

PROVINSIALE TESOURIE • PROVINCIAL TREASURY •
UNONDYEBO WEPHONDO



Verwysing
Reference
Isalathiso PT 14/10

Navrae
Enquiries
Imibuzo R. Alberts

TREASURY CIRCULAR NO. 24/2007

THE PREMIER

THE MINISTER OF AGRICULTURE
THE MINISTER OF COMMUNITY SAFETY
THE MINISTER OF CULTURAL AFFAIRS, SPORT AND RECREATION
THE MINISTER OF EDUCATION
THE MINISTER OF ENVIRONMENT, PLANNING AND ECONOMIC DEVELOPMENT
THE MINISTER OF FINANCE AND TOURISM
THE MINISTER OF HEALTH
THE MINISTER OF LOCAL GOVERNMENT AND HOUSING
THE MINISTER OF SOCIAL SERVICES AND POVERTY ALLEVIATION
THE MINISTER OF TRANSPORT AND PUBLIC WORKS

THE SPEAKER: PROVINCIAL PARLIAMENT
THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

ALL OTHER MEMBERS OF PARLIAMENT

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (DR GA LAWRENCE)
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR P WILLIAMS)
THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (DR JC STEGMANN)
THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (MR P MBAMBO) (ACTING)
THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MR RB SWARTZ)
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (PROF KG HOUSEHAM)
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MS K LUBELWANA) (ACTING)
THE ACCOUNTING OFFICER: VOTE 8: LOCAL GOVERNMENT AND HOUSING (MS S MAJJIET)
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR T TOLMAY)
THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MR T MANYATHI)
THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)
THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (DR H FAST) (ACTING)
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR MN LINDIE)

THE CHIEF FINANCIAL OFFICER: VOTE 1: PREMIER (MR H ARENDSE)
THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS A SMIT)
THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MR A GILDENHUYS)
THE CHIEF FINANCIAL OFFICER: VOTE 4: COMMUNITY SAFETY (MR M MACIKAMA) (ACTING)
THE CHIEF FINANCIAL OFFICER: VOTE 5: EDUCATION (MR L ELY)
THE CHIEF FINANCIAL OFFICER: VOTE 6: HEALTH (MR A VAN NIEKERK)
THE CHIEF FINANCIAL OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MR JO SMITH)
THE CHIEF FINANCIAL OFFICER: VOTE 8: LOCAL GOVERNMENT AND HOUSING (MR PAE BREDEKAMP)
THE CHIEF FINANCIAL OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR AA GAFFOOR)
THE CHIEF FINANCIAL OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MR CR ISMAY)
THE CHIEF FINANCIAL OFFICER: VOTE 11: AGRICULTURE (MR F HUYSAMER)
THE CHIEF FINANCIAL OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MS M ABRAHAMS)
THE CHIEF FINANCIAL OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR A ASSIM)

THE HEAD OFFICIAL: PROVINCIAL TREASURY (DR JC STEGMANN)
THE HEAD: SUSTAINABLE RESOURCE MANAGEMENT (MS SMA ROBINSON)
THE HEAD: ASSET MANAGEMENT (MR TD PILLAY)
THE HEAD: FINANCIAL GOVERNANCE (MR TC ARENDSE)
THE HEAD: PUBLIC FINANCE (MR H MALILA)
THE CHIEF FINANCIAL OFFICER (MR A GILDENHUYS)
THE SENIOR MANAGER: HUMAN RESOURCE MANAGEMENT (MS C MILES) (ACTING)
THE SENIOR MANAGER: ACCOUNTING (MR A REDDY)
THE SENIOR MANAGER: NORMATIVE FINANCIAL MANAGEMENT (MR F JACOBS) (ACTING)
THE SENIOR MANAGER: ENTERPRISE RISK MANAGEMENT AND GOVERNANCE SYSTEMS (MR L NENE)
THE CHIEF AUDIT EXECUTIVE (MS R JAFTHA)
THE SENIOR MANAGER: ECONOMIC ANALYSIS (MS B BOQWANA)
THE SENIOR MANAGER: FISCAL POLICY: PROVINCIAL GOVERNMENT (MR D BASSON) (PRO TEM)
THE SENIOR MANAGER: FISCAL POLICY: LOCAL GOVERNMENT (MR G PAULSE) (PRO TEM)
THE SENIOR MANAGER: BUDGET MANAGEMENT (MS AJ HICKEY)
THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (MR DG BASSON)
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (MR G PAULSE)
THE SENIOR MANAGER: IMMOVEABLE ASSET MANAGEMENT (MR NB LANGENHOVEN)
THE SENIOR MANAGER: MOVEABLE ASSET MANAGEMENT (MS N EBRAHIM) (ACTING)
THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)
THE HEAD: OFFICE OF THE MINISTRY (MR G GESWINDT)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

} For information

PRIVAATSAK X9165 PRIVATE BAG X9165
KAAPSTAD 8000 CAPE TOWN 8000
Telefoon (021) 483-3814 Telephone (021) 483-3814
Faks (021) 483-5600 Fax (021) 483-5006

E-Mail: Ralberts@pgwc.gov.za

THE PROCUREMENT OF GOODS AND SERVICES BY OTHER MEANS THAN THE INVITATION OF COMPETITIVE BIDS

1. PURPOSE

- 1.1 The purpose of this document is to inform departments of National Treasury Practice 6 / 2007 in regards to "the procurement of goods and services by other means than by competitive bids" as issued by the Accountant-General on 18 April 2007.

2. INFORMATION ON CONTRACTS AWARDED

- 2.1 The intention of the above-mentioned practice note is to regulate the environment within which National Treasury Regulation 16A6.4 is being utilised.
- 2.2 It must therefore ensure that the provisions of the above-mentioned Regulation is strictly used to procure goods and services of critical importance and only in specific cases when it is impractical to invite competitive bids.
- 2.3 Accounting Officers and Accounting Authorities should not use this provision to circumvent official competitive procurement processes in order to enter into contractual commitments or incur expenditure at the end of a financial year with a view to avoid the surrendering of unspent voted funds to the Provincial Revenue Fund.
- 2.4 Provincial Department and Public Entities (schedule 3A and 3C) are required to report within 10 working days to the Provincial Treasury and Auditor-General, all cases where goods and services above the value of R 1 million were procured in terms of Treasury Regulation 16A6.4.
- 2.5 The above-mentioned report must include:
- (a) the description of the goods or services;
 - (b) the names of the supplier;
 - (c) the amounts involved ; and
 - (d) the reason for dispensing with the prescribed competitive bidding process.

2.6 National Practice Note 6 of 2007/2008 is attached herewith as Appendix A.

2.7 The reports must be submitted to:

The Provincial Treasury

Directorate: Movable Asset Management

7 Wale Street

3rd Floor

or

Private Bag X9165

Cape Town

8000

Attention Mr. R. Alberts

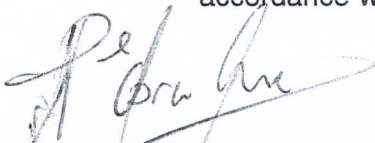
Tel.: 483 3814

E-mail: Ralberts@pgwc.gov.za

3. REQUEST

3.1 Accounting Officers and Authorities are hereby requested:

- (a) to note the content of the National Practice Note 6 of 2007/2008 and implement the necessary measure to ensure that the provisions of National Treasury Regulation 16A6.4 is not misused;
- (b) to ensure that the content of the practice note is brought to the attention of Schedule 3A and 3C public entities; and
- (c) to report to the Provincial Treasury and Auditor-General, within 10 working days, all cases where goods and services have been procured above the value R 1 million in accordance with National Treasury Regulation.16A6.4.



Ms N. Ebrahim

ACTING SENIOR MANAGER: MOVABLE ASSET MANAGEMENT

Date: 01/05/2007



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

ENQUIRIES: Jeyrel Soobramanian TEL: 012 315 5336 E-MAIL: jeyrel.soobramanian@treasury.gov.za

**All Accounting officers
All Accounting Authorities
All Chief Financial Officers
All Heads of Provincial Treasuries
All Provincial Accountants-General**

NATIONAL TREASURY PRACTICE NOTE 6 OF 2007/2008

PROCUREMENT OF GOODS AND SERVICES BY MEANS OTHER THAN THROUGH THE INVITATION OF COMPETITIVE BIDS

1. PURPOSE

The purpose of this practice note is to regulate the environment within which accounting officers and accounting authorities may procure goods and services by means other than through the invitation of competitive bids and to introduce reporting measures related thereto.

2. PROCURMENT OF GOODS AND SERVICES

- 2.1 Section 217 of The Constitution of the Republic of South Africa, 1996, prescribes that goods and services must be contracted through a system that is *fair, equitable, transparent, competitive and cost-effective*. This prescript stipulates how Government's supply chain management (SCM) system should be managed and it also confers a constitutional right on every potential supplier to offer goods and services to the public sector when needed.
- 2.2 The SCM process of procuring goods and services by means of public advertisement, including its publication in the Government Tender Bulletin, gives effect to The Constitution's prescripts that all potential suppliers should be afforded the right to compete for public sector business through competitive bidding.
- 2.3 It is, however, recognized that there will be instances when it would be impractical to invite competitive bids. In this regard, Treasury Regulation 16A6.4 provides for such instances where accounting officers or accounting authorities are allowed to dispense with competitive bidding processes to procure goods and services by other means. This provision is intended for cases of emergency where immediate action is necessary or if the goods and services required are produced or available from

sole service providers. The reasons for such action must be recorded and approved by the accounting officer or accounting authority.

- 2.4 Despite Treasury Regulation 16A6.4 being intended for cases of emergency or where goods and services are available from sole service providers, it has come to light that institutions are deliberating utilizing this provision to circumvent the required competitive bidding process in order to, among others, enter into contractual commitments or incur expenditure at the end of a financial year with the view to avoiding the surrender of unspent voted funds to the National / Provincial Revenue Funds.
- 2.5 An effective system of supply chain demand management requires an accounting officer or accounting authority to ensure that the resources required to support the strategic and operational commitments of an institution are properly budgeted for and procured at the correct time. Planning for the procurement of such resources must take into account the period required for competitive bidding processes. It must therefore be emphasized that a lack of proper planning does not constitute a reason for dispensing with prescribed bidding processes.
- 2.6 Accounting officers or accounting authorities may also put in place their own control measures to deal with foreseeable cases of emergency that occur within their area of functionality. These measures may include the arrangement of strategic or specific term contracts with suitable service providers with a view to ensuring that the required goods or services are available immediately when cases of emergency occur.
- 2.7 Taking cognizance of the above, accounting officers and accounting authorities are directed to ensure that Treasury Regulation 16A6.4 is utilized strictly to procure goods and services of critical importance and only in specific cases when it is impractical to invite competitive bids. Treasury Regulation 16A6.4 should therefore under no circumstances be used as a vehicle to minimize unspent funds at the end of a financial year.
- 2.8 Transfer payments and conditional grants as articulated in Treasury Regulations 8.4 and 8.5 respectively, should also not be utilized to enter into contractual commitments or incur expenditure at the end of a financial year to avoid the surrender of unspent funds to the National / Provincial Revenue Funds.

3. REPORTING OF GOODS AND SERVICES PROCURED IN TERMS OF TREASURY REGULATION 16A6.4

- 3.1 With effect from the date on which this practice note takes effect, accounting officers and accounting authorities are required to report within ten (10) working days to the relevant treasury and the Auditor-General, all cases where goods and services above the value of R 1 million (VAT included) were procured in terms of Treasury Regulation 16A6.4.

- 3.2 The report must include the description of the goods or services, the names of the suppliers, the amounts involved and the reasons for dispensing with the prescribed competitive bidding processes.
- 3.3 The procurement of goods and services may not be deliberately split into parts or items of lesser value merely to avoid this reporting requirement.
- 3.4 The relevant treasury and the Auditor-General will consider the report and take appropriate actions if and when necessary.

4. DISSEMINATION OF INFORMATION CONTAINED IN THIS PRACTICE NOTE

- 4.1 Heads of Provincial Treasuries are requested to please bring the contents of this practice note to the attention of accounting officers of their provincial departments.
- 4.2 Accounting officers of national and provincial departments are requested to please bring the contents of this practice note to the attention of accounting authorities of Schedule 3A and 3C public entities reporting to their respective executive authorities.

5. CONTACT PERSON

Jeyrel Soobramanian

Phone: 012 315 5336

E-Mail: jeyrel.soobramanian@treasury.gov.za

6. EFFECTIVE DATE

This practice note takes effect from 01 April 2007.



FREEMAN NOMVALO
ACCOUNTANT-GENERAL
DATE: 18 April 2007