERN CAPE GAMBLING AND RACING BOARD (MR P ABRAHAMS)  
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 THE SENIOR MANAGER: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR M SIGABI)  
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 THE SUPPLY CHAIN MANAGER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR ANWAR ADONIS)  
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THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT

THE DEPUTY DIRECTOR-GENERAL: CORPORATE ASSURANCE, DEPARTMENT OF THE PREMIER (MS H ROBSON)

## ISSUING OF PROVINCIAL TREASURY INSTRUCTIONS, 2012 (PTIs) FOR SUPPLY CHAIN MANAGEMENT (SCM)

### 1. PURPOSE

#### 1.1 The purpose of this Circular is to:

- (a) Include provisions in the Provincial Treasury Instructions, 2012 (PTIs) relating to:
  - (i) compulsory registration on the Western Cape Supplier Database (WCSD);
  - (ii) deviating from the utilisation of the Integrated Procurement Solution (currently Electronic Purchasing System (EPSi)) when impractical to do so; and
  - (iii) procurement from contracts arranged by the National Treasury or National departments.
- (b) postpone the effective dates of certain requirements of PTIs, Chapter 16 A to **31 March 2014** and issue the updated implementation schedule issued with the PTIs (attached hereto marked "Annexure A");
- (c) postpone the effective dates of the requirements of PTIs, Chapter 16 B with the latest date being **31 March 2014** and issue the updated implementation schedule issued with the PTIs (included in "Annexure A"); and
- (d) Re-iterate the PTI reporting requirements.

### 2. BACKGROUND

- (a) The PTIs (Chapter 16A and 16B) issued on 30 March 2012, form the basis for financial management from a Western Cape Government perspective and in order to have maximum impact on the envisaged SCM reform, it is imperative that the basis for such reform speaks to and strengthens the ultimate outcome which is clean, efficient, effective, accountable and transparent supply chain management processes.

- (b) The issuing of the PTIs was the first step in strengthening compliance and accountability in respect of supply chain management within the Western Cape Government.
- (c) The PTIs gives effect to current regulatory requirements, the intent of National Treasury Instruction Notes and Practice Notes, our own provincial requirements and also the local gap analysis in both the PFMA and the Construction Industry Development Board (CIDB) regulatory regimes.

### **3. INCLUSIONS IN THE PTIs**

#### **3.1 COMPULSORY REGISTRATION ON THE WESTERN CAPE SUPPLIER DATABASE**

- (a) The Provincial Treasury as well as departments has had sufficient time to identify and establish the realities of the practical implementation of the PTIs and have noted certain challenges, which necessitates certain inclusions in the PTIs (noted hereunder).
- (b) Institutions are experiencing challenges with the registration of suppliers on the Western Cape Supplier Database in certain instances (catering, symposiums, training etc.), which has resulted in institutions requesting exemptions from the Provincial Treasury in terms of this requirement.
- (c) Once-off, unique, sole or critical suppliers do not see the value of registering due to their limited engagement with government procurement or due to their unique positioning within the market.
- (d) The accounting officer or accounting authority (the power may not be delegated to a level lower than a head of institution) may; where it is deemed impractical to do business with a supplier that is actively registered on the supplier database; approve the utilisation of a supplier not actively registered on the supplier database if:

- (i) the institution's supply chain management system (accounting officer's system and/ SCM strategy) provides for situations where it may be impractical to utilise a supplier that is actively registered on the supplier database which further demonstrates that the utilisation of the supplier is the only viable option (financially, strategically, practically, operationally, availability in the market and uniqueness of product or service); **or**
- (ii) if the situation could not be foreseen (hence not included in the supply chain management system), the institution must demonstrate that doing business with a supplier not actively registered on the supplier database is the only viable option (financially, strategically, practically, operationally, availability in the market and uniqueness of product or service) on a case by case basis;
- (iii) The institution is in possession of all mandatory documentation at the time of award (original tax clearance certificate, original WCBD 4, BBB-EE certificate and original WCBD 6.1 where applicable); and
- (iv) The head of the supply chain management unit of an institution must inform the Provincial Treasury of all awards made to a supplier that is not actively registered on the supplier database via the monthly report submitted to the Provincial Treasury within 5 working days after submission to the accounting officer (amended monthly report attached hereto marked "Annexure B").

### **3.2 DEVIATING FROM THE UTILISATION OF THE INTEGRATED PROCUREMENT SOLUTION (CURRENTLY ELECTRONIC PURCHASING SYSTEM) WHEN IMPRACTICAL TO DO SO**

- (a) It may not always be practical to obtain quotations via the Integrated Procurement Solution for goods or services between an estimated value of R10 000 and R500 000 (inclusive of all taxes) (or as per institutions threshold for obtaining quotations via the IPS).

- (b) Accounting Officer's or accounting authority's may deviate from obtaining quotations via the Integrated Procurement Solution (currently the Electronic Purchasing System) for procurement between R10 000 and R500 000 (inclusive of all taxes) (or as per institutions threshold for obtaining quotations via the IPS) in instances where it may be impractical to utilise the system, provided that the supply chain management system of an institution makes provision for circumstances which includes a detailed list of criteria that warrant such a deviation.
- (c) The supply chain management system of an institution must also determine the processes to be followed in respect of the approval and recording of such deviations.
- (d) Poor planning or wilful deviation from utilising the Integrated Procurement Solution will not be deemed as impractical for the purposes of deviating from utilising the Integrated Procurement Solution.

### **3.3 PROCUREMENT FROM CONTRACTS ARRANGED BY THE NATIONAL TREASURY OR NATIONAL DEPARTMENTS.**

- (a) It has been found that National Treasury requirements (tax clearance certificate, WCBD 4, 8 and 9) are requested by the Auditor-General during the audit process when institutions procure from contracts arranged by the National Treasury (RT contracts) or National Departments.
- (b) In instances where institutions are obliged to procure from National contracts, it is deemed that the procurement processes as required by the National Treasury has been followed and is compliant. In these instances institutions are not themselves procuring but purchasing off a National contract already procured or in existence and for all intents and purposes may not procure outside of such contracts.
- (c) In instances where the Auditor-General so wishes to peruse procurement documents these must be requested from the National institution, if any non-

compliance to the required prescripts is found this must be for the account of the National procuring institution where the actual procurement process took place.

#### **4. POSTPONEMENT OF CERTAIN PROVISIONS OF CHAPTER 16 A**

- (a) In terms of the PTIs issued in March 2012, departments must have an effective and efficient supply chain management system.
- (b) As part of the implementation of the PTIs, the Provincial Treasury committed to develop and issue a pro-forma AOS which would indicate standardised risk mitigating requirements for SCM and assist departments in aligning its Accounting Officer's System (AOS) with the latest legislation, policies, procedures and practices.
- (c) The Provincial Treasury in consultation with the SCM Focus Group, which is represented by SCM Heads of all departments, embarked on a process of finalising the draft pro-forma AOS and accompanying standard operating procedures.
- (d) The Provincial Treasury issued the draft pro-forma AOS to Provincial Departments for comment via Treasury Circular 45 of 2012. Concurrently with the issuing of the draft AOS the National Treasury published the draft National Treasury Regulations (NTRs) on 30 November 2012 in Government Gazette No 10505, for public comment. The draft NTRs was issued to all heads of departments via Treasury Circular 44 of 2012 to solicit comments by 25 January 2013.
- (e) Comments received from departments on the draft AOS were assessed and where needed the draft AOS was refined. Comments received from departments to the draft NTRs (on SCM) were also assessed and submitted to the National Treasury.
- (f) The issuance of the revised NTRs would necessitate a review of the pro-forma AOS. It was initially decided to only issue the final pro-forma AOS once the NTRs

are issued (Treasury Circular 12 of 2013). However, the issuance of the NTRs has not yet come to fruition and in order to limit risk and bridge the gaps identified by the Auditor-General, it has become necessary to issue the pro-forma AOS in the absence of the NTRs. The Provincial Treasury is in the process of finalising the pro-forma AOS and as a result has decided to postpone the implementation of the below mentioned requirements to 31 March 2014.

<b>Paragraph</b>	<b>Description of Instruction</b>
4.2.1	Implementation of a SCM strategy
4.3.1	Implementation of an annual operational plan
5.2.1.6 (b)	Implementation of a policy in relation to the management and treatment of emergency procurement
8.2.1	Implementation of policies and standard operating procedures for logistics management
8.3.1	Implementation of policies and standard operating procedures for inventory management
9.2.1	Implementation of an asset strategic plan
12.1	Implementation of an internal performance monitoring and evaluation system

## **5. POSTPONEMENT OF CHAPTER 16B**

- (a) The Department of Transport and Public Works, as the principal department for the implementation of the IDMC, has requested an extension of the implementation date of the requirements of Chapter 16B.
- (b) The Provincial Treasury has considered the request and hereby postpones the requirements as requested by the Department, with the latest implementation date being 31 March 2014.
- (c) The postponement is however subject to regular reporting on progress in terms of the project plan to the relevant PT units (if not already being submitted)
- (d) Attached hereto is the updated implementation schedule for both Chapters 16A and B, marked "Annexure A".



## 6. PTI REPORTING REQUIREMENTS

- (a) The Provincial Treasury has noted non-compliance by provincial departments in respect of reporting requirements as stipulated in the PTIs chapter 16A.
- (b) The reporting requirements are therefore re-iterated hereunder (to note that this does not include all reporting requirements, but only those where non-compliance was noted).
- (c) The reporting requirements in terms of Chapter 16 A, Part 11 of the PTI's referred to are as follows:
  - (i) The head of the SCM unit of an institution must within fifteen (15) working days after the end of each month submit a report via the chief financial officer, to the accounting officer or accounting authority containing information on procurement transactions during that month and other related information (paragraph 11.1.2 (a)(iii)).
  - (ii) A copy of the abovementioned report must also be submitted to the Provincial Treasury within five (5) working days after submission to the accounting officer or accounting authority (paragraph 11.1.2 (a)(iv)).
  - (iii) Accounting officers or accounting authorities must submit a copy of the final annual stock take report together with the prescribed information to the Provincial Treasury before closing of the financial year (paragraph 11.1.2 (b) (ii)).
  - (iv) All cases where goods or services above the value of R1 million (inclusive of all taxes) were procured in respect of National Treasury Regulations 16A6.4 must be reported, as prescribed, to the Provincial Treasury and the Auditor General within 10 working days (paragraph 11.1.2 (c) (ii)).
  - (v) Accounting Officers or accounting authorities must within 2 working days (paragraph 11.1.2 (c) (vi)):

- (aa) Notify the Provincial Treasury of all bids advertised via the open bidding process as and when they are advertised in the Government Tender Bulletin (GTB) or the local newspapers; and
- (bb) for awards, forward a copy of the acceptance letter sent to the successful bidder to the Provincial Treasury.

(d) It is requested that institutions submit **all** reports required by the Provincial Treasury to [MAM-ADMIN.Assets@westerncape.gov.za](mailto:MAM-ADMIN.Assets@westerncape.gov.za).

(e) The following officials are responsible for reporting within the Provincial Treasury:

Ms Laverne Sawall

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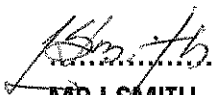
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**Kind Regards**

  
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**DATE: 13/09/13**