Western Cape Government
Provincial Treasury

PROVINCIAL GOVERNMENT
SUPPLY CHAIN MANAGEMENT
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SUPPLEMENT 2 TO TREASURY CIRCULAR, NO 14/2012

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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
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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 INTERNAL CONTROL FRAMEWORK AND MINIMUM STANDARDS FOR SCM DELEGATIONS

1. PURPOSE

1.1 In terms of Chapter 16A of the Provincial Treasury Instructions (PTIs):

(a) Part 13, paragraph 13.2.1 and 13.2.3, respectively:
"The accounting officer or accounting authority must develop, implement and maintain an internal control framework for the supply chain management system of the institution;" and
"The Provincial Treasury must prescribe the format and content of the internal control framework for supply chain management ..."

(b) Part 3, paragraph 3.7.1 and 3.7.3, respectively:
"an accounting officer or accounting authority may, in terms of section 44 and 56 of the Act, in writing delegate any powers entrusted or delegated to the accounting officer or accounting authority..." and
"To promote consistency and uniform application, the supply chain management system delegations and instructions must be structured in accordance with minimum standards set by the Provincial Treasury."

1.2 The purpose of this circular is to give effect to the above instructions by disseminating:

(a) the generic internal control framework for supply chain management and moveable asset management (attached hereto marked "Annexure A") to be implemented by institutions with effect from 1 October 2012; and

(b) the minimum standards for supply chain management system delegations (attached hereto marked "Annexure B") to be implemented by institutions with effect from 31 March 2013.

2. BACKGROUND

2.1 The PTIs, Chapters 16A &16B were issued on 30 March 2012 and became effective as of 1 April 2012.

2.2 The issuing of the PTIs 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.

2.3 To date, the Provincial Treasury has issued the transaction checklists (PTI 6.2.4), procurement templates (for formal and informal quotations) (PTI 6.2.4) as well as the monthly and quarterly report (PTI 6.3.1), issued via "Supplement 1 to Treasury Circular 14/2012".

2.4 In terms of the implementation schedule that accompanied the issued PTIs, the implementation date for the internal control framework for institutions is 1 October 2012 and the implementation date for departmental delegations to be aligned to Provincial minimum standards is 31 March 2013.

3. INTERNAL CONTROL FRAMEWORK

3.1 As required by PTI 16A: Part13, Paragraph 13.2.2, the internal control framework provides for:

(a) the entire virtuous cycle of supply chain management;
(b) identified risks;
(c) control activities;
(d) type of control activity (management, administrative and accounting);
(e) preventative, detective and corrective control activities;
(f) responsible employee; and
(g) management assessment.

3.2 The appendices to the framework addresses the transaction life cycles of the following areas:

(a) moveable asset management (appendix A); and

(b) supply chain management (goods & services) (appendix B).

3.3 Institutions are required to adapt these appendices to speak to its bespoke requirements. This includes:

(a) identification of bespoke risks and detail of control activities to be included in appendices and classification thereof;

(b) completion of the first blank column on the appendices which allows for the identification of the 'delegated employee', i.e. the person (or possibly position) to whom the specific responsibility has been formally delegated; and

(c) completion of the last blank column on the appendices where management must indicate the level at which they believe the control is functioning, in accordance with the maturity capability model.

3.4 Institutions must on an on-going basis assess the risks facing the institution and evaluate existing internal control activities to ensure that they are appropriate for the specific circumstances and, most importantly, are operating as intended.

4. MINIMUM STANDARDS FOR SCM DELEGATIONS

4.1 Institutions must ensure that its delegations in terms of the PFMA and related regulations and instructions are structured in accordance with the formats set out in the attached framework.

4.2 In terms of PTI 16A: Part13, Paragraph 3.7.2, institutions must ensure that:

(a) the delegations and instructions are within the scope permitted by the legislative framework;

(b) employees are familiar with their roles and responsibilities;

(c) employees possess the necessary skills and competencies to exercise the delegation/ instruction;

(d) effective performance management, feedback and reporting mechanisms are in place;

(e) appropriate controls are in place;

(f) clear directions or instructions are given and conditions set that restrict, where applicable, the exercise of the delegations; and

(g) delegations and instructions are reviewed regularly, as prescribed by the accounting officer/ authority for appropriateness and accuracy, particularly following policy changes.

4.3 The revised delegations, after reviewing all policy requirements are set for implementation from 31 March 2013. Institutions may however utilise the minimum standards template with immediate effect if they so wish.

5. DISTRIBUTION

4.1 Accounting officers/ authorities must ensure that the content of this circular and the attached annexure are brought to the attention of all relevant staff under their control.

5. ENQUIRIES

5.1 Any queries in this regard may be directed to:

The Director: Provincial Government Supply Chain Management
Nadia Ebrahim
Tel: (021) 483 4748
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MS. N EBRAHIM
SENIOR MANAGER: PROVINCIAL GOVERNMENT SCM
DATE: 15/08/2012

"ANNEXURE A"

PROVINCIAL TREASURY

INTERNAL CONTROL FRAMEWORK

FOR

SUPPLY CHAIN MANAGEMENT
(GOODS AND SERVICES)

AND

MOVEABLE ASSET MANAGEMENT

(Paragraph 13.2.3 of Provincial Treasury Instructions, 2012)

PART 1

INTERNAL CONTROL IN GOVERNMENT

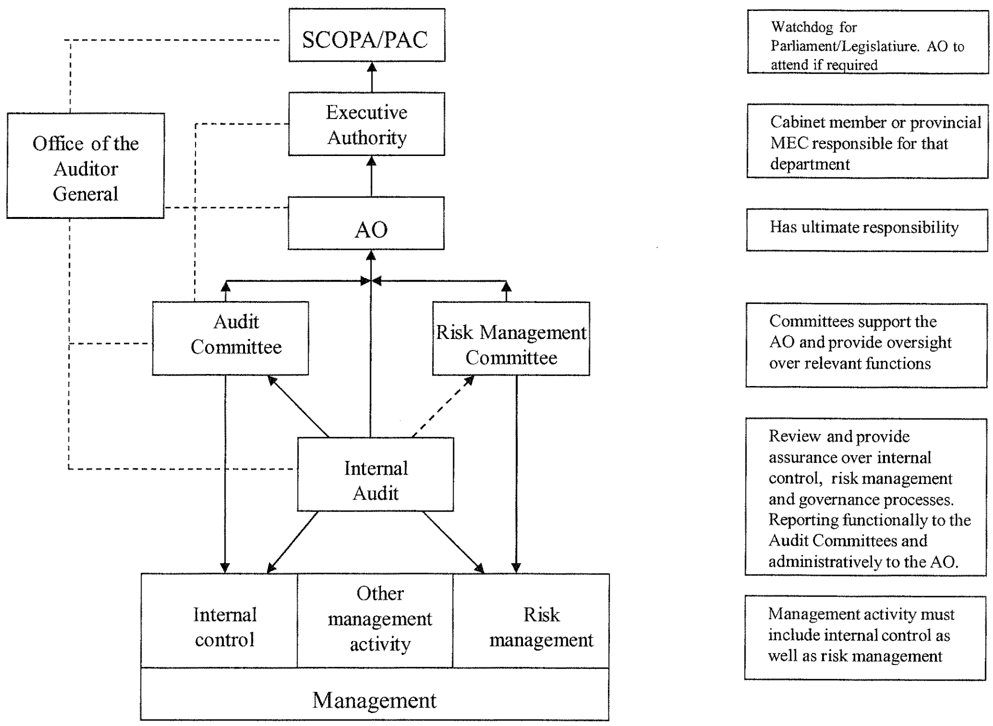
1. The Governance and Control Framework

The underlying principles of good corporate governance are accountability and responsibility. Accountability comprises the need for effective mechanisms for individuals and groups within an institution to be accountable for their decisions and actions on specific issues, while responsibility is the need for management to set the institution on the right path and the allowance for corrective action and for penalising mismanagement. As the King Report 2002 states, "One is liable to render an account when one is accountable and one is liable to be called to account when one is responsible."

The structures necessary to deliver these principles of accountability and responsibility are prescribed in the PFMA, the related Treasury Regulations and the Provincial Treasury Instructions. These make it clear that the legislation intended that governance and controls should be seen as part of an integrated framework which itself should complement the reforms in financial management, accounting and financial reporting.

The relationship of the various elements in the framework can be shown diagrammatically in the following chart, which indicates key governance relationships in the public sector. Despite the various stakeholders in the Governance and Control process, it is clear that Management is the cornerstone of the entire internal control system.

Framework of Governance and Control



1.2 Internal Control

1.2.1 Internal Control Defined

It is important that there is a clear understanding of what internal control means and why it is so important to aim for the highest standards. In a narrow sense internal control includes all those controls designed to ensure effective financial operations (this is often referred to as internal financial control). Internal control is wider than this encompassing management, administrative and accounting controls. Internal control helps to provide reasonable assurance that an institution:

- Adheres to laws, regulations and management directives;
- Promotes orderly, economical, efficient and effective operations and achieves planned outcomes;
- Safeguards resources against fraud, waste, abuse and mismanagement;
- Provides quality services in accordance with agreed policies and objectives; and
- Develops and maintains reliable financial and management information and fairly discloses the data through timely reporting.

As can be seen, internal financial control is one component of internal control, albeit an important one.

A widely accepted definition of internal control is as follows:

" Internal Control is defined as the whole system of controls, financial and otherwise, established in order to provide reasonable assurance of efficient and effective public services, reliable financial information and reporting, and compliance with applicable laws and regulations."

1.2.2 Control Environment

A strong control environment is needed for controls to function adequately. The control environment includes government's approach to matters of governance, transparency and accountability. It encompasses the way it assigns responsibilities e.g. to various institutions of government and how it monitors the control procedures. In short, there needs to be a control culture under which there is an expectation that internal control procedures should be adhered to. The main elements of a strong control environment are set out below:

- a commitment to high levels of integrity and ethical values throughout government institutions;
- an appropriate degree of management oversight and supervision, working alongside appropriate delegation of authority and responsibility, and the establishment of appropriate lines of reporting; and
- commitment to well-trained government employees.

The key features of a strong control environment include:

- a well-defined operating structure and responsibilities e.g. set out in policy statements and standard operating procedures;

- timely, clear and accurate management information e.g. based on regular budget reports from accounting units etc.;
- strong attention to personnel matters such as recruitment, promotion, training and motivation; and
- adequate separation of certain functions e.g. accounting and audit functions.

Sources of information for reviews of the control environment will include:

- organisational charts;
- standard operating procedures;
- policy, programme and budget statements;
- Public Finance Management Act and Treasury Regulations;
- Internal Audit Reports;
- External Audit Reports by the AG;
- Audit Committee Reports;
- SCOPA (or provincial PAC) reports;
- National or provincial departments or public entity reports;
- Management Accounting Reports including Budget Statements; and
- Annual Reports, Annual Financial Statements and audit opinions.

1.2.3 Classification of Internal Controls

In order to understand the wide scope of internal control, the following classification of internal controls is given below, with some examples. Some controls span more than one category but for convenience are allocated to either management, administrative, accounting or IT controls. The table is intended to be indicative of the breadth of internal control and to highlight the fact that it is far wider than just financial control and should therefore be of concern to all managers from the Accounting Officer/Authority down.

1.2.3.1 Management Controls

These exist to ensure that the organisation, structure and systems support the policies, plans and objectives of the institutions responsible for the provision of public services and also operate within the laws and regulations. Key management controls include:

- policies and objectives for a service which are clearly stated and backed up with suitable indicators of efficiency and effectiveness, e.g. in policy statements and output budgets;
- organisational structures which facilitate the achievement of policy objectives in an efficient and effective manner, e.g. clearly defined roles and responsibilities of organisational units, specialisation etc;
- up-to-date standard operating procedures, which clearly set out working practices, e.g. delegated powers, standing instructions, codes of conduct and ethics, financial rules etc.; and
- personnel arrangements which support the delivery of policies and objectives, e.g. through good practices of recruitment, training, development and motivation of staff.

1.2.3.2 Administrative Controls

These should be in place to ensure that policies and objectives are delivered in an efficient and effective manner and that losses due to waste, theft, error, extravagance or misappropriation etc are minimised. Key controls include:

- adequate supervision to ensure that e.g. internal checks are performed effectively and that any weakness in internal control is identified and reported to management;
- sound arrangements exist so that senior management in institutions monitor and review operations and performance, e.g. through inspection systems, which focus on outputs and quality of service delivery; monitoring reports, which focus on corrective action; and corrective action taken in practice. Quality inspection units, internal audit and audit committees are means by which institutions can achieve such control. Effective action is taken by an institution to address issues raised by the inspection or audit units; and
- work duties are segregated in such a way that there are clear lines of responsibility and no single individual can carry out all stages of a transaction, e.g. authorising, executing, recording and control over ordering, receiving and paying for goods are stages in the system carried out by separate individuals.

1.2.3.3 Accounting Controls

These are required to ensure that resources allocated to institutions are accounted for fully and transparently and documented properly. These controls include:

- sound budgeting and budgetary control systems, e.g. regular reporting on budget versus actual performance;
- adequate authorisation and approval procedures, e.g. of invoices for payment;
- sound accounting arrangements - accurate recording of transactions, reconciliations, control totals, coding systems, exception reports, periodical and annual financial and management accounting statements; and
- physical safeguards are in place to ensure that publicly owned assets are used fully and appropriately for the intended service or purpose, e.g. records of land and buildings, inventories of equipment and vehicles, stores records exist and are kept up-to-date; independent physical checks are carried out regularly; loss of assets, cases of misuse, unused or underused assets are reported to the appropriate authorities and effective action taken.

1.2.3.4 Information Technology (IT) controls

Most institutions' operations are heavily reliant on IT systems and it is essential that these operate in a reliable and secure manner. IT controls are not separately identified in the tables in the appendices, but it is extremely important to ensure that there are effective controls within the IT environment.

(a) Access controls

Controls should be designed to prevent:-

- Unauthorised changes to programmes which process data;
- Access to files which store accounting and financial information and application programmes; and
- Access to computer operating systems and system software programmes.

User-id's and passwords should be used to limit access to programmes, data files and software applications. Firewalls should be installed to prevent data corruption from unauthorised external access. Controls should be designed to manage the operation of the system and to ensure that programmed procedures are applied correctly and consistently during the processing of data.

Computer controls such as scheduling of processing time, execution of programmes by competent personnel, monitoring and review of the function of hardware, division and rotation of duties and maintenance of system and manual logs with regular follow-up by management should be in place.

(b) System Software Programs

Controls should be designed for programs that do not process data to ensure that they are installed or developed and maintained in an authorised and effective manner, and that access to system software is limited. This could be achieved through security over system software, database systems, networks and processing by users on personal computers. There should be support structures, error correction methods and adequate documentation for the systems.

(c) Business continuity controls

Controls should be designed to ensure the continuity of processing, by preventing system interruption or limiting this to a minimum. Controls that should be in place include physical protection against the elements such as fire, water and power. There should be emergency plans and disaster recovery procedures, provision of alternative processing facilities, backups of data files, maintenance of hardware, adequate insurance, cable protection, uninterruptible power supply, prevention of viruses and personnel controls affecting security and continuity.

1.2.3.5 Other IT controls

These include:-

- Protection of hardware against accidental or deliberate damage: e.g. inventories of computer equipment should be maintained and equipment should not be located where it is easily accessible to unauthorised persons;
- Security of data held on the IT system to ensure that it is not corrupted either deliberately or in error, e.g. standing payroll data could be fraudulently amended to increase payments;
- Prompt and accurate authorisation and input of data to the system, e.g. expenditure needs to be coded accurately so that it is properly reflected in subsequent management information;
- Complete and accurate processing of information e.g. the automatic calculation of total cost based upon price and quantity should produce the correct results;
- Accurate and timely output from the system, e.g. expenditure reports should include all relevant codes to ensure that a misleading position is not shown;
- Changes to operating software should be approved, strictly controlled and tested prior to live implementation to ensure that integrity of key systems is maintained, e.g. software for income systems could be amended in a way that would reduce the amount due from certain individuals;
- Adequate back up (periodically copied and stored securely) of data files to allow for proper recovery e.g. copies of software and data should not be kept next to computers as a fire might destroy both the original and backed up information; and
- Ensuring the availability of automated information processing systems during the required operating hours e.g. the source of power for computers should be protected by power conditioning equipment to avoid damage in case of power fluctuations.

1.2.4 Classification of controls

Controls can be classified into the following different types:

- **Preventative:** designed to discourage errors or irregularities from occurring (i.e. processing vouchers only after signatures have been obtained from appropriate personnel), e.g. adequate physical security of assets to prevent losses such as theft or damage;
- **Detective:** designed to find errors or irregularities after they have occurred (i.e. reviewing departmental phone bills for personal calls) e.g. adequate accounting controls whereby errors are highlighted through reconciliation procedures; and
- **Corrective:** e.g. expenditure can only be charged against valid cost codes that have budgets attached to them.

PART 2

SELF-ASSESSMENT BY ACCOUNTING OFFICERS/ACCOUNTING AUTHORITIES

2.1 Review of Internal Control Arrangements

Periodically there should be reviews of the control environment to ensure that key arrangements are in place, are up-to-date and are functioning as intended. These reviews could be undertaken by, for example, the following functionaries:-

- The relevant treasuries have central roles in financial management and may investigate systems of internal control of individual institutions periodically in terms of sections 6 and 18 of the PFMA;
- The Auditor-General should undertake periodical test checks of the internal control environment across government with a view to regular reporting on its effectiveness or otherwise to executive authorities, to Legislatures, and to Committees of Parliament or provincial legislatures that are charged with financial oversight, e.g. SCOPA; and
- Parliament, provincial legislatures and committees could seek prompt and effective remedial action from executive authorities when it receives reports of defective internal control arrangements.

2.2 The need for self-assessment

The reviews mentioned above should be conducted by functionaries outside the institution. However, for Accounting Officers/Accounting Authorities to fulfil their duty to ensure proper financial management and hence promote effective and efficient service delivery, it is necessary that they not only understand what internal controls need to be implemented, but also that they are aware of the extent to which these controls operate in an effective manner.

The internal control tables set out in the Appendices provide an opportunity for Accounting Officers/Accounting Authorities to undertake a structured assessment of the *operation* of key risks and internal controls that ought to be in place in their institutions, starting from the strategic level down to the reporting level for each key process.

The enclosed Appendices address the transaction life cycles of the following areas:

- Moveable asset management
- Supply chain management (goods & services)

2.3 Methodology

Each table begins with an analysis of the transaction life cycle of the particular area, then for each cycle, identifies the major risks and the control measures to mitigate these risks.

The control types included in the tables are management, administrative and accounting controls:-

- **Management controls** – these **ensure** that the institution's structure and systems **support** its policies, plans and objectives **and** operates within laws and regulations.
- **Administrative controls** – these **ensure** that policies and objectives are delivered in an efficient and effective manner **and** that losses are minimized.
- **Accounting controls** – these **ensure** that resources allocated are accounted for fully and transparently **and** are properly documented.

Each control type can be preventative, detective or corrective in nature:-

- **Preventative controls** – prevent errors and irregularities and if properly enforced, are usually the most effective type of control. There is an old saying that "prevention is better than cure" and indeed this is true.
- **Detective controls** are designed and implemented to uncover or detect errors and irregularities after they have occurred. Another old saying, which is also true, is "it is no use closing the stable door after the horse has bolted." However at least you will have detected that the horse has bolted, and closing the stable door will prevent other horses from bolting.
- **Corrective controls** – are also very important and usually operate together with detective controls. It is clearly no use detecting an error or irregularity without correcting the error/irregularity.

To illustrate the operation of the tables, an example is taken from Moveable Asset Management:-

Life cycle stage	Risk	Control	Delegated official	Type of Control			Management assessment
				Mgt	Adm	Acc	
Commissioning and receiving assets	Assets delivered are not as per order	Official receiving assets should only complete and sign a goods received note (GRN) when satisfied that assets match those on order			P		

The '**P**' indicates that the control is 'preventative' (rather than 'Detective' or 'Corrective'), and it is shown in the 'Adm' column, because it is of an Administrative nature. It is important to note that two columns are blank (part from the 'Type of control' – in this example the control is neither 'Mgt' or 'Acc'), and these are for use by the Accounting Officer/Accounting Authority.

The first empty column allows identification of the 'delegated employee', i.e. the person (or possibly position) to whom the specific responsibility has been **formally** delegated: in this example it might be: 'Chief Storekeeper, XYZ Depot'.

The final blank column is crucial, as this is where management must indicate the level at which they believe this control is functioning, in accordance with the maturity capability model. This would mean that the assessment would conclude on whether the relevant controls are adequately designed and also whether they are implemented.

In addition to the controls listed, the following preventative measures should be in place for all processes:-

- Access to resources and records are to be limited to authorised individuals who are accountable for their custody or use (restricted access to GRN and order books);
- Pre-numbered documents (invoices, goods received notes, payment advises, etc)
- Functioning of controls should always be evidenced / documented. (e.g. signatures as proof of performing the controls);
- Consistent terminology is used on documents;
- Low error environment including trained personnel, pleasant working conditions, minimal noise; and
- Computerised controls can only be relied upon by management and auditors if the general control environment is functioning properly. It is advisable that management should periodically evaluate these controls and prioritise the correction of any problems. Weaknesses or lacks in general controls have major effect on the functioning of all other computerised controls.

SUPPLY CHAIN MANAGEMENT (Goods and Services)

The supply chain management life cycle, associated risks and controls are to be read in conjunction with the:-

- Treasury Regulations, 2005 issued in terms of section 76 of the Public Finance Management Act (PFMA), 1999, specifically regulations 5, 8, 9 and 16A; and.
- Chapter 16A of the Provincial Treasury Instructions, 2012 issued in terms of section 18(1)(c) of the Public Finance Management Act (PFMA), 1999.

Goods and services include all goods and services to be used by an institution but it excludes capital assets (which fall under Moveable Asset Management). Goods to be included in goods and services are for example, petrol, small tools and equipment, stationery, foodstuff and electricity. Goods purchased for resale also fall under goods and services and these include postcards and souvenirs sold by government museums. Services include payments to hotels, restaurants, transport, communications, banking, consultant fees, market research, staff training, **rental** of buildings, vehicles, equipment, etc.

Goods and services to be used as input into a capital project are excluded from goods and services and must be dealt with under moveable asset management. It is also worthy of note that **all** goods costing less than R5000 shall be included under goods and services **provided** that such goods and services are not intended as inputs to a capital project. As indicated under Moveable Asset Management, a computer (including the mouse, keyboard and monitor) costing less than R5000 shall fall under goods and services provided that the computer is not purchased to provide input to a capital project, in which case it would be classified as a capital asset.

Supply chain management (SCM) is a systematic process that ensures that goods and services are delivered to the right place, in the right quantity, with the right quality, at the right cost and at the right time. It is part of a broader function of managing expenditure on and payments for the goods and services that are involved in delivering services to communities.

In order to achieve service delivery goals effectively, efficiently and economically, managers must ensure that proper controls exist over the entire business process, from planning [determining the demand for goods and services), procuring (through a fair, equitable, transparent, competitive and cost effective system consistent with both the Preferential Procurement Policy Framework Act (Act No. 5 of 2000) and the Broad Based Black Economic Empowerment Act (Act 53 of 2003)], managing logistics and disposing of goods no longer required. It is imperative that risks associated with these processes are managed at all stages in the cycle.

The AO/AA delegates the management of the institution's goods and services to the chief financial officer (CFO). Procurement of goods and services, either by way of quotations or through a bidding process, must be within the threshold values determined by the National Treasury. In the case of procurement through a bidding process, evaluation and adjudication of bids takes place through a bid committee system; with clear bidding procedures and proper approval of bid committee recommendations. An institution may in cases of emergency dispense with the invitation of competitive bids if impractical and may obtain goods or services by means of quotations. The supply chain management system of the institution must, however, provide for a policy in relation to the management and treatment of emergency procurement.

All role players involved in the management of goods and services must comply with the highest ethical standards in order to promote mutual trust and respect and an environment where business can be conducted with integrity in a fair and reasonable manner.

SUPPLY CHAIN MANAGEMENT TRANSACTION LIFE CYCLE

Steps 1-9 below represent the life-cycle of supply chain management transactions, from planning for and acquiring the goods and/or services necessary to achieve the institution's strategic objectives, to monitoring and reviewing the management of goods and services and finally the compilation of financial statements.

The risks and controls to mitigate against risks are detailed for each element in the transaction life cycle, which is as follows:-

1. Institutional arrangements
2. Demand management
3. Acquisition of goods or services
4. Compliance monitoring
5. Contract management
6. Logistics management
7. Disposal management
8. Reporting of supply chain management information
9. Regular assessment of supply chain management
10. Financial treatment and disclosure of assets, inventories and disposals

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
Institutional arrangements	The structure of the SCM Unit is not sufficient to implement the accounting officer's Supply Chain Management System	Approved plan exist to align the SCM Unit structure with the proposed generic structure for the office of the CFO		P			
	Employees within the SCM Unit not fully capacitated to fulfil their responsibilities	• Approved human resource development plan in accordance with the competency framework prescribed by National/Provincial Treasury • Record of attendance of training courses is kept		P	P		
	Delegations framework incomplete and out dated resulting in delays in service delivery	Delegations framework is reviewed on an annual basis for completeness and relevance and approved by the relevant authority			P		
Demand management	Plans to acquire goods or services are not linked to the institution's strategic plan and budget	• Supply chain strategy exists for five years to support expenditure for goods and services included in the strategic plan and budget of the institution. • Annual operations plan (demand plan) are scrutinised by a delegated official to ensure that acquisition plans are realistic		P P			
	Service delivery is interrupted as essential goods or services are not available when required	• A delegated official reviews the annual procurement plan to confirm that appropriate lead times have been incorporated • A bid register exist for each procurement requirement identified in the annual procurement plan to monitor the procurement/acquisition process			P		

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
Acquisition of goods or services	Goods and services are purchased without authorisation	• Minutes of bid evaluation/adjudication committee meetings are approved by the AO/AA or an appropriately delegated official • Approvals for acquisitions are authorised by a delegated official		P	 P		
	Inappropriate supplier is chosen, as industry and/or commodity analysis has not been conducted	• A delegated official conducts an industry and commodity analysis to identify potential suppliers that can deliver value for money as per the institution's operational plan and confirmed by minutes of meetings			P		
	Goods or services are acquired which were not planned or budgeted for	• A delegated official verifies the acquisition of goods or services against operational plan (demand plan) prior to the order being placed. • If goods or services to be acquired are not included in the operational plan (demand plan), the purchase must be authorized by a delegated official prior to acquisition.		 P	P		
	Bid specifications are biased and not properly evaluated	• Bid specifications are approved by a delegated official or committee and recorded in minutes • There is evidence of an evaluation process			P P		

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
	Bids for goods or services may have to be re-advertised	• There is evidence that users indicate clear specifications with reasonable tolerance where applicable • There is evidence that experts in the relevant field is co-opted to form part of the specification committee		P	 P		
	Officials have a conflict of interest	• Officials sign a 'declaration of interest' register at each meeting of the bid committee • Bid committee members are regularly rotated			P P		
	Bidders gain access to information they are not entitled to	• Officials involved in procurement sign undertaking that they are aware of the ethical code requirements			P		
	Goods or services are purchased without complying with policies, procedures and acquisition requirements	• Tenders or quotes are obtained from independent suppliers, in terms of approved policies • An official order is approved by a delegated official independent of the official obtaining the tenders/quotes		P P			
	Orders for goods or services are placed but are not fulfilled at all or not fulfilled timeously	• A copy of the order should be filed sequentially and all file orders should be checked sequentially and cross referenced to the GRN's to confirm that goods ordered have been received			P		
	Order forms are misused	• Blank order forms should be subject to stringent stationery controls in the custody of an appropriately delegated official			P		

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
	Consultants unable to meet minimum requirements of quality and efficiency are appointed	• A delegated official ensures that minimum requirements of quality and efficiency to be achieved when appointing consultants are included in contract and terms of reference (TOR) • TOR include reference to ethical code of relevant profession to ensure that assignments are executed to meet ethical principles at all times • A delegated official drafts contract stipulations requiring unbiased advice from consultants			P P P		
	Procurement process is abused	• AO/AA investigates allegations of corruption, improper conduct or failure to comply with documented procedures made against any role player • A fraud prevention plan is regularly updated by a delegated official • The duties of officials involved in procurement are properly segregated		P P	P		
	Incorrect awarding of preferential points to bidders	• Bid committee verify the preference points allocated and sign the schedule as proof		P			
	Employees receive gifts, etc. to influence bid process	• Bid evaluation committee check for possible instances of preference to certain suppliers and certify as such • SCM employees and committee members declare interest and/or gifts received in accordance with internal policies		P P			

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
Compliance monitoring	Suppliers paid for goods not received, or goods not ordered, or damaged goods received	• The creditors' payment function is independent of ordering and receiving of goods			P		
		• Supplier's original invoices are matched with a copy of the order and signed GRN before payment is made				P	
		• Persons approving creditor payments review all documentation supporting the payment				P	
	Suppliers are paid before payment is due	• Creditors clerks check payment terms before processing payment requests			P		
		• Creditors clerks review suppliers contracts before approving payment and certifies accordingly on payment form				P	

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
	Suppliers not paid or paid incorrect amount	• Monthly creditors' reconciliations between supplier's statement and payments to supplier are timeously performed independently of payment, ordering and receiving				D	
		• Outstanding reconciliation items are regularly followed up to resolve all reconciling items, especially long outstanding reconciling items				D	
		• Creditors reconciliations are regularly reviewed by an independent supervisor			D		
		• The review of creditors reconciliation by a supervisor is evidenced by the supervisor's signature on the reconciliation			P		
	Department fails to claim discount on timely payments	• Suppliers invoices to be addressed to single point in the institution, then examined on receipt by a delegated official to identify the possibility of obtaining discounts		P			
		• Discounted payments are separated from other payments and are prioritised for payment				P	
		• A delegated official reviews a sample of invoices paid to ensure that discounts have been claimed			D		

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
	Late payments	• Supplier invoices to be addressed to a single point in the institution, then dated on receipt by a delegated official to ensure 30 day payment rule is met				D	
		• Person approving creditor payment should check date stamp of the invoice and the date of the invoice which should be evidenced by a signature if after 30 days			P		
		• Late payments (after 30 days) to be evaluated against creditor clerk's assessment			D		
	Abuse of the institution's purchasing power	• Delegated official reconciles suppliers statements to invoices received but not paid to identify abuse and records incidents in a register				D	
	Service providers paid before proof of delivery of service is received	• Delegated officials adhere to prescripts and supervisors check adherence to policies and procedures (Payment can be made only after service has been rendered)		P			
		• Officials approving creditor payments review all documentation supporting the event		P			

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
Contract Management	Suppliers/service providers is not performing in terms of contractual requirements	• Regular reports on performance in terms of the contract or agreements are submitted by delegated employees			**P**		
	Contract is not enforceable	• There is evidence that special conditions of contracts was subjected to a legal review		**D**			
	Employees are not aware of institutional period contracts	• Contracts are recorded in a contract register and there is evidence that information is made available to all relevant employees in the institution			**P**		
Logistics Management (Setting stock levels)	Optimum stock levels are not determined	• Minimum and maximum stock levels and lead times are fixed, regularly reviewed and approved by a delegated official		**P**	**P**		
Logistics Management (Vendor performance)	The institution does not obtain value for money (delivery periods, quality, quantity)	• A delegated official monitors past performance of current vendors before authorisation of any new transaction		**P**			
		• A delegated official activates processes to identify poorly performing suppliers and initiative steps to remove suppliers from the supplier database.			**D**		

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
	Suppliers behave unethically	• A delegated official logs allegations of fraud, reviews complaints and reports to the AO/AA • A delegated official confirms that the bid has not been awarded to a supplier listed on National Treasury's Register of Tender Defaulters and/or National Treasury's database (list of restricted suppliers)			P P		
Logistics Management (Receiving of goods)	Goods delivered are not as per order	• Officials receiving goods should only complete and sign a goods received note (GRN) when satisfied that goods match those on order			P		
	Goods delivered are damaged	• Officials receiving goods should complete and sign a goods received note (GRN) as evidence of having received and inspected goods and of having checked against order • Damaged or otherwise unsatisfactory goods should not be accepted or signed for and should be recorded as such			P P		

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
	Theft by employees or third parties	• The official receiving the goods should be independent of those ordering and paying for the goods		P			
		• There are management and supervisory check on the ordering and receiving functions			D		
		• Isolation of responsibility for receiving and safe custody of goods		P			
		• Delivery of goods only authorised to secured areas			P		
Logistics Management (Recording)	Goods received are recorded inaccurately (allocation, amounts, dates etc.)	• A delegated official, independent of officials ordering or receiving goods, ensures that all entries are recorded timeously in the inventory listing/ledger			P		
		• A delegated official checks the details of goods and services from the invoices to the inventory list and ledger in terms of cost price, classification, date, etc.				D	
	Expenses for services are incorrectly classified as assets accruals	Employees responsible for payments are informed in writing to ensure that the allocation codes are correct when capturing and authorising payments				P	
	Completeness of assets	All responsibility managers are aware that the movement of assets must be recorded and that the relevant forms are completed and submitted		P			

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
Logistics Management (Movement of Inventory)	Not all in and out inventory movements are recorded	• Periodic physical inventory counts are performed			D		
		• Sequence of GRN is checked to ensure that all inventories are accounted for				D	
		• Regular independent reconciliations are performed from the GRN to inventory listing/ledger and exceptions are followed up and reported to a delegated official				D	
		• Quantities of physical inventory counts are reconciled to the inventory listing/ledger and exceptions are followed up and reported to a delegated official			D		
		• A delegated official approves the correcting journals/entries for accuracy				C	

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
	Stock losses may occur	• Physical security of stock (e.g. restricted access to storeroom) is implemented and access is monitored		P			
		• A delegated official authorises access to and issues stock from storeroom or other storage facility		P			
		• A delegated official regularly compares physical stock on hand to recorded stock				C	
		• Deteriorating goods are identified during the annual physical stock take and marked as such on the inventory list			P		
		• A delegated official is responsible for ensuring that deteriorating goods are repaired or replaced and there is evidence of this being done		C			
Logistics management (Issue and distribution of items from stock)	Stock is issued incorrectly (including incorrect stock and / or incorrect recording of issue)	• The person receiving stock confirms receipt of correct stock and signs for it				D	
		• A delegated official conducts an independent reconciliation of stock issue notes to the ledger and exceptions are followed up and reported				C	
		• Inventory items returned are recorded in a register, including reasons for return. Reasons for returns are followed up and reported to delegated official				C	

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
Logis User Account	Inadequate user account management	There is evidence that user profiles are reviewed every quarter to check if in line with users job description		P			
Disposal Management	Goods are sold which are still required	• A delegated official approves goods to be sold on the basis of documentation listing age, condition and reason no longer required		P			
	Goods no longer required are sold at less than market value	• Responsibility for the sale of goods is independent of ordering and receiving goods			P		
		• A regular analysis of goods disposed off or scrapped at less than net book value is undertaken, independent of officials responsible for acquiring goods			P		
		• The analysis of goods disposed off or scrapped is reviewed by delegated official and evidenced			D		
	Payment is not received for goods sold	• Suitable procedures are in place to ensure that goods sold are properly authorised and that formal documentation is prepared		P			
		• A delegated official performs credit checks before completion of a sale			P		
		• Responsibility for the collection of amounts due is independent of sales and invoicing				P	
		• Regular supervisory reviews are undertaken of outstanding debtors in relation to goods sold				D	

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
	Obsolete/redundant assets are not disposed of within the financial year	Disposal committee submit monthly reports in respect of disposals to confirm that disposals were done		P			
Reporting of Supply Chain Management	Reports/information not submitted timeously as required	• There is evidence of a reporting register, updated on a regular basis and reviewed by a delegated official.			D		
	Information provided is not complete and accurate	• There is evidence of inspection reports to detect weak data maintenance		D			
		• Corrective action plans are developed to rectify non-compliance with reporting requirements and weak data maintenances		P			
Regular assessment of Supply Chain Management	Risks and controls are not analysed, reviewed and improved	• A risk assessment of policies and procedures around goods and services is reviewed and updated annually by management		D			

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
	Non-compliance with policies and procedures	• There is evidence of an annual management review of policies and procedures relating to Goods and Services to ensure that suitable controls are in place to mitigate risks			C		
		• Deviations from policies and procedures are approved by the AO/AA or an appropriately delegated official			P		
		• There is on-going training on policies and procedures related to goods and services		P			
		• There is evidence of management review and adoption of action plans arising from internal and/or external audit		C			
		• Actions agreed by the Audit Committee are actioned by Management and the results are reported back to the Audit Committee			C		
	Experience gained (lessons learned) is not input into management of goods and services	• Goods and services management planning is reviewed, annually updated, and approved by management		C			
		• Management considers prior experience in goods and services management when planning and budgeting for goods and services		C			

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
Financial treatment and disclosure of assets, inventories and disposals	Information included in the annual financial statements in relation to SCM is not complete and accurate	• There is evidence of a proper planning process in preparation for the finalisation of financial statements which include: - annual asset count; - updating and reconciliation of asset register; and - identification and collection of information on commitments and accruals		P			

MOVEABLE ASSET MANAGEMENT

The Asset Management transaction life cycle, associated risks and controls are to be read in conjunction with the Asset Management Framework (Version 3.3 April 04) and the Asset Management Guidelines (movable Assets) issued by the Provincial Treasury on 13 February 2008

An asset has enduring value and can be tangible (e.g. vehicles, furniture and computer equipment) or intangible (e.g. a licence, trademark or computer software). Assets can also be moveable (e.g. furniture) or immoveable (e.g. buildings) and can be classified as current assets (e.g. inventory) or non-current / fixed assets (e.g. machinery, equipment).

Effective and optimal asset management is important in any business environment since assets are usually expensive and have long life spans. This, however, does not mean that only expensive assets with long life spans need to be managed properly. It is imperative that all assets are effectively and efficiently managed in order to optimally achieve the institution's strategic objectives.

Accounting officers and accounting authorities are responsible for financial and risk management of their respective institutions as well as for the effective and efficient use of their institution's resources (including assets), as required by sections 38 and 51 of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999). Sections 38 and 51 of the PFMA further require accounting officers and accounting authorities to safeguard and maintain the assets of their respective institutions.

Accounting officers and accounting authorities of institutions have other asset management responsibilities in terms of the PFMA and these include:

- Section 27: which requires a department's annual budget to reflect estimates of current and capital expenditure per Vote and per main division and the projected financial implications of that expenditure on future financial years.

- Sections 40 and 55: which requires institutions to keep full and proper records of their financial affairs and that their annual reports and financial statements must fairly reflect the financial position of the institution as well as its financial performance.

Section 50(1)(a) of the PFMA makes it incumbent on the accounting authority of a public entity to exercise the duty of utmost care to ensure reasonable protection of the assets and records of the public entity. Section 51(1)(c) goes further in requiring that the accounting authority is responsible for the management, including the safeguarding, of the public entity's assets. The PFMA [section 54(2)] also requires that before a public entity acquires or disposes of a significant asset, the accounting authority must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction.

Section 42 of the PFMA also requires that when assets of a department are transferred to another department or to other institutions in terms of legislation, the accounting officer of the transferring department must draw up an inventory of such assets and provide the accounting officer of the receiving department or other institution with substantiating records in relation thereto. The accounting officer of both the transferring and receiving department or institution must sign the inventory when the transfer takes place and the transferring accounting officer must file a copy of the inventory with the relevant treasury and the Auditor-General within 14 days of the transfer.

Treasury Regulation 10.1 requires the accounting officer to ensure that processes and procedures are in place for effective, efficient, economical and transparent use of their institution's assets (these can be manual or electronic). The accounting officer also has full responsibility for ensuring that control systems are in place to ensure the prevention of theft, losses, wastage and misuse of assets and the keeping of stock levels at an optimum and economical level.

From the aforegoing, it is clear that accounting officers and accounting authorities are responsible for the proper management of and accounting for assets. Accounting officers and accounting authorities can delegate their responsibilities but cannot abdicate their responsibilities since accounting officers and accounting authorities are ultimately accountable for proper and effective asset management.

Responsibilities of other officials are detailed in sections 45 and 57 of the PFMA including, inter alia, officials being responsible for the management, including safeguarding of assets within that official's area of control. Officials are also required to ensure that the system of financial management and internal control is carried out within the official's area of responsibility.

The following policies are relevant for the classification of assets:

- Minor assets: these are assets costing less than R5 000 which must be recorded as assets but are to be fully depreciated / written off in the financial year in which they are acquired. Minor assets are dealt with under Goods and Services and must be included under "Current Expenditure" in the income statement and appropriation statement. For example, a computer (including mouse, keyboard and monitor) costing less than R5000 will fall under Goods and Services **provided** that the computer is not purchased to provide input to a capital project, in which case it would be classified as a capital asset. Despite these assets being of relatively little value, they still need to be effectively managed and controlled.

- Other Assets: these are assets costing more than R5 000 and are dealt with under Asset Management. These assets are depreciated over their useful life using the straight-line method of depreciation, which is simple to calculate and is the most commonly used depreciation method in all businesses worldwide.

TRANSACTION LIFE CYCLE

Steps 1 to 8 set out hereunder represent the transaction life-cycle of assets, from planning to acquire assets in order to achieve the institution's strategic objectives to monitoring and reviewing the cost and effective use of assets which in turn can provide feedback into the strategic planning process of the institution.

The Risks and Controls to mitigate risks are detailed hereafter for each transaction life cycle:-

11. Asset planning and budgeting.
12. Acquisition of assets.
13. Recording of assets.
14. Maintenance of assets.
15. Safeguarding of assets.
16. Utilisation of assets.
17. Disposal of assets.
18. Monitor, reviewing and improving asset management.

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to the maturity capability model
				MANAGEM'T CONTROL	ADMIN CONTROL	ACCOUNT'G CONTROL	
Asset planning and budgeting	Asset planning and budgeting is not linked to the institution's strategic plan and budget	• The institution has an Asset Strategic plan which devolves from the institution's strategic plan and is linked to the institution's service delivery objectives • The Asset Strategic plan is reviewed annually and approved by management, as evidenced by an approved management minute or signature		**P** **P**			

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to the maturity capability model
				MANAGEM'T CONTROL	ADMIN CONTROL	ACCOUNT'G CONTROL	
Acquisition of assets	Assets are acquired which were not planned and budgeted for	• A delegated official verifies the acquisition of the asset against an approved asset acquisition plan before the order is placed • If the asset to be acquired is not included in the approved asset acquisition plan then purchase must be authorised by a delegated official prior to acquisition and after assessment of a motivation			**P** **P**		
	Assets are purchased by an unauthorized person	• Approvals for asset acquisition are authorised by a delegated official		**P**			
	Inappropriate supplier is chosen, as industry and/or commodity analysis has not been conducted	• A delegated official conducts an industry and commodity analysis to identify potential suppliers that can deliver value for money, confirmed by minutes of meetings • A process should be in place to show proof that industry and commodity analyses have been looked at in the acquisitioning planning phase			**P** **P**		

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to the maturity capability model
				MANAGEM'T CONTROL	ADMIN CONTROL	ACCOUNT'G CONTROL	
Recording of assets	Assets acquired are not recorded in the asset register	• Assets are recorded timeously in the asset register independently of the official ordering and receiving the assets			P		
		• The asset register records the invoice number or payment number				D	
		• The asset register records the locality of the asset			P		
		• Unique asset number in asset register should be stated on the Goods Received Note (GRN)/delivery note			P		
	Assets are incorrectly recorded in the asset register	• The asset register is reconciled monthly to the institution's general ledger (cost, annual depreciation to date, and accumulated depreciation) by a delegated official				D	
		• The monthly reconciliation of the asset register to the general ledger is independently reviewed by a delegated official			D		
		• Reconciling differences are independently approved and the asset register corrected where appropriate				C	

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective MANAGEM'T CONTROL	 ADMIN CONTROL	 ACCOUNT'G CONTROL	MANAGEMENT ASSESSMENT To be done by Management and linked to the maturity capability model
	The asset register does not accurately reflect assets on hand (physical existence)	• Annual physical verification of asset inventory is independently performed			D		
		• Assets scrapped or disposed off are recorded in the asset register as disposed or scrapped and the general ledger entries are effected				P	
		• Physical inventory verification is reconciled to the asset register independently of parties writing up the asset register and performing the physical inventory verification				D	
		• Differences between the physical verification and the asset register are independently followed up and adjustments necessary are made after being approved (i.e. adjustments necessary in respect of bar-coding assets which have not been bar-coded or adjustments to the asset register)				C	

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective MANAGEM'T CONTROL	ADMIN CONTROL	ACCOUNT'G CONTROL	MANAGEMENT ASSESSMENT To be done by Management and linked to the maturity capability model
Maintenance of assets	Assets have to be replaced before "end of useful life", or do not operate as well as they should, due to poor maintenance	• An annual asset maintenance plan is prepared and approved		**P**			
		• Deteriorating assets are identified during the annual physical identification of assets, and marked as such on the inventory list			**P**		
		• Spot-checks are carried out during the year on categories of assets prone to deterioration and check on condition (e.g. motor vehicles, computer equipment)		**C**			
		• A delegated official is responsible for ensuring that deteriorating assets are repaired or replaced and there is evidence of this being done			**P**		
		• An independent assessment is performed by a delegated official in respect of assets with excessive maintenance or with lives ≤ expected useful lives			**D**		
		• The annual asset maintenance plan is implemented and regularly updated with new information		**D**			
		• There is evidence that management has reviewed the implementation of the annual asset maintenance plan		**P**			

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective MANAGEM'T CONTROL	ADMIN CONTROL	ACCOUNT'G CONTROL	MANAGEMENT ASSESSMENT To be done by Management and linked to the maturity capability model
Safeguarding of assets	Assets are stolen, lost or vandalized	• Assets are physically safeguarded and protected and access to store-room is limited			**P**		
		• Items lost or stolen are recorded in the asset register			**P**		
		• Insurance cover is in place, where appropriate, and regularly reviewed and updated		**P**			
		• A loss register is completed for all assets lost, stolen or vandalized			**D**		
		• The loss register is independently reviewed by a delegated official and there is evidence of such review			**P**		
		• A quarterly reconciliation is performed between the loss register and the asset register and reconciling differences are independently followed up and resolved by a delegated official who shall append a signature as evidence of such a reconciliation.				**D/C**	
		• Disciplinary action is taken against officials responsible for any loss or damage to assets			**C**		
		• Legal or other appropriate action is taken for the recovery or restoration of assets stolen, lost or vandalized			**C**		

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to the maturity capability model
				MANAGEM'T CONTROL	ADMIN CONTROL	ACCOUNT'G CONTROL	
	Utilisation of assets by unauthorised personnel	• Assets are allocated to specific officials who are responsible for safeguarding all assets under their control • When assets are used by someone other than the official responsible for their safeguarding, this use is to be authorised by a delegated official		P	P		
Utilisation of assets	Assets are not used for the purpose they were acquired (or are not used optimally)	• Independent check of utilisation of assets against the approved operational plan and asset register • Reasons for the under-utilisation of assets should be investigated and reported to the asset manager for action		D	C		
	Assets no longer required are not sold	• Annual management review of assets recorded in the asset register • Assets which are surplus to requirements are authorised to be sold in terms of the formal set of delegations		D	C		

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to the maturity capability model
				MANAGEM'T CONTROL	ADMIN CONTROL	ACCOUNT'G CONTROL	
Disposal of assets	Assets are sold at less than market value	• The responsibility for sale of assets is independent of ordering and receiving assets			P		
		• Suitable procedures are in place, and adhered to, for the sale of assets in accordance with Treasury Regulations			P		
		• A regular analysis of assets disposed of or scrapped at less than value is undertaken, independent of the official/s responsible for acquiring or utilising assets and reasons assessed/documented for future reference			D		
		• The analyses of assets disposed of or scrapped are reviewed by management and such review is evidenced		C			
	Payment is not received for assets sold	• Suitable procedures are in place to ensure that assets sold are properly authorised and that formal documentation is prepared for the buyer to acknowledge receipt			P		
		• Responsibility for the collection of amounts due is independent of the sale of assets and invoicing			P		
		• Regular supervisory reviews are undertaken of outstanding debtors in relation to assets sold			D		
	Assets are sold which are still required	• Management approval is required before assets are sold and motivation for its sale is indicated and assessed prior to authorisation by management		P			

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to the maturity capability model
				MANAGEM'T CONTROL	ADMIN CONTROL	ACCOUNT'G CONTROL	
	Assets are scrapped which are still required	• Management approval is required before assets are scrapped and motivation for scrapping is indicated and assessed prior to authorisation by management		P			
	Assets are scrapped which could have been sold	• Management approval is required before assets are scrapped and motivation for scrapping is indicated and assessed prior to authorisation by management		P			
Monitoring, reviewing and improving asset management	Risks and controls are not analysed, reviewed and improved	• A risk assessment of policies and procedures around asset management is reviewed and updated annually by management		D			
	Non-compliance with policies and procedures	• There is evidence of an annual management review of policies and procedures relating to Asset Management to ensure that suitable controls are in place to mitigate risks			C		
		• Deviations from policies and procedures are approved by AO/AA or delegated official			P		
		• There is on-going training on policies and procedures related to Asset Management		P			
		• There is evidence of management review and adoption of action plans arising from internal and/or external audit		C			
		• Actions agreed by the Audit Committee are actioned by Management and results reported back to the Audit Committee		C			

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE P=Preventative D=Detective C=Corrective			MANAGEMENT ASSESSMENT To be done by Management and linked to the maturity capability model
				MANAGEM'T CONTROL	ADMIN CONTROL	ACCOUNT'G CONTROL	
	Experience gained (lessons learned) is not input into Asset Management	• Asset Management planning is reviewed, annually updated, and approved by management • Management considers prior experience when planning and budgeting for assets		C C			

"ANNEXURE B"

PROVINCIAL TREASURY

MINIMUM STANDARDS FOR SUPPLY CHAIN MANAGEMENT SYSTEM DELEGATIONS

(Paragraph 3.7.3 of Provincial Treasury Instructions, 2012)

Part One: Delegation Definitions and Concepts

Definitions

1 The following definitions are provided to standardise delegation terminology:

1.1 **"Delegation"** means the allocation of a power conferred or a duty imposed on a Principal Functionary to a Delegated Employee. To delegate means to entrust a power or duty to somebody else – an agent of the original holder of the power. Delegation includes an instruction to a Delegated Employee in terms of the PFMA.

1.2 **"Principal Functionary (PF)"** means any person to whom a power is conferred or a duty is imposed through an empowering provision in terms of which an administrative action is taken – the authority with original powers. The PF, in whom the power or duty is vested, remains accountable for the execution of the delegation.

1.3 **"Delegated Employee (DE)"** means any person to whom a power has been delegated or who has been authorised to perform a duty in terms of a formal delegation. This includes:

(a) An employee who lawfully act in the capacity of the DE.[1]; and
(b) The holder of a post or occupation delegated to.

Origin of Delegated Powers and Duties

2 **"Original legislation"** is legislation enacted by Parliament or a provincial legislature in accordance with constitutional powers. In exercising this power, these bodies exercise original power which is subject to constitutional review but not subject to review for just administrative action.

3 The exercise of any administrative power, duty of function, which includes the exercise of delegated powers and duties, is inevitably linked to the taking of a decision. The presence of a discretionary power is determined from the language of the statute and is often reflected by the use words "shall" or "may". The word "shall" is peremptory which generally means the administrator must do or not do something, whereas the word "may" is directory and the administrator thus has a choice whether to do or not to do something. The word must indicate a mandatory provision.

4 The exercising of a power is not mandatory (may exercise a power) whereas authorisation to perform a duty is a legal obligation and mandatory (must perform the duty).

[1] See section 10(2) and 10((6) of the Interpretation Act, 1957 as amended

5 It is a principle of our law that where a power is entrusted to a person to exercise his own individual judgment and discretion, it is not competent for him or her to delegate such power unless he/she has been **empowered to do so expressly** by the empowering provision. PAJA clearly states that an administrative action may be reviewed if the administrator who took it "acted under a delegation of power which was not authorised by the empowering provision". [2]

6 According to the definition in section 1 of PAJA, an empowering provision means "a law, a rule of common law, customary law, or an agreement, instrument or other documents in terms of which an administrative action is purportedly taken. Annexure A provides examples of instruments that specify empowering provisions in terms of which delegated powers are exercised. Annexure A highlights the following instruments:

6.1 Delegation instruments which expressly authorises the delegation of powers and duties in terms of legislation, namely:

(a) Original Legislation; and
(b) Subordinate legislation.

6.2 Non delegation instruments in terms of which legislation or subordinate legislation does not expressly authorises the delegation of powers and duties, but support and elucidate the above mentioned delegation instruments.

Delegation Concepts

7 The following elements explain key delegation concepts of delegation philosophy. The delegation concepts form the building blocks for decomposing delegations between the different performer levels in head-, regional-, and district offices:

7.1 **Authority to exercise discretion is delegated** to the DE to make decisions, to use and allocate the resources efficiently, act or dispose of matters at his or her own particular level without having to refer the matter to a higher authority for a decision. Authority is the rights inherent in a position to accept work and direct work to subordinates to give commands, orders and get the things done. The top level management has greatest authority. Authority always flows from top to bottom and explains how a superior gets work done from his subordinate by clearly setting conditions or explaining what is expected of him/her and how he/she should go about it. Authority should be accompanied with an equal amount of responsibility. Delegating the authority to someone else doesn't imply avoiding accountability. Accountability still rest with the PF having the utmost authority.

7.2 **Responsibility** – It is the duty of the DE to complete the task assigned to him or her. A person who is given the responsibility has the obligation to perform, accomplish and report on the tasks assigned to him/her. Responsibility without adequate authority leads to discontent and dissatisfaction for the person with delegated authority. Responsibility flows from bottom to top. The lower level and middle level management holds more responsibility. The person held responsible for exercising a power or duty is answerable for it.

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[2] Section 6(2)(a)(ii)

7.3 **Accountability** – means being answerable for the end result and giving explanations for any variance in the actual performance from the expectations or conditions set. Accountability cannot be delegated. The top level management is most accountable. Accountability cannot be avoided as it arises from responsibility. The PF, in whom a power or duty vested, remains accountable for the outcome of the delegated power or duty.

7.4 The **efficient and effective** achievement of institutional outputs and outcomes require the division of work and commensurate delegations between performer levels [3] in head-, regional-, and district offices. Delegation is a driver for efficiency and effectiveness:

(a) **Efficiency** – explore how productively inputs are translated into outputs. An efficient operation maximises the level of output for a given set of inputs, or it minimises the inputs required to produce a given level of output. The focus is operational to convert inputs such as human, financial and productive resources through tasks, operating procedures, organisational processes and projects into outputs.
(b) **Effectiveness** – explore how well the outputs of an institution achieve the desired outcomes. The focus is strategic to ensure that outcomes achieve the desired impact, realise the mandate and strategic objectives of the institution and meet the expectations of clients or citizens.

7.5 **Control over and guidance on delegated authority** – In view of the accountability requirements, the PF must retain a measure of control over the exercise of discretionary power and provide the DE with adequate conditions and guidelines for the exercise of the power. The purpose of control measures or guidelines is to:

(a) Impose limits and constraints on the discretionary power to act;
(b) Clarify the performance standards for delegated authority; and
(c) Confirm formalities to be observed. A common example would be that reports on specific matters related to the power delegated have to be compiled and submitted on a regular basis to a higher employee or institution. Other measures include the inspection or auditing of documents.

8. The following factors also influence the development and decomposing of delegations between the different performer levels in an organisation:

8.1 **Complexity** informs the degree to which activities can be decomposed from key functions to a basic level in terms of vertical, horizontal and spatial dimensions:

(a) Vertical differentiation, the number of hierarchical levels which depict the authority of the performer levels;
(b) Horizontal differentiation, the degree of specialisation between divisions based on the nature of key functions and major tasks performed, required skills and education, and orientation of employees; and
(c) Spatial differentiation, the location of the offices geographically into tiers e.g. head-, region-, district-, circuit offices, and institutions.

[3] Performer levels are, the levels of management that describes the job of a manager in terms of complexity, responsibility, time application, value attached to the job, skills required and difficulty dimensions

8.2 **Formalisation** – the degree to which jobs are standardised for uniform output:

(a) High Formalisation, minimum discretion on how, what and when the job should be done. Job is performed according to prescripts: and
(b) Low Formalisation, non-programmed jobs, great deal of freedom to exercise discretion on condition that outputs are met by employee.

8.3 **Centralisation,** the degree to which decision-making is concentrated at a single point in the organisation or top management level within the organisation based on the evaluation of internal and external risks which impact on outcomes delivery and accountability.

8.4 **Decentralisation**, lower level managers at tiers are given discretion to make decisions which impact on local outputs and service delivery.

8.5 **Departmentalisation**, grouping of activities or functions performed by organisational units e.g. branch, division, directorate based on the service delivery model, business process flow, specific services, product lines, citizen segmentation and geographical location.

8.6 **Matrix arrangement**, incorporating dual or parallel reporting lines (bold or dotted), authority, decision-making and communication channels.

8.7 **Organisational growth or decline**, life cycle of the organisation and level of maturity e.g. embryonic, developmental, mature, decline.

8.8 **Technology**, information and communication technologies that modify work processes.

8.9 **Organisational variables** –

(a) Span of control, number of subordinates that a manager can efficiently and effectively direct and control;
(b) Chain of command, authority relationship between supervisor and subordinate; and
(c) Power structure, organisational groupings, organisational culture, planning and coordination.

Purpose and Advantages of Delegation

9. In practice, delegation has the following primary purposes, as a means of:

9.1 Achieving results through the actions of others. This entails the division of decision-making authority between the different performer levels in an institution. This division is necessary, since administrators and officials very often simply cannot cope with all their administrative functions;

9.2 Giving practical effect to decentralising of institutional administrative actions in order to implementing regulatory frameworks and render services as close as possible to the point of service delivery;

9.3 Developing the competencies, commitment, decision-making experience and develop new skills of empolyees; and

9.4 Freeing up one's time to devote attention to more important tasks.

10. The advantages that accrue from a delegations approach that mirrors decentralisation of administrative functions can include, amongst others:

10.1 The workload of CEO's, HOD's and other managers are reduced, enabling them to devote more attention to strategic issues;

10.2 The speed, quality and flexibility of decision-making improves because the decisions are closer to the work at hand and time does not have to be allocated for referring the matter to a higher authority;

10.3 Improved initiative and job satisfaction amongst middle and junior level managers as they are made to feel part of the effort to manage the institution and being prepared to assume greater responsibilities;

10.4 Employees are encouraged to exercise judgement and accept responsibility, which adds to their self-confidence and willingness to take initiative;

10.5 Capacity development of support services practitioners and line employees; and

10.6 Building institutional memory at various levels in the institution.

Delegation Challenges

11. Research conducted by the DPSA and NT regarding the status of delegations identified the following findings and challenges:

11.1 Powers and duties are sometimes over centralised to the detriment of service delivery.

11.2 Political leadership is a key element to promote efficient and effective delegations to managers at the point of service delivery.

11.3 Delegation formats are inconsistent and incomplete and should also include regional and district tiers. In terms of quality criteria such as appropriately authorised, signed, and dated and limitations of conditions set, there is room for improvement.

11.4 Inconsistencies in delegations between the different performer levels in institutions.

11.5 Amendments to the Public Service Regulations are required to standardise delegations and promote compliance to prescripts.

11.6 Many of the delegations are out-dated and in some instances signed by predecessors.

12. Personal and managerial factors can inhibit delegation:

12.1 The higher the degree of accountability that legislation demands may lead to a tendency to centralise activities and reluctance to delegate to employees lower in the hierarchy.

12.2 Senior managers fear that insufficient capacity exists amongst subordinates to carry out the tasks to be delegated.

12.3 Senior managers fear that their performance evaluation could suffer if employees fail to carry out the tasks delegated to them.

13. Senior managers sometimes inherit organisations, or parts thereof, that were designed by others. It is possible that the design of the organisation itself inhibits effective delegation. Organisational impediments to delegation can include:

13.1 Delegation is not effective if the nature of the duty or task, accompanying authority and reporting requirements are not clearly explained and the functionary responsible identified.

13.2 When senior managers fail to delegate there is a strong likelihood that the responsibility for its execution will eventually be passed to others in the organisation, which creates additional staff, reporting, performance evaluation and communication burdens.

13.3 In the absence of clear delegation templates or with poorly developed job descriptions, staff members at all levels of the organisational hierarchy may not have a good understanding of what is expected of them.

14. Effective use of delegation calls for changes in mind set, assumptions and behaviours that can be difficult for new and veteran delegators alike.

14.1 Especially in professional organisations, leaders and managers are accustomed to contributing to projects individually. Thus, they are used to maintaining close control over work content, pace, quality and presentation in order to "get it right." In contrast, delegation requires a certain amount of "letting go" of control over the work, which can be unpleasant especially when the delegator finds the work to be a source of motivation and satisfaction.

14.2 When new, a manager may not feel he or she knows the work well enough to delegate it. However, this tendency to avoid delegation can become a habit over time, trapping the manager in a deliberate cycle of under-delegation.

14.3 Delegators generally delegate work and expect outputs that mesh with their expectations, yet they do not communicate their expectations clearly or provide key information and guidance.

14.4 Sometimes, managers who wish to be liked by employees avoid delegating duties in order not to "impose" on subordinates.

14.5 Managers can become envious of a subordinate's ability instead of giving credit where it is due and working to develop a deputy or potential replacement.

14.6 Managers are sometimes more comfortable "doing" than "managing," which are fundamentally different jobs and very different frames through which to think about work.

14.7 Managers sometimes allow employees to keep the responsibility for "next steps" with the manager instead of with the employee. Thus, the employee waits for the manager to get back to him rather than the manager waiting on the employee.

Part Two: Delegation Principles

1. The delegation principles set out in this part is presented to encourage the development of effective and efficient delegation. The approach that is followed is to state a particular principle followed by an explanation if required.

2. **Primary Principles** – the following primary principles must be upheld:

2.1 **Upholding the Constitution and legislation** – Any delegation may not conflict with the Constitution, the relevant legislation, applicable collective agreements and institutional policy.

2.2 **Delegation authorised by statutory authority** – Any delegation must be authorised by an empowering provision in legislation or subordinate legislation (see Annexure A: Delegation and Non-delegation Instruments).

2.3 **Administrative action in terms of delegation is subject to judicial review** – See section 6 (2) of PAJA for the grounds for review of administrative action.

2.4 A head of the institution shall empower employees in the institution by means of appropriate delegations

3. **System of Delegations Principles** – Every system of delegations must:

3.1 **Measure ideal and desired results and performance** on work outputs.

3.2 **Be specific and unambiguous** to the power or duty being delegated.

3.3 Must **uphold the principles of Responsibility, Accountability, Effectiveness and Efficiency**.

3.4 Must be **periodically reviewed** for validity and completeness.

3.5 Must be **aligned** to the strategic plan, measurable objectives, organisational structure and budget programme or responsibility structure for implementation.

3.6 Provide for a **formal process** to -

(a) Ensure the validity (quality and legal soundness) of delegations. This should involve expert scrutiny and sign-off by Legal Services and in the case of financial delegations Internal Audit; and

(b) Allocate specific responsibility to an employee(s) to manage, maintain and monitor delegations in the institution.

4. **Delegation Conditions** – Any delegation or authorisation to perform a power or duty:

4.1 Must be in writing.

4.2 Does not prevent the PF who made the delegation or granted the authorisation from exercising that power of performing that duty himself or herself. Such action by the PF must be communicated to the DE in writing to avoid duplication.

4.3 May at any time be withdrawn in writing by the PF.

4.4 Is subject to any limitations and conditions the PF may impose.

4.5 Is subject to any limitations and conditions that may be prescribed in terms of legislative provisions.

4.6 Must be to the holder of a post or in terms of legislative provision to a specific individual. Delegation to the holder of a post will ensure continuation of service delivery in instances where another person lawfully acts in a post with associated delegated powers and duties.

4.7 Does not divest the PF of the responsibility concerning the exercise of the delegated power or performance of the duty.

4.8 Must be reviewed annually or when-

(a) A new HoD/CEO is appointed;
(b) Changes are effected to the strategic plan or measurable objectives;
(c) Changes are effected to the organisational structure due to reorganising or restructuring;
(d) Changes are effected to the programme or responsibility structure; and
(e) Changes are effected in terms of new or amended policy, and new or amended legislation.

4.9 A PF may only vary or revoke a decision by a DE as a result of a delegation if legislation specifically provides for such an empowering provision.

5. **<u>The Principal Functionary</u>** – For any Principal Functionary the following principles apply:

5.1 **Record delegations in employment contracts or performance agreements** – A delegation or authorisation to perform a power or duty must be recorded in the employment contracts of HoD's/CEO's and in the performance agreements of senior managers.

5.2 **The PF delegates to the Delegated Employee** only – The Delegated Official may not further delegate to any other official unless expressly authorised by legislation. In practice this means that the PF must delegate throughout all the performer levels in the organisation.

5.3 To delegate his or her powers lawfully, a PF **must be authorised** to do so by the empowering provision.

5.4 The PF must (where the delegation takes place in the same administrative hierarchy) **retain a measure of control** over the DE.

5.5 The PF must **provide guidelines** as to how the powers are to be exercised.

5.6 The PF must provide **clear guidance** on expectations, limitations to be uphold, the circumstances in which or the conditions under which and the factors to be taken account of, in the exercising of a delegation.

5.7 A PF may only **delegate to employees** who occupy positions on the approved establishment of the department.

5.8 A PF must ensure that the DE has the **required capacity** (skills and competency, administrative, technical, financial and human resources) to enable the effective discharge of delegations.

5.9 The Principal Functionaries must **sign and date each page of the delegation templates** and any amendments to such templates to ensure no unauthorised changes can be effected to the delegations.

6. **Delegated Employee** – For any Delegated Employee the following principles apply:

6.1 A DE must **report to the PF at such intervals as the PF may require**, on decisions taken or on the performance of delegated power and duty.

6.2 For performing any delegation that has any **financial implication** the DE must ensure that he/she –

(a) Is duly authorised as a budget holder (programme or responsibility manager) to incur expenditure within the prescribed limits; and
(b) Obtain the approval of the relevant budget holder (programme manager, responsibility manger or chief financial officer) if not authorised to incur such expenditure.

6.3 **Acting** – The delegations attached to a post on the approved establishment of institution are delegated to an employee acting in higher post.

Part Three: Delegation Process and Templates

Delegation Process

1. The delegation process is essential to managers in the public sector to assist them to discharge their responsibilities delegated to them. Delegation does also not take place automatically; it is initiated by the Principal Functionary and implemented by the Delegated Employee to whom the power or duty is delegated.

2. The steps recommended by which the delegation process can be carried out is described below:

2.1 **Step 1 – Decide on the powers and duties to be delegated.** Duties of a repetitive nature can easily be delegated. It is important to delegate more challenging tasks in order to develop employees and to create self-confidence.

2.2 **Step 2 – Decide who should perform the powers and duties.** The time available, competencies and skills required, and experience of the subordinate employee should be taken into account.

2.3 **Step 3 – Provide sufficient resources for carrying out the powers, and duties delegated.** These include human, financial, technical, information and other physical resources. Without sufficient resources employees will not be able to perform the powers and duties that have been delegated to them.

2.4 **Step 4 – Delegate the powers and duties and set limitations and conditions.** The PF delegating the powers and duties should brief the DE and provide all relevant information on the task to be performed, including limitations, conditions and the results expected. Open channels of communication should exist between the manager and the employee on all matters related to the delegation.

2.5 **Step 5 – Establish a reporting system.** This is vital because the outcome of the delegation process is information on the performance of the delegated power or duty. This serves as a measure to evaluate its execution and as input for when delegations are reviewed.

Guidelines to Overcome Delegation Risks

3. In order to make decisions about whether to delegate a power or function and to whom a power or function should be delegated, it is necessary to make an assessment of any foreseeable risks associated with the exercise of the power or function by the delegate. Foreseeable risks will vary depending on the power or duty that is being considered for delegation. Possible risks may include poor performance and undesirable or unintended outcomes, negative findings from political scrutiny, adverse audit reports, litigation, adverse media exposure, increased resources devoted to reviews of administrative actions, exposure to fraud, maladministration or unethical conduct, or a breach of the public service Code of Conduct.

4. Principal functionaries should consider contingencies to minimise the risk associated with delegation. Strategies to minimise risk may include ensuring that –

4.1 Delegations are within the scope permitted by the legislative framework;

4.2 Both the PF and DE are familiar with their roles and responsibilities;

4.3 DE possess the necessary skills and competencies to exercise the delegation;

4.4 Effective performance management, feedback and reporting mechanisms are in place;

4.5 Appropriate internal audit and controls are in place;

4.6 Regular review and monitoring is undertaken;

4.7 DE's receive relevant training;

4.8 Delegations are regularly reviewed for appropriateness and accuracy, particularly following internal reorganising or restructuring, introducing new legislation, policy changes, changes to programme budget structures and in the case of the transfer of functions between institutions; and

4.9 Clear directions or instructions are given and conditions set that restrict the exercise of delegations.

Delegation Templates

5. To ensure that the system of delegations are standardised across the Western Cape Province it is proposed that delegations in terms of the PFMA and related Regulations and Instructions are structured in accordance with the formats set out in Annexure B.

ANNEXURE A: Example of Delegation and Non-delegation Instruments

Original Legislation ***(expressly authorises the delegation of powers and duties)*** *The Constitution* *Legislation*	***Delegation Instruments***
Subordinate Legislation **(legislation expressly authorises the delegation of powers and duties)** Regulations Instructions	
Non Delegations Instruments **(legislation or subordinate legislation does not expressly authorises the delegation of powers and duties)** Accounting officer/authority Supply Chain Management System Standard Operating Procedures	***Non Delegation Instruments***

DELEGATION TEMPLATE IN TERMS OF THE PUBLIC FINANCE MANGEMENT ACT, 1999 (ACT 1 OF 1999 AS AMENDED)

IN ACCORDANCE WITH THE POWERS VESTED IN ME BY-

(a) THE PUBLIC FINANCE MANAGEMENT ACT, 1999;
(b) THE TREASURY REGULATIONS, 2005; AND
(c) THE PROVINCIAL TREASURY INSTRUCTIONS, 2012

I.. (FILL IN NAME AND SURNAME), HEAD OF DEPARTMENT/PUBLIC ENTITY........................ (Fill In Name of Department/Public Entity), DELEGATE THE POWERS AND DUTIES VESTED IN ME IN TERMS OF SECTION 44 (1) AND (2) OF THE PUBLIC FINANCE MANAGEMENT ACT, 1999 TO THE DELEGATED EMPLOYEES AS SET OUT IN THE ATTACHMENT.

SIGNED AT...ON THIS..................DAY OF .... (FULL YEAR)

HEAD OF DEPARTMENT/PUBLIC ENTITY..............................

WESTERN CAPE DEPARTMENT OF..

DELEGATION OF POWERS BY THE ACCOUNTING OFFICER IN TERMS OF SECTION 44 (1) AND (2) OF THE PUBLIC FINANCE MANAGEMENT ACT, 1999

NO	REGULATION SOURCE	REFERENCE TO AOS	CRYPTIC DESCRIPTION OF POWER AND/OR PROCUREMENT PROCESS	LOWEST RANK DELEGATED TO	CONTRACT VALUE	CONDITION/LIMITATION
A. INSTITUTIONAL ARRANGEMENTS						
A1						
A2						
A3						
B. DEMAND MANAGEMENT						
B1						
B2						
B3						
C. ACQUISITION MANAGEMENT						
C1						
C2						
C3						
D. COMPLIANCE MONITORING						
D1						
D2						
D3						
E. CONTRACTS AND CONTRACT MANAGEMENT						
E1						
E2						
E3						
F. LOGISTICS MANAGEMENT						

F1						
F2						
F3						
G. MOVEABLE ASSET MANAGEMENT						
G1						
G2						
G3						
H. DISPOSAL MANAGEMENT						
H1						
H2						
H3						
I. REPORTING OF SUPPLY CHAIN MANAGEMENT INFORMATION						
I1						
I2						
I3						
J. REGULAR ASSESSMENT OF SUPPLY CHAIN MANAGEMENT PERFORMANCE						
J1						
J2						
J3						
K. RISK MANAGEMENT AND INTERNAL CONTROL						
K1						
K2						
K3						
L. FINANCIAL TREATMENT AND DISCLOSURE OF ASSETS AND INVENTORIES						
L1						
L2						
L3						