

REFERENCE: T16/P

ENQUIRIES: Nadia Ebrahim

SUPPLEMENT 1 TO 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

For information

THE SPEAKER: PROVINCIAL PARLIAMENT
THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

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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 P VAN ZYL)
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 12: ECONOMIC DEVELOPMENT AND TOURISM (MS M ABRAHAMS)
THE CHIEF FINANCIAL OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MS BG RUTGERS)
THE CHIEF FINANCIAL OFFICER: VOTE 14: LOCAL GOVERNMENT (MS B SEWLALL-SINGH)

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 THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE NATURE CONSERVATION BOARD (MS M MOROKA)
 THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MR N FLAATTEN)
 THE CHIEF EXECUTIVE OFFICER: CAPE TOWN ROUTES UNLIMITED (DMO) (MR C GILFELLAN)
 THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE CULTURAL COMMISSION (MS J MOLELEKI)
 THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE LANGUAGE COMMISSION (MS J MOLELEKI)
 THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE HERITAGE COMMISSION (MS J MOLELEKI)
 THE CHIEF EXECUTIVE OFFICER: CASIDRA (MS T MLONYENI) (ACTING)
 THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE LIQUOR BOARD (MR S FOURIE)

 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE GAMBLING AND RACING BOARD (MR P ABRAHAMS)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE NATURE CONSERVATION BOARD (MR A PRESTSON)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MR I BLACKIE)
 THE CHIEF FINANCIAL OFFICER: CAPE TOWN ROUTES UNLIMITED (DMO) (MR H BONESCHANS)
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 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE LANGUAGE COMMISSION (MS B RUTGERS)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE HERITAGE COMMISSION (MS B RUTGERS)
 THE CHIEF FINANCIAL OFFICER: CASIDRA (MR F VAN ZYL)
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 THE SENIOR MANAGER: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR M SIGABI)
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 THE SENIOR MANAGER: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (MS A SMIT)
 THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)

 THE PROVINCIAL AUDITOR

 MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

RE: SUPPLY CHAIN MANAGEMENT (SCM): IMPLEMENTATION OF CHAPTER 16A OF THE PROVINCIAL TREASURY INSTRUCTIONS (PTIs): ISSUING OF TRANSACTION CHECKLISTS AND RELATED TEMPLATES

1. BACKGROUND

- 1.1 The Provincial Treasury Instructions (PTIs), Chapters 16A & 16B were issued on 30 March 2012 and became effective as of 1 April 2012. The issuing of the PTI's was the first step in strengthening compliance and accountability in respect of SCM within the Western Cape Government (WCG). The subsequent step will be to develop bespoke departmental SCM policy requirements and standard operating procedures.
- 1.2 Implementation of the PTI's is driven by the Provincial Treasury in conjunction with the support of the Provincial SCM Focus Group which is represented by SCM Heads of all departments.
- 1.3 Implementation dates have been set for Instructions that could not be implemented as of 1 April 2012 in an implementation schedule that accompanied the issued PTIs. In terms of the implementation schedule the following must be implemented by institutions by 1 August 2012:

PTI	REQUIREMENT
6.2.1	Transaction checklists which record all actions to be performed from the initiation of a request for specific goods or services to the final authorisation of the payment.
6.2.3	Procurement templates that supports the various forms of procurement identified in par 5.2 of the PTI's
6.3.1	Report by the SCM: Head , via the CFO, to the accounting officer or accounting authority. Such report to be submitted within 15 working days after the end of each month and should contain information on procurement transactions during the month.

- 1.4 In terms of PTI 16A: Part6, Paragraph 6.2.4 and 6.3.4 the Provincial Treasury must prescribe the format and content of the transaction checklists and

procurement templates as well as the format of the monthly report, respectively.

2. TRANSACTION CHECKLISTS

2.1 The following checklists were developed and work-shopped with the Provincial SCM Focus Group(attached hereto marked "Annexure A"):

- (a) Transaction checklist for orders; and
- (b) Transaction checklist for payments.

2.2 Rationale for introducing transaction checklists

- (a) It has been reported via both internal audit and Auditor-General reports that institutions do not have all required documents on file when payment batches are audited. This has been highlighted as a lack of internal control at institutions in respect of the acquisition and payment of goods and services. At worst this may lead to a limitation of scope during audits and have an adverse effect on the financial maturity of institutions.
- (b) Transaction checklists are control mechanisms and its purpose is to ensure that all necessary requirements/rules are being adhered to before institutions commit themselves to the issuing of orders or the payment of invoices. They are also instrumental in enforcing good governance principles that will aid in the change in behaviour towards stricter compliance and in improving the level of financial maturity.
- (c) The format and content of the prescribed transaction checklists are the minimum requirements and Institutions may adapt the checklists to suit its specific business processes, which include incorporating additional information and / requirements as needed.

2.3 Transaction checklist for orders

- (a) The transaction checklist for orders was developed for the electronic logistical system environment, whether utilized transversally or in - house, by institutions.

- (b) Institutions attention is drawn to PTI 16A: Part6, Paragraph 8.6.5 (a) that requires accounting officers or accounting authorities to ensure ***“that all goods or services are procured and accounted for on the relevant electronic logistical system.”***
- (c) An order checklist has to be completed for each order made. Given that an order may include various requisitions, the checklist must cover all the requisitions attached to that specific order.
- (d) The order checklist is not applicable when requisitioning items from stores stock. It should only be implemented for the replenishment of stores stock and the procurement of non-stock goods or services as well as the procurement of minor and major assets.

2.4 Transaction checklist for payments

- (a) This checklist must be used for all payments of goods, services and works. In the case of order exempted payments (municipal services, telecommunication services, etc.), that are not procured and accounted for on the relevant logistical system, institutions should retain the status quo until a further directive is issued in this regard by the Provincial Treasury.

3. PROCUREMENT TEMPLATES

3.1 The following procurement templates were developed:

- (a) Template for Informal quotations (for purchases from R2 001.00 - R10 000.00)(attached hereto marked “Annexure B”); and
- (b) Template for formal quotations (for purchases from R10 001.00 - R500 000.00)(attached hereto marked “Annexure C”)

3.2 An excel version of the procurement templates will be provided upon request.

3.3 It must be noted that templates for limited and competitive bidding will be issued at a later stage.

3.4 Rationale for introducing the procurement templates

- (a) The abovementioned templates have been developed to ensure that institutions adhere to the minimum requirements set by the National Treasury for all purchases to the value of R500 000.00.
- (b) These requirements are fragmented across various documents and are often missed / overlooked by institutions when awarding contracts. The checklists issued have been designed to bring together all of these requirements into one document and incorporate checks and balances to ensure that transparency and fairness within the WCG procurement environment prevails.

3.5 Implementation of procurement templates

- (a) Various institutions have set its threshold value for procurement via the Integrated Procurement Solution below R500 000.00 in order to manage its own internal risks. As a result, procurement needs that could be addressed via a less cumbersome process have to follow the longer rule-driven competitive bidding route. Risk mitigating measures such as the introduction of quotation/adjudication committees, where Accounting Officers/Authorities of institutions wish to increase this threshold to R500 000.00 has been provided for.
- (b) Where institutions' threshold values have already been raised to R500 000.00, the introduction of the procurement templates and possibly quotation/adjudication committees will strengthen control. Where institutions have not yet raised the threshold values, the revision of SCM delegations, in addition to the above, will be necessary.
- (c) Templates must be implemented as from **1 August 2012 but not later than 1 September 2012** to make provision for departments that have decentralised offices as well as departments that need to amend its delegations. Institutions can adapt the templates in accordance with institutional arrangements.

4. FORMAT OF MONTHLY REPORTS

- 4.1 As required in terms of PTI 16A: Part6, Paragraph 6.3.4, the Provincial Treasury has developed the format of the monthly report (attached hereto marked "Annexure D").
- 4.2 The content of the report includes the requirements as set out in PTI 16A: Part6, Paragraph 6.3.2 as well as other information which may be prescribed by the Provincial Treasury in terms of PTI 16A: Part6, Paragraph 6.3.2 (g).
- 4.3 The first report should be submitted to the accounting officer or accounting authority by **15 September 2012 for the month of August 2012.**
- 4.4 The report also provides for the submission of certain information only on a quarterly basis. The first report containing quarterly information should be submitted on 15 November 2012 and thereafter on a quarterly basis.

5. DISTRIBUTION OF INFORMATION/DOCUMENTS

- 5.1 Accounting officers or accounting authorities must ensure that the content of this circular and the attached Annexures A to D are brought to the attention of all relevant staff under their control.

6. ENQUIRIES

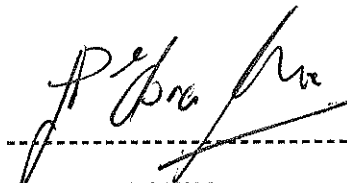
- 6.1 Any queries in this regard may be directed to:

The Director: Provincial and Local Government Supply Chain Management

Nadia Ebrahim

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MS. N EBRAHIM

SENIOR MANAGER: PROVINCIAL GOVERNMENT SCM

DATE: 24/07/2012