



**REFERENCE:** T16/P

**ENQUIRIES:** NADIA EBRAHIM

**TREASURY CIRCULAR NO. 63/2011**

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

} For information

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- THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR R HINDLEY)
- THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (DR JC STEGMANN)
- THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (DR GA LAWRENCE)
- THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MS P VINJEVOLD)
- THE ACCOUNTING OFFICER: VOTE 6: HEALTH (PROF KC HOUSEHAM)
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- THE ACCOUNTING OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR M TSHANGANA)
- THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR T GILDENHUYS)
- THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MR J FOURIE)
- 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)
- THE ACCOUNTING OFFICER: VOTE 14: LOCAL GOVERNMENT (DR H FAST)

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- 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: HUMAN SETTLEMENTS (MR F DE WET) (ACTING)
- THE CHIEF FINANCIAL OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR AA GAFFOOR)
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- THE CHIEF FINANCIAL OFFICER: VOTE 11: AGRICULTURE (MR F HUYSAMER)
- THE CHIEF FINANCIAL OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MS M ABRAHAMS)
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- THE CHIEF FINANCIAL OFFICER: VOTE 14: LOCAL GOVERNMENT (MR F DE WET) (ACTING)

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- THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MR N FLAATTEN) (ACTING)
- THE CHIEF EXECUTIVE OFFICER: CAPE TOWN ROUTES UNLIMITED (DMO) (MR C GILFELLAN)
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- THE CHIEF EXECUTIVE OFFICER: CASIDRA (MS T MLONYENI) (ACTING)
- THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE LIQUOR BOARD (MR S FOURIE)

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THE HEAD: PUBLIC POLICY SERVICES (MR A PHILLIPS)  
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THE HEAD: OFFICE OF THE FINANCE MINISTRY (MS A SMIT)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

# RE: ISSUING OF INTERIM PROVINCIAL TREASURY INSTRUCTIONS (PTIs)

## 1. BACKGROUND

- 1.1 In a letter dated 25 August 2011, the Premier of the Western Cape, reiterated and confirmed the Provincial stance agreed upon in a meeting with the Auditor – General on the 26 July 2011 on the audit outcomes for the 2010/11 financial year.
- 1.2 In conjunction with certain issues raised in respect of the 2010/11 audit outcomes, the following steps were agreed upon in which the Western Cape Province will undertake to strengthen compliance, accountability and efficiency gains for supply chain management procedures:
  - 1.2.1 The Western Cape Province provided a commitment to tighten its prescripts and control measures to both our own and National Treasury practice notes and instructions and re-issuing them *mutatis mutandis* as Provincial Treasury instructions, with the first batch being due by October / November this year.
  - 1.2.2 We also agreed to modify the current SBD forms (SBD4; 8 and 9), so that suppliers are only required to complete one consolidated form.
  - 1.2.3 We further indicated our intention to both extend and upgrade our current e-procurement solution for quotations (EPSi) and supplier database until such time as the Integrated Financial Management Solutions (IFMS) is up and running to meet all the relevant compliance and performance requirements as discussed earlier in the year with the joint National Treasury and SITA team.
- 1.3 The Provincial Treasury is in the process of revising chapter 16A of the Provincial Treasury Instructions issued 2 November 2009, in order to give effect to the commitments made to the Auditor-General and the Minister of Finance.

- 1.4 However given that the required process for the revision of prescripts, will take time and various commentary phases before finalisation, the need to close the current gaps that have been identified by the Auditor – General became imperative.
- 1.5 A review of current processes was undertaken by the Provincial SCM Focus Group to respond to the requirements of SBD4; 8 and 9 and the corresponding requirements of the centralised Western Cape Supplier Database that would support the compliancy requirements and envisaged efficiency gains.
- 1.6 In addition the imminent requirements for the implementation of the Preferential Procurement Regulations by 7 December 2011 needed to be considered and also taken into account.
- 1.7 Hence it is imperative that interim Provincial Treasury Instructions be issued to deal with the above mentioned. Therefore this Circular aims to contextualize and serve as an explanatory note to the issuance of interim Provincial Treasury Instruction issued herewith.

## **2. AREAS COVERED**

### **2.1 TRANSVERSAL CONTRACTS**

- (a) Paragraph 16A 2.4 of the 2 November 2009 Provincial Treasury Instructions is replaced with the current version issued herewith.
- (b) The current PTIs aims to give effect to the requirements of National Treasury Regulations 16A6.5 and the current provincial institutional arrangements and mandates

## 2.2 WESTERN CAPE SUPPLIER DATABASE

- (a) It must be noted that registration on the Western Cape Supplier Database will become compulsory with effect from **1 April 2012**.
- (b) Credibility of the information on the database will be managed by the Provincial Treasury with the databases' current service provider.
- (c) The supplier database is being currently prepared to close the gaps identified in the current audit process and will be utilised as a management tool and as a central repository of all supplier information as indicated in paragraphs 16A9 of the interim PTIs attached herewith.
- (d) The current supplier database and the e-procurement system (EPSi) for quotations has been enhanced and tested to ensure compliance, in order to accommodate the new requirements with regard to B-BBEE legislation and WCBD4 (consolidated SBD 4, 8 and 9).
- (e) In addition, our service provider, Quadrem, was requested to approach the 7500 'active' suppliers on the Western Cape Supplier Database to obtain B-BBEE certificates issued by a verification agency accredited by the South African Accreditation System (SANAS) and WCBD4 (consolidated SBD 4, 8 and 9).
- (f) As it will be mandatory for suppliers to register on the Western Cape Supplier Database with effect 1 April 2012 and to comply with legislative requirements (e.g. valid tax clearance certificate, declaration of interest, etc.), the Provincial Treasury, in co-operation with provincial departments, is in the process of making contact with the 2801 suppliers utilised on a regular basis by provincial departments, but not registered on the Western Cape Supplier Database.

## **2.2 WESTERN CAPE STANDARD BIDDING DOCUMENTS**

### **2.2.1 WCBD 4: (SBD 4: DECLARATION OF INTEREST, SBD8: DECLARATION OF BIDDERS' PAST SCM PRACTICES AND SBD9: PROHIBITION OF RESTRICTIVE PRACTICES)**

- (a) The SBDs 4, 8 and 9 have been consolidated and issued herewith as "WCBD 4"
- (b) Completion of the WCBD 4 form is envisaged as an annual exercise for completion by suppliers that will be housed on the Western Cape Supplier Database.
- (c) The requirements for registration, maintenance and ensuring a proper trail are included under Paragraph 16A10 of the Instructions.

### **2.2.2 WCBD 6.1 (a) and WCBD 6.1 (b)**

- (a) In order to give effect to the requirements of Preferential Procurement Policy Framework Regulation, 2011, the Provincial Treasury has issued the new WCBD 6.1(a) and WCBD 6.2 (b) bidding documents, replacing the current preference claim form.
- (b) The WCBD 6.1 (a) and WCBD 6.1 (b) bidding document captures the BBBEE requirements in terms of the 80/20 and 90/10 preference points respectively.
- (c) The WCBD 6.1 (a) and WCBD 6.1 (b) bidding documents come into operation on **7 December 2011**, and are applicable to all bids advertised from this date forward.

### **3. OTHER ISSUES FOR INFORMATION**

#### **3.1 PREFERENTIAL PROCUREMENT REGULATIONS**

- (a) The requirements of the Preferential Procurement Regulations come into effect on the **7 December 2011**.
- (b) Certain challenges have been identified and raised by the Province and also highlighted by the National Treasury in a presentation to the Province on the 19 September 2011. These will be taken up separately with the National Treasury.
- (c) An implementation programme for suppliers and officials was undertaken in the form of roadshows and Supplier Open Day. These interventions will be continued for the remainder of the financial year and as required thereafter with a key focus being an training and skills development.
- (d) A task team constituted of Provincial SCM Officials has partnered with the Provincial Treasury to implement the abovementioned Programme.

#### **3.2 NATIONAL TREASURY INSTRUCTION NOTE 32**

- (a) Since the issue of the Instruction Note and the rendering of provincial comments, a revised draft that was issued for further comment to which provincial comments were also rendered, NT Circular dated 28 September 2011 was issued postponing certain requirements of the Instruction Note.
- (b) The requirements that have been postponed are:
  - (i) **Paragraph 3.3**  
Verifying the names and identity numbers of directors / trustees / shareholders of companies, enterprises, closed corporations and trusts against the relevant staff structure

**(ii) Paragraph 3.4**

Information on bids in excess of R10 million (including all applicable taxes)

**(iii) Paragraph 3.5**

Auditing of bidding processes for bids in excess of R 10 million (including all applicable taxes).

- (c) The Provincial Treasury has since met with the National Treasury thereby tabling our concerns and affording National Treasury an opportunity to interrogate our concerns to which it has been agreed that a revised Instruction will be issued that will take into consideration the concerns raised as well as affording the Province the opportunity to give effect to its own requirements so long as these are aligned to the spirit and import of the Instruction Note.
- (d) An interim implementation plan will be issued in due course in terms of the current Instruction which will take into account the terms and conditions agreed with the National Treasury.

**3.3 QUADREM CONTRACT FOR THE EPSi and SUPPLIER DATABASE**

- (a) The current contract for the Western Cape Supplier Database and Electronic Purchasing System for Quotations has been extended to the **31 of January 2012**.
- (b) The Provincial Treasury is concurrently in the process of procuring a new contract with the service provider to which approval has been granted by the National Treasury in terms of regulation 17.3.1.
- (c) The scope of work in respect of the conclusion of a new contract with our current supplier to meet the latest national and provincial requirements for a central supplier database and an e-procurement system for quotations have been completed and agreed upon. Specifications have been aligned to the previously advertised specification requirements of the IFMS



as well as to the intent of the new Instruction Notes and preferential procurement regulations that have subsequently been issued by the National Treasury.

- (d) The new contract is envisaged to be awarded in February 2012 and the migration and phased-in implementation from the old system to the new will commence thereafter. The new contract is envisaged to replace the old in a phased –in process which will be communicated to departments in due course.
- (e) Any queries in this regard may be directed to:

**The Director: Financial Interlinked Systems**

**Mr. Andre Bastiaanse**

**Tel: 021 483 5024**

**E-mail: [Andre.bastiaanse@pgwc.gov.za](mailto:Andre.bastiaanse@pgwc.gov.za)**

### **3.4 COMPLETE REVISION OF CHAPTER 16A OF THE PROVINCIAL TREASURY INSTRUCTIONS**

- (a) The issue of the Interim PTIs issued herewith is an interim measure aimed at closing the current gaps identified by AGSA.
- (b) It must be noted that Provincial Treasury Instructions form the basis for financial management from a provincial perspective and in order to have maximum impact on the envisaged SCM reform it was 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.
- (c) Hence a complete revision of the Provincial Treasury Instructions (PTIs) issued in November 2009 has been undertaken which will drive departmental supply chain management policies and practices in terms of section 38 (1) (iii) (a) of the PFMA. The key objective of both these Instructions is to

enforce mandatory SCM requirements for the Province, but also building in departmental bespoke elements; adequate control measures; designated levels of accountability; separation of duties and transparency the latter that will be uniformly applicable across the Province.

- (d) A finalised draft is now ready for Provincial comment which in essence deals with the full cycle of SCM and in addition includes requirements for payment administration, monitoring and evaluation thereof and reporting requirements to the Provincial Treasury as well as reporting to Accounting Officers that provides for a system of early warning signs in preparation for forthcoming AGSA audits
- (e) Any queries in this regard may be directed to:

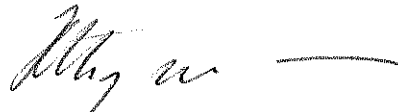
**The Acting Head: Asset Management**

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- 3.5** Accounting Officers and Accounting Authorities must ensure that the contents of this Circular and the attached Instruction are brought to the attention of all staff under their control.



**THE HEAD OFFICIAL: PROVINCIAL TREASURY**

**DATE:** 20/12/07