



Reference: T16/P  
EMATS: 2012/893

**TREASURY CIRCULAR NO 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
- THE SPEAKER: PROVINCIAL PARLIAMENT
- THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

} For information

- THE ACCOUNTING OFFICER: VOTE 1: PREMIER (ADV B GERBER)
- 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)
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- 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 13: CULTURAL AFFAIRS AND SPORT (MS BG RUTGERS)
- THE CHIEF FINANCIAL OFFICER: VOTE 14: LOCAL GOVERNMENT (MR F DE WET) (ACTING)

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THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (MS A PICK)  
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP ONE) (MR F SABBAT)  
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP TWO) (MR M SIGABI)  
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THE SENIOR MANAGER: IMMOVEABLE ASSET MANAGEMENT (MR NB LANGENHOVEN)  
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THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)  
THE HEAD: OFFICE OF THE FINANCE MINISTRY (MS A SMIT)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

## **RE: ISSUING OF CHAPTER 16A AND 16B OF 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 on 07 December 2011 issued Interim PTIs to supplement the PTIs issued 02 November 2009 in order to address the abovementioned gaps.

- 1.4 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.
- 1.5 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.
- 1.6 In order to meet the objectives of setting of standards or guiding principles for SCM that speaks to a higher level of control and good governance practices, necessitated a full revision of Chapter 16A (Part 6) of the current set of PTIs issued in November 2009.
- 1.7 The revised instructions is reflective of the complete cycle of SCM (inclusive of moveable asset management) which gives effect not only to current regulatory requirements and the intent of National Instruction Notes and Practice Notes, our own provincial requirements, but also the local gap analysis within both the PFMA and Construction Industry Development Board (CIDB) regulatory regimes.
- 1.8 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.
- 1.9 Hence a complete revision of the Provincial Treasury Instructions (PTIs) was undertaken which will drive departmental supply chain management policies and practices in terms of section 38 (1) (a) (iii) 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.

1.10 The attached Chapter 16A (Supply Chain Management: Goods and Services) and Chapter 16B (Supply Chain Management for the Delivery and Maintenance of Infrastructure) represents a complete revision of Chapters 10 (Part 5) and 16A (Part 6) of the Provincial Treasury Instructions issued on 2 November 2009.

1.11 In Chapter 16B: Supply Chain Management Instructions for the Delivery and Maintenance of Infrastructure, reference is made to the Provincial Treasury's "Standard for an Infrastructure Delivery Management System" and "Standard for a Construction Procurement System", which is also attached and issued herewith.

## **2. AREAS COVERED**

2.1 The PTIs attached herewith cover the following areas under Chapter 16A:

- (a) Definitions, application, departures, repeal of instructions and date of commencement;
- (b) Regulatory framework for supply chain management in terms of the Act (PFMA);
- (c) Institutional arrangements;
- (d) Demand management;
- (e) Acquisition management;
- (f) Compliance monitoring;
- (g) Contracts and contract management;
- (h) Logistics management;
- (i) Moveable asset management;
- (j) Disposal management;
- (k) Reporting of supply chain management information;

- (l) Regular assessment of supply chain management performance;
  - (m) Risk management and internal control; and
  - (n) Financial treatment and disclosure of assets and inventories.
- 2.2 Chapter 16A applies to all aspects of supply chain management in the Province unless otherwise stated in Chapter 16B of the PTIs.

### **3. DATE OF COMMENCEMENT**

- 3.1 Chapters 16A and 16B take effect from 1 April 2012, except for those instructions determined by the Provincial Minister responsible for financial matters in the issuing notice, which will take effect on a date determined in the notice, which is not later than 1 April 2013.
- 3.2 Departments and public entities must see this phased-in approach as an opportunity to prepare for implementation of those instructions delayed for a period of time, to ensure full compliance when the relevant requirement becomes effective.

### **4. WESTERN CAPE SUPPLIER DATABASE**

- 4.1 Registration of suppliers on the Western Cape Supplier Database becomes compulsory with effect from 1 April 2012, however, notwithstanding the comprehensive effort launched by Western Cape Government and our database service provider to register the 2801 suppliers utilised on a regular basis, it is necessary to postpone the implementation date to 1 July 2012 due to the slow response and incomplete applications from suppliers.
- 4.2 In the interim (1 April – 30 June 2012), institutions of the provincial government may only do business with suppliers who are:
- (a) duly registered on the supplier database; or
  - (b) in the process of registering as confirmed on the supplier database; or

- (c) if prospective suppliers agree to register within a period specified by the institution, but not later than 30 June 2012

4.3 In addition, our service provider, Quadrem, is in the process of approaching the 7000 '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 declaration (consolidated SBD 4, 8 and 9).

## **5. WESTERN CAPE STANDARD BIDDING DOCUMENTS**

### **5.1 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". This document has been endorsed by the National Treasury.
- (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 4.4 of Chapter 16A of the Instructions.

### **5.2 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 came into operation on **7 December 2011**, and are applicable to all bids advertised from this date forward.

## **6. OTHER ISSUES FOR INFORMATION**

### **6.1 DEVELOPMENT OF A PRO-FORMA ACCOUNTING OFFICER'S SYSTEM (AOS) FOR THE PROVINCE**

- (a) Departments were informed via Treasury Circular 4 of 2010 and via Circular 36 of 2011 of the Provincial Treasury's intention to develop and issue a new provincial framework (pro-forma) AOS which will indicate standardised risk mitigating requirements for SCM and assist Departments in aligning its AOS with the latest legislation, policies, procedures and practices.
- (b) The key objective for the revision of both the PTIs and the AOS is to enforce standardised 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 so as to elevate the financial capability of Departments in the Province.
- (c) The Pro-forma AOS will therefore be aimed at enhancing due diligence in processing that will be inclusive of LOGIS enhancements as well as the envisaged enhancements of the e-procurement system for quotations and the supplier database as well as moving toward placing the Province in a state of readiness to implement the National Treasury's Integrated Financial Management Solutions (IFMS).



- (d) In the absence of the revised generic pro-forma AOS, departments are advised to issue internal SCM / financial instructions (internal memoranda) in order to ensure that it in the interim complies with the latest legislation, policies, procedures and practices as well as to address the gaps identified by the Auditor - General.
- (e) In the latest audit cycle it was also highlighted that certain issues previously raised by the Auditor-General have not been rectified as yet, and it is imperative that departments take the necessary steps to put the required due diligence steps in place.
- (f) Departments may benchmark financial/SCM instructions referred to in paragraph 6.1 (d) above with other departments, to facilitate and encourage a standardised approach.
- (g) Departments may further forward these internal financial/SCM instructions to the Provincial Treasury: Movable Asset Management for assistance and guidance, review and /or concurrence.
- (h) The Provincial Treasury, will issue a revised generic pro-forma AOS as a "blueprint" for utilisation by departments with the view of standardising and creating uniformity in the application of SCM policy and procedure, as cited in the attached Schedule to the issuing notice (attachment marked "Annexure") and the effective date on the schedule indicates the date on which departments are expected to have a revised AOS in place that is aligned to and gives effect to the requirements of the PTIs issued under cover of this Circular.

## **6.2 PREFERENTIAL PROCUREMENT REGULATIONS**

- (a) The requirements of the Preferential Procurement Regulations came 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 as required, with the key focus being on training and skills development.
- (d) A task team constituted of Provincial SCM Officials has partnered with the Provincial Treasury to implement the abovementioned Programme.

### **6.3 NATIONAL TREASURY INSTRUCTION NOTE 32**

- (a) Since the issuing of the Instruction Note on 31 May 2011 and the rendering of provincial comments at various stages, 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 note will be issued.
- (d) The National Treasury has to date not issued a revised instruction note and the sections under dispute have therefore not been taken up in the revised PTIs issued.
- (e) Sections of Instruction Note 32 that are already operational within departments are those in respect of procurement planning, bid advertisements and payment to suppliers.
- (f) The remaining requirements of instruction Note 32 will be taken up into the PTIs as and when the National Treasury provides clear direction on implementation and the implementability of such requirements.

#### **6.4 QUADREM CONTRACT FOR THE EPSi and SUPPLIER DATABASE**

- (a) The Provincial Treasury entered into a new agreement with our current service provider (Quadrem) for the period 1 March 2012 to 31 March 2014, for the development of an integrated Western Cape procurement solution (inclusive of Western Cape Supplier Database and quotation system). The envisaged solution will not only comply to the Integrated Financial Management Solution (IFMS) user requirement statement, but to current user and legislative requirements as well.
- (b) The Integrated Procurement Solution (IPS) will allow suppliers to register, respond to request for quotations and update their profiles on-line. It is the intention that the new solution, when developed, will be implemented and tested at an identified pilot site before further roll-out to the remaining institutions during the 2012/13 financial year.

## **6.5 TRAINING / INFORMATION SESSIONS ON PTIs**

- (a) The Provincial Treasury will provide training and information sessions in respect of the PTIs issued, in the new financial year.
- (b) Logistical arrangements in this regard will be communicated in due course as soon as the planning process for these initiatives has been concluded.

## **6.6 DISTRIBUTION OF INFORMATION/DOCUMENTS**

Accounting Officers and Accounting Authorities must ensure that the content of this Circular and the attached Provincial Treasury Instructions and other related documents are brought to the attention of all staff under their control.

## **6.7 ENQUIRIES**

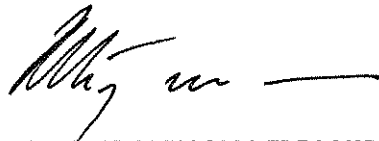
Any queries in this regard may be directed to:

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**HEAD OFFICIAL: PROVINCIAL TREASURY**

**DATE:** 2022/08/30