



Reference number: RCS/C.6

Private Bag X9165
CAPE TOWN
8000

TREASURY CIRCULAR NO. 28/2019 (SUPPLEMENTARY 1 OF 2019)

THE PREMIER

THE MINISTER OF AGRICULTURE

THE MINISTER OF COMMUNITY SAFETY

THE MINISTER OF CULTURAL AFFAIRS AND SPORT

THE MINISTER OF EDUCATION

THE MINISTER OF FINANCE AND ECONOMIC OPPORTUNITIES

THE MINISTER OF HEALTH

THE MINISTER OF HUMAN SETTLEMENTS

THE MINISTER OF LOCAL GOVERNMENT, ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING

THE MINISTER OF SOCIAL DEVELOPMENT

THE MINISTER OF TRANSPORT AND PUBLIC WORKS

THE SPEAKER: PROVINCIAL PARLIAMENT

THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

THE EXECUTIVE AUTHORITY: WESTERN CAPE GAMBLING AND RACING BOARD (MINISTER D MAYNIER)

THE EXECUTIVE AUTHORITY: WESTERN CAPE NATURE CONSERVATION BOARD (MINISTER A BREDELL)

THE EXECUTIVE AUTHORITY: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MINISTER D MAYNIER)

THE EXECUTIVE AUTHORITY: SALDANHA BAY IDZ LICENCING COMPANY (MINISTER D MAYNIER)

THE EXECUTIVE AUTHORITY: WESTERN CAPE CULTURAL COMMISSION (MINISTER A MARAIS)

THE EXECUTIVE AUTHORITY: WESTERN CAPE LANGUAGE COMMITTEE (MINISTER A MARAIS)

THE EXECUTIVE AUTHORITY: WESTERN CAPE HERITAGE (MINISTER A MARAIS)

THE EXECUTIVE AUTHORITY: CASIDRA (MINISTER IH MEYER)

THE EXECUTIVE AUTHORITY: WESTERN CAPE LIQUOR AUTHORITY (MINISTER A FRITZ)

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THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MR BK SCHREUDER)

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THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MS J GOOCH)

THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)

THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR S FOURIE)

THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS)

THE ACCOUNTING OFFICER: VOTE 14: LOCAL GOVERNMENT (MR G PAULSE)

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THE CHIEF FINANCIAL OFFICER: VOTE 4: COMMUNITY SAFETY (MR M FRIZLAR)

THE CHIEF FINANCIAL OFFICER: VOTE 5: EDUCATION (MR L ELY)

THE CHIEF FINANCIAL OFFICER: VOTE 6: HEALTH (MR S KAYE)

THE CHIEF FINANCIAL OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MR JO SMITH)

THE CHIEF FINANCIAL OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR F DE WET)

THE CHIEF FINANCIAL OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR T GILDENHUYNS)

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THE CHIEF FINANCIAL OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MS M ABRAHAMS)

THE CHIEF FINANCIAL OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MS BG RUTGERS)

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 THE CHIEF EXECUTIVE OFFICER: CASIDRA (MR A SEYMOUR)
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 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE HERITAGE (MS B RUTGERS)
 THE CHIEF FINANCIAL OFFICER: CASIDRA (MR F VAN ZYL)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE LIQUOR AUTHORITY (MS M VOS) (ACTING)
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 THE HEAD OF SCM: VOTE 14: LOCAL GOVERNMENT (MR A SEALE)
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 THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (VACANT)
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 THE DIRECTOR: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS T RAKIEP) (ACTING)
 THE DIRECTOR: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (MS N ISMAIL)
 THE DIRECTOR: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A MAZOMBA)
 THE PROVINCIAL AUDITOR
 MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT
 THE DEPUTY DIRECTOR-GENERAL: CORPORATE ASSURANCE, DEPARTMENT OF THE PREMIER (MS H ROBSON)

SUPPLY CHAIN MANAGEMENT (SCM): IMPLEMENTATION OF CHAPTER 16A OF THE PROVINCIAL TREASURY INSTRUCTIONS (PTI's) 2019: ISSUANCE TRANSACTION CHECKLISTS AND TEMPLATES

1. PURPOSE

- 1.1 The purpose of this Circular is to supplement Circular 28 of 2019: "Issuance of Revised Provincial Treasury Instructions, 2012, Issuance of Revised Provincial Treasury Instructions, 2019" by the issuance of the following bid documents, annexures and templates to departments:
- (a) the Western Cape Bidding Document (WCBD) 4 (attached hereto marked "Annexure A");
 - (b) the minimum standards for supply chain management system delegations (attached hereto marked "Annexure B") to be implemented by institutions with effect from 1 April 2020;
 - (c) the code of ethics for supply chain practitioners (attached hereto marked "Annexure C");
 - (d) the procurement strategy (attached hereto marked "Annexure D") to be implemented by institutions with effect from 1 April 2020;
 - (e) the quotations (procurement template R2 001 - R500 000) (attached hereto marked "Annexure E");
 - (f) the transaction checklist for orders and payments quotations (attached hereto marked "Annexure F");
 - (g) the business interest standard operation procedure (attached hereto marked "Annexure G"); and
 - (h) the generic internal control framework standard operating procedure for supply chain management and moveable asset management (attached hereto marked "Annexure H") to be implemented by institutions with effect from 1 April 2020.
- 1.2 To inform accounting officers and accounting authorities of the threshold values relating to invitation to price quotation.

2. BACKGROUND

- 2.1 The issuance of the PTI's, 2012 was the first step in strengthening compliance and accountability in respect of SCM within the Western Cape Government (WCG). Subsequently the PT completed an analysis of all SCM guidelines, practice notes, circulars, instructions and directives issued by both the NT and PT, and embarked on a review process of the PTIs.
- 2.2 The revised PTI's, Chapters 16A was issued on 23 September 2019. The date of commencement in respect of requirements that has already been implemented, as issued previously via the PTIs or circulars, is with immediate effect. All new/revised requirements will be phased in with an effective date of commencing 1 October 2019 – 1 April 2020 as indicated in the department's implementation plan. These dates are reflected in the implementation plan issued under Circular 28 of 2019 with the revised PTIs, 2019.

- 2.3 Institutions will be required to align the bespoke departmental SCM policy requirements and standard operating procedures to the PTI's, 2019.
- 2.4 To give effect to the requirements of the PTI's, 2019 the PT has issued the annexures as listed in 1.1 above. The remainder of the annexures will be issued with the Pro-Forma AOS, 2019.

3. WESTERN CAPE BIDDING DOCUMENT (WCDB) 4

- 3.1 The Department of Public Service and Administration (DPSA) issued circular EIM 1/2016 which states the transitional arrangements in the Public Service Regulations (PSR) in terms of employees of the State conducting business with an organ of State.
- 3.2 The Office of the Director-General (DG) in the Department of the Premier (DOTP) issued DG Circular No. 45/2016 dated 29 November 2016 to all provincial Heads of departments. The circular inter alia indicated that irrespective of the provisions granting approval for Remunerative Work outside the Public Service (RWOPS), Regulation 13(c) of the Public Service Regulations explicitly prohibits an employee from:
- (a) Conducting business with and organ of state; or
 - (b) Holding a directorship of a company (public and private) which conducts business with an organ of state, unless the employee is in an official capacity a director of a company listed in schedules 2 and 3 of the PFMA.
- 3.3 The WCG therefore reviewed and aligned the WCBD4 to the revised Public Service Regulations, 2016 in respect of conducting business with an organ of state.

4. MINIMUM STANDARD 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 format set out in the attached framework.
- 4.2 In terms of PTI 16A: Part 3, Paragraph 3.7.1 institutions must ensure that:
- (a) delegations and instructions must be limited to the scope permitted by the regulatory framework;
 - (b) affected employees must be familiar with their roles and responsibilities in terms of the delegation or instruction;
 - (c) affected employees must possess the necessary skills and competencies to exercise the delegation or carry out the instruction;
 - (d) effective performance management, feedback and reporting mechanisms should be in place;
 - (e) appropriate internal controls should be in place;
 - (f) clear directions or instructions must be given and conditions set that restrict, where applicable, the exercise of delegations; and
 - (g) delegations and instructions must be reviewed regularly, as prescribed by the accounting officer or accounting authority, for appropriateness and accuracy, particularly following legislative and policy changes.

4.3 The revised delegations, after reviewing all policy requirements are set for implementation with effect 1 April 2020. Institutions may however utilise the minimum standards template with immediate effect if they so wish.

5. CODE OF ETHICS FOR SUPPLY CHAIN PRACTITIONERS

5.1 In terms of the PTI's 16A Part 3, paragraph 3.8.1 the National and Provincial Treasury may prescribe any code of conduct and/or ethics that all employees involved in the implementation of the institution's supply chain must adhere to.

5.2 Institutions may amend the code of ethics template enclosed to include Institutional bespoke requirements in accordance with institutional risks and arrangements.

6. PROCUREMENT STRATEGY

6.1 As indicated in PTI 16A: Part 4, paragraph 4.2.3 the procurement strategy must at least deal with the following matters:

- (a) procurement vision of the institution;
- (b) procurement goals and objectives linked to the institution's strategic objectives;
- (c) commodity and market analysis in relation to the core functions of the institution;
- (d) identified strategic and scarce commodities and procurement options;
- (e) strategic partners;
- (f) stakeholders involved in the supply chain cycle;
- (g) empowerment impact assessments for procurement above an amount of R10 million;
- (h) implementation of municipal regional indicators;
- (i) identified cost drivers;
- (j) risk analysis and mitigation measures;
- (k) goods or services to be procured over at least a 3-year period; and
- (l) where applicable, for planning in excess of the 3-year period.

6.2 The procurement strategy (developing a procurement strategy guide) must be utilised to draft the institutional procurement strategy and be revised every three years or earlier when a change in circumstances requires it.

7. QUOTATIONS (PROCUREMENT TEMPLATE R2 001 - R500 000)

7.1 The following procurement template was amended:

- (a) template for Informal quotations (for purchases from R2 001.00 - R500 000);
- (b) an excel version of the procurement templates will be availed to institutions upon request.

7.2 It must be noted that templates for limited and competitive bidding will be issued with the Pro-Forma AOS, 2019.

- 7.3 The above-mentioned template has been amended to align to the requirements of the PTI's, 2019 and to ensure that institutions adhere to the minimum requirements set by the National Treasury for all purchases to the value of R500 000.00.
- 7.4 The checklists issued have been designed to bring together all of the requirements into one document and incorporate checks and balances to ensure that transparency and fairness within the WCG procurement environment prevails.
- 7.5 The revision of SCM delegations, in addition to the above, will be necessary.
- 7.6 The templates must be implemented as from **1 October 2019 but not later than 1 April 2020** to make provision for departments that have decentralised offices as well as departments that need to amend its delegations. Institutions can adapt the templates in accordance with institutional arrangements.

8. TRANSACTION CHECKLISTS FOR ORDERS AND PAYMENTS

- 8.1 The following checklists were amended:
- (a) Transaction checklist for orders; and
 - (b) Transaction checklist for payments.
- 8.2 Transaction checklists are control mechanisms and its purpose is to ensure that all necessary requirements are being adhered to before institutions commit themselves to the issuing of orders or the payment of invoices. They are also instrumental in enforcing good governance principles that will aid in the change in behaviour towards stringent compliance and in improving the level of financial maturity.
- 8.3 The format and content of the prescribed transaction checklists are the minimum requirements and Institutions may adapt the checklists to suit its specific business processes, which include incorporating additional information and/requirements as needed.
- 8.4 Institutions attention is drawn to PTI 16A: Part 8, Paragraph 8.5.1 (c) that requires accounting officers or accounting authorities to ensure "that all goods or services are procured and accounted for on the relevant electronic logistical system."
- 8.5 An order checklist has to be completed for each order made. Given that an order may include various requisitions, the checklist must cover all the requisitions attached to that specific order.
- 8.6 The order checklist is not applicable when requisitioning items from stores stock. It should only be implemented for the replenishment of stores stock and the procurement of non-stock goods or services as well as the procurement of minor and major assets.
- 8.7 Transaction checklist for payments must be used for all payments of goods, services and works. In the case of order exempted payments (municipal services, telecommunication services, etc.), that are not procured and accounted for on the relevant logistical system, institutions should retain the status quo until a further directive is issued in this regard by the Provincial Treasury.

9. BUSINESS INTEREST STANDARD OPERATING PROCEDURE

- 9.1 The PTI 16A: Part 5, paragraph 5.3.7 states that the e-procurement solution will house information on the business interest of any employees who are in the service of the state and doing business with the Western Cape Government will be housed on the e-procurement solution. It however remains the responsibility of institutions to check for such information before the conclusion of any procurement process.

10. INTERNAL CONTROL FRAMEWORK STANDARD OPERATING PROCEDURE

- 10.1 As required by PTI 16A: Part 13, Paragraph 13.2.2, the internal control framework must at least provide for:

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

- 10.2 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).

- 10.3 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 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.

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

11. THRESHOLDS VALUES RELATING TO INVITATION TO PRICE QUOTATION


- 11.1 Quotations between an estimated value of R2 001 and up to R10 000 must be invited from at least 3 or more service providers.

- 11.2 Quotations between an estimated value of R10 001 and up to R30 000 must be invited from at least 3 or more service providers through the e-procurement solution. Preference points for BBBEE will not be allocated and only points for pricing will pull through to the ePS for evaluation.
- 11.3 Quotations between an estimated value of R30 001 and R500 000 must be invited utilising the rotation methodology through the e-procurement solution.

12. DEPARTMENTS AND PUBLIC ENTITIES ARE REQUIRED TO

- 12.1 Ensure that the content of the supplement is brought to the attention of all relevant officials within their institution;
- 12.2 Note that Supplement 1 and 2 to Treasury Circular 14-2012 is hereby repealed and replaced with this Circular; and
- 12.2 Any enquiries relating to this Circular may be directed to:

SCM Helpdesk: SupplyChainManagement.HDPFMA@westerncape.gov.za



NADIA EBRAHIM
ACTING CHIEF DIRECTOR: ASSET MANAGEMENT
DATE: 01 October 2019

PROVINCIAL GOVERNMENT OF WESTERN CAPE

DECLARATION OF INTERESTS, BIDDERS PAST SCM PRACTICES AND INDEPENDENT BID DETERMINATION

1. To give effect to the requirements of the Western Cape Provincial Treasury Instructions, 2019: Supply Chain Management (Goods and Services), Practice Note 4 of 2006 Declaration of Bidders Past SCM Practices-(SDB8), Instruction note Enhancing Compliance Monitoring and Improving Transparency and Accountability in Supply Chain Management, Practice note 7 of 2009/10 - SBD 4 Declaration of Interest, Practice Note 2010 Prohibition of Restrictive practices SBD9, Section 4 (1) (b) (iii) of the Competition Act No. 89 of 1998 as amended together with its associated regulations, the Prevention and Combating of Corrupt Activities Act No 12 of 2004 and regulations pertaining to the tender defaulters register, Paragraph 16A9 of the National Treasury Regulations and/or any other applicable legislation.
2. All prospective bidders intending to do business with the Institution must be registered on the Central Supplier Database (CSD) and the Western Cape Supplier Evidence Bank (WCSEB) if they wish to do business with the Western Cape Government (WCG) via the electronic Procurement Solution (ePS).

3. Definitions

“bid” means a bidder's response to an institution's invitation to participate in a procurement process which may include a bid, price quotation or proposal;

“Bid rigging (or collusive bidding)” occurs when businesses, that would otherwise be expected to compete, secretly conspire to raise prices or lower the quality of goods and / or services for purchasers who wish to acquire goods and / or services through a bidding process. Bid rigging is, therefore, an agreement between competitors;

“business interest” means —

- (a) a right or entitlement to share in profits, revenue or assets of an entity;
- (b) a real or personal right in property;
- (c) a right to remuneration or any other private gain or benefit, or
- (d) includes any interest contemplated in paragraphs (a), (b) or (c) acquired through an intermediary and any potential interest in terms of any of those paragraphs;

“Consortium or Joint Venture” means an association of persons for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract;

“CSD” means the Central Supplier Database maintained by National Treasury;

“employee”, in relation to –

- (a) a department, means a person contemplated in section 8 of the Public Service Act, 1994 but excludes a person appointed in terms of section 12A of that Act; and
- (b) a public entity, means a person employed by the public entity;

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If you know of any corrupt, fraudulent or collusive actions in the Institution, please report it by calling the National Hotline 0800 701 701

This form must be completed annually. Should the information herein declared change in the course of the year or before the next renewal or in relation to any bid, quotation or contract, it is the entity's responsibility to advise the Institution in writing of the change in such details.

“**entity**” means any —

- (a) association of persons, whether or not incorporated or registered in terms of any law, including a company, corporation, trust, partnership, close corporation, joint venture or consortium; or
- (b) sole proprietorship;

“**entity conducting business with the Institution**” means an entity that contracts or applies or tenders for the sale, lease or supply of goods or services to the Province;

“**Family member**” means a person’s —

- (a) spouse; or
- (b) child, parent, brother, sister, whether such a relationship results from birth, marriage or adoption or some other legal arrangement (as the case may be);

“**intermediary**” means a person through whom an interest is acquired, and includes a representative or agent or any other person who has been granted authority to act on behalf of another person;

“**Institution**” means –

a provincial department or provincial public entity listed in Schedule 3C of the Act;

“**Provincial Government Western Cape (PGWC)**” means

- (a) the Institution of the Western Cape, and
- (b) a provincial public entity;

“**RWOPS**” means —

Remunerative Work Outside the Public Service

“**spouse**” means a person’s —

- (a) partner in marriage or civil union according to legislation;
- (b) partner in a customary union according to indigenous law; or
- (c) partner with whom he or she cohabits and who is publicly acknowledged by the person as his or her life partner or permanent companion;

4. Regulation 13(c) of the Public Service Regulations (PSR) 2016, effective 1 February 2017, prohibits any employee from conducting business with an organ of state, or holding a directorship in a public or private company doing business with an organ of state unless the employee is a director (in an official capacity) of a company listed in schedules 2 and 3 of the Public Finance Management Act.

a) Therefore, by 31 January 2017 all employees who are conducting business with an organ of state should either have:

- (i) resigned as an employee of the government institution or;
- (ii) cease conducting business with an organ of state or;
- (iii) resign as a director/ shareholder/ owner/ member of an entity that conducts business with an organ of state.

5. Any legal person, or their family members, may make an offer or offers in terms of this invitation to bid. In view of potential conflict of interest, in the event that the resulting bid, or part thereof, be awarded to family members of persons employed by an organ of state, it is required that the bidder or his/her authorised representative declare his/her position in relation to the evaluating/adjudging authority where the bidder is employed by the Institution.

6. The bid of any bidder may be disregarded if that bidder or any of its directors abused the institution’s

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supply chain management system; committed fraud or any other improper conduct in relation to such system; or failed to perform on any previous contract.

7. Section 4 (1) (b) (iii) of the Competition Act No. 89 of 1998, as amended, prohibits an agreement between, or concerted practice by firms, or a decision by an association of firms, if it is between parties in a horizontal relationship and if it involves collusive bidding (or bid rigging). Collusive bidding is a *per se* prohibition meaning that it cannot be justified under any grounds.
8. Treasury Regulation 16A9 prescribes that accounting officers and accounting authorities must take all reasonable steps to prevent abuse of the supply chain management system and authorises accounting officers and accounting authorities to:
 - a. disregard the bid of any bidder if that bidder, or any of its directors have abused the institution's supply chain management system and or committed fraud or any other improper conduct in relation to such system.
 - b. cancel a contract awarded to a supplier of goods and services if the supplier committed any corrupt or fraudulent act during the bidding process or the execution of that contract.
9. Communication between partners in a joint venture or consortium will not be construed as collusive bidding.
10. In addition and without prejudice to any other remedy provided to combat any restrictive practices related to bids and contracts, bids that are suspicious will be reported to the Competition Commission for investigation and possible imposition of administrative penalties in terms of section 59 of the Competition Act No 89 of 1998 and or may be reported to the National Prosecuting Authority (NPA) for criminal investigation and or may be restricted from conducting business with the public sector for a period not exceeding ten (10) years in terms of the Prevention and Combating of Corrupt Activities Act No 12 of 2004 or any other applicable legislation.

If you know of any corrupt, fraudulent or collusive actions in the Institution, please report it by calling the National Hotline 0800 701 701

This form must be completed annually. Should the information herein declared change in the course of the year or before the next renewal or in relation to any bid, quotation or contract, it is the entity's responsibility to advise the Institution in writing of the change in such details.

SECTION A: DETAILS OF THE ENTITY

A1. CSD Registration Number	MAAA _____
A2. Name of the Entity	
A3. Entity registration Number (where applicable)	
A4. Entity Type	
A5. Tax Reference Number	
A6. Full details of directors, shareholder, member, partner, trustee, sole proprietor or any persons with a right or entitlement to share in profits, revenue or assets of the entity should be disclosed in the Table A below.	

TABLE A

FULL NAME	DESIGNATION (Where a director is a shareholder, both should be confirmed) confirmed.)	IDENTITY NUMBER	PERSONAL TAX REFERENCE NO.	PERCENTAGE INTEREST IN THE ENTITY

If you know of any corrupt, fraudulent or collusive actions in the Institution, please report it by calling the National Hotline 0800 701 701

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SECTION B: DECLARATION OF THE BIDDER'S INTEREST

The supply chain management system of an institution must, irrespective of the procurement process followed, prohibit any award to an employee of the state, who either individually or as a director of a public or private company or a member of a close corporation, seek to conduct business with the WCG, unless such employee is in an official capacity a director of a company listed in Schedule 2 or 3 of the PFMA as prescribed by the Public Service Regulation 13 (c).

Furthermore, an employee employed by an organ of state conducting remunerative work outside the public enterprise should first obtain the necessary approval (RWOP), failure to submit proof of such authority, where applicable, may result in disciplinary action.

B1.	Are any persons listed in Table A identified on the CSD as employees of an organ of state? <i>(If yes, refer to Public Service Circular EIM 1/2016 to exercise the listed actions)</i>	<input type="checkbox"/> NO <input type="checkbox"/> YES
B2.	Are any employees of the entity also employees of an organ of state? <i>(If yes complete Table B and attach their approved "RWOP")</i>	<input type="checkbox"/> NO <input type="checkbox"/> YES
B3.	Are any family members of the persons listed in Table A employees of an organ of state? <i>(If yes complete Table B)</i>	<input type="checkbox"/> NO <input type="checkbox"/> YES

TABLE B

Details of persons (family members) connected to or employees of an organ of state should be disclosed in Table B below.

FULL NAME OF EMPLOYEE	IDENTITY NUMBER	DEPARTMENT/ ENTITY OF EMPLOYMENT	DESIGNATION / RELATIONSHIP TO BIDDER**	INSTITUTION EMPLOYEE NO./PERSAL NO. (Indicate if not known)

5

If you know of any corrupt, fraudulent or collusive actions in the Institution, please report it by calling the National Hotline 0800 701 701

This form must be completed annually. Should the information herein declared change in the course of the year or before the next renewal or in relation to any bid, quotation or contract, it is the entity's responsibility to advise the Institution in writing of the change in such details.

SECTION C: PERFORMANCE MANAGEMENT AND BIDDER'S PAST SUPPLY CHAIN MANAGEMENT PRACTICES

To enable the prospective bidder to provide evidence of past and current performance.

C1. Did the entity conduct business with an organ of state in the last twelve months?
(If yes complete Table C)

NO	YES
----	-----

C2. Table C

Complete the below table to the maximum of the last 5 contracts.

NAME OF CONTRACTOR	PROVINCIAL DEPARTMENT OR PROVINCIAL ENTITY	TYPE OF SERVICES OR COMMODITY	CONTRACT / ORDER NUMBER	PERIOD OF CONTRACT	VALUE OF CONTRACT

C3. Is the entity or its principals listed on the National Database as companies or persons prohibited from doing business with the public sector?

NO	YES
----	-----

C4. Is the entity or its principals listed on the National Treasury Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No. 12 of 2004)?

NO	YES
----	-----

(To access this Register enter the National Treasury's website, www.treasury.gov.za, click on the icon "Register for Tender Defaulters" or submit your written request for a hard copy of the Register to facsimile number (012) 3265445.)

C5. If yes to C3 or C4, were you informed in writing about the listing on the database of restricted suppliers or Register for Tender Defaulters by National Treasury?

NO	YES
----	-----

If you know of any corrupt, fraudulent or collusive actions in the Institution, please report it by calling the National Hotline 0800 701 701

This form must be completed annually. Should the information herein declared change in the course of the year or before the next renewal or in relation to any bid, quotation or contract, it is the entity's responsibility to advise the Institution in writing of the change in such details.

C6. Was the entity or persons listed in Table A convicted for fraud or corruption during the past five years in a court of law (including a court outside the Republic of South Africa)?

NO	YES
----	-----

SECTION D: DULY AUTHORISED REPRESENTATIVE TO DEPOSE TO AFFIDAVIT
This form must be signed by a duly authorised representative of the entity in the presence of a commissioner of oaths.

- I, hereby swear/affirm;
- i. that the information disclosed above is true and accurate;
 - ii. that I understand the content of the document;
 - iii. the entity undertakes to independently arrive at any offer at any time to the Institution without any consultation, communication, agreement or arrangement with any competitor. In addition, that there will be no consultations, communications, agreements or arrangements with any competitor regarding the quality, quantity, specifications and conditions or delivery particulars of the products or services to the Institution.
 - iv. that the entity or its representative are aware of and undertakes not to disclose the terms of any bid, formal or informal, directly or indirectly, to any competitor, prior to the awarding of the contract.

DULY AUTHORISED REPRESENTATIVE'S SIGNATURE

If you know of any corrupt, fraudulent or collusive actions in the Institution, please report it by calling the National Hotline 0800 701 701

This form must be completed annually. Should the information herein declared change in the course of the year or before the next renewal or in relation to any bid, quotation or contract, it is the entity's responsibility to advise the Institution in writing of the change in such details.

I certify that before administering the oath/affirmation I asked the deponent the following questions and wrote down his/her answers in his/her presence:

1.1 Do you know and understand the contents of the declaration? ANSWER:

1.2 Do you have any objection to taking the prescribed oath? ANSWER:

1.3 Do you consider the prescribed oath to be binding on your conscience? ANSWER:

1.4 Do you want to make an affirmation? ANSWER:

2. I certify that the deponent has acknowledged that he/she knows and understands the contents of this declaration, which was sworn to/affirmed and the deponent's signature/thumbprint/mark was place thereon in my presence.

..... SIGNATURE FULL NAMES

Commissioner of Oaths

Designation (rank)ex officio: Republic of South Africa Date:

.....Place

Business Address:

If you know of any corrupt, fraudulent or collusive actions in the Institution, please report it by calling the National Hotline 0800 701 701

This form must be completed annually. Should the information herein declared change in the course of the year or before the next renewal or in relation to any bid, quotation or contract, it is the entity's responsibility to advise the Institution in writing of the change in such details.

PROVINCIAL TREASURY

MINIMUM STANDARDS FOR SUPPLY CHAIN MANAGEMENT SYSTEM DELEGATIONS

(Paragraph 3.7.2 of Provincial Treasury Instructions, 2019)

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 or 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

Part One: Delegation Definitions and Concepts

- 5 It is a principle of our law that where a power is entrusted to a person to exercise his or her own individual judgment and discretion, he or she is not allowed to delegate such power unless he or she has been **expressly empowered to do so** by an 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 document in terms of which an administrative action was 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 cascading delegations between the different performer levels.
 - 7.1 The **authority of the PF to exercise decision-making, with the requisite accountability is delegated** to the DE to make decisions, to use and allocate the resources efficiently, and to 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. However, if such delegated authority is inappropriately exercised, the PF may withdraw it. Authority compromises the rights inherent in a position to accept work and direct work to subordinates, to give commands, orders and to get things done. The top level management has greatest authority. Authority always flows from top to bottom and explains how a superior gets work done by his or her 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 by an equal amount of responsibility. Delegating the authority to someone else does not imply abdicating accountability. Accountability still rest with the PF, who has the highest 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 or 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 performing a duty is answerable for it.

² Section 6(2)(a)(ii)

Part One: Delegation Definitions and Concepts

7.3 **Accountability** – means being answerable for the end result and giving explanations for any variance between the actual performance and 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 is vested or on whom a duty is imposed remains accountable for the outcome of the delegated power or duty.

7.4 The **efficient and effective** achievement of institutional outputs and outcomes requires the division of work and commensurate delegations between performer levels.³ 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 have the desired impact, realise the mandate and strategic objectives of the institution and meet the expectations of clients or citizens. The focus is on outcome, impact and value indicators.

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 by the PF 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 the 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 cascading 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

Part One: Delegation Definitions and Concepts

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, relationship of authority 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 new skills of employees; and

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

Part One: Delegation Definitions and Concepts

10. the advantages that stem from a delegation's approach which mirrors decentralisation of administrative functions may include the following:
 - 10.1 the workload of EA'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 that they are being prepared to assume greater responsibilities;
 - 10.4 employees are encouraged to exercise judgement and accept responsibility, which increases 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 conditions 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; and
 - 11.6 many of the delegations are out-dated and in some instances signed by predecessors;
 12. Personal and managerial factors may inhibit delegation:
 - 12.1 the higher the degree of accountability that legislation demands, the greater the tendency to centralise activities and the greater the reluctance to delegate to employees lower in the hierarchy;
 - 12.2 senior managers fear that subordinates have insufficient capacity to carry out the tasks to be delegated; and
 - 12.3 senior managers fear that their performance evaluation could suffer if employees fail to carry out the tasks delegated to them.
-

Part One: Delegation Definitions and Concepts

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 may 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; and
 - 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 may 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 meet 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.

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 **Uphold the principles of responsibility, accountability, effectiveness and efficiency.**
 - 3.4 Be **periodically reviewed** for validity and completeness.
 - 3.5 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.

Part Two: Delegation Principles

- 4.2 Does not prevent the PF who made the delegation or granted the authority 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. **The Principal Functionary** – 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.
-

Part Two: Delegation Principles

- 5.6 The PF must provide **clear guidance** on expectations, limitations applicable, the circumstances in which or the conditions on which a delegation must be exercised and the factors to be taken account of in the exercise of the 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 exercise of a delegated power or performance of a delegated duty.
- 6.2 For performing any delegation that has any **financial implication** the DE must ensure that he or she –
- (a) is duly authorised as a budget holder (programme or responsibility manager) to incur expenditure within the prescribed limits; or
 - (b) obtain the approval of the relevant budget holder (programme manager, responsibility manager 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;

Part Three: Delegation Process and Templates

- 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

<p>Original Legislation (expressly authorises the delegation of powers and duties)</p> <p><i>The Constitution Legislation</i></p>	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Delegation Instruments</p>
<p>Subordinate Legislation (legislation expressly authorises the delegation of powers and duties)</p> <p>Regulations Instructions</p>	
<p>Non Delegations Instruments (legislation or subordinate legislation does not expressly authorises the delegation of powers and duties)</p> <p>Accounting officer/authority Supply Chain Management System Standard Operating Procedures</p>	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Non Delegation Instruments</p>

DELEGATION TEMPLATE IN TERMS OF THE PUBLIC FINANCE MANAGEMENT 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, 2018

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						

ANNEXURE C

**CODE OF ETHICS FOR SUPPLY CHAIN
PRACTITIONERS**

(Paragraph 3.8.1 of the Provincial Treasury Instructions, 2019)

CODE OF ETHICS FOR SUPPLY CHAIN PRACTITIONERS

Introduction

The main aim of every supply chain management practitioner should be to execute their function according to the highest standards of professionalism and in respect of the values, objectives and interest of the institution they serve. This implies that the supply chain management practitioner must adhere to the principles of fairness, impartiality, transparency, integrity, avoiding conflict of interest and any impropriety, and to respect and apply the institutions relevant policies, rules and procedures.

Loyalty and respect for rules and regulations

In general, a supply chain practitioner should:

- stand by decisions that are in the institutions interests even if they are unpopular;
- understand the regulatory framework pertaining to his or her profession and institution;
- know why the rules and regulations are necessary and what caused the rules and regulations to be enacted;
- respect the need for the formality of rules and regulations;
- interpret and apply rules in accordance with their intent;
- be able to perform supply chain responsibilities effectively and efficiently and still abide by the pertinent rules; and
- should perform regulated tasks consistently according to the specified procedures and take a leadership role to help co-workers and stakeholders to understand and follow them as well.

Integrity

A supply chain management practitioner is expected to maintain superior standards of integrity and moral values. Integrity must be judged on the basis of the total behaviour of a person. Elementary personal or private qualities such as honesty, truthfulness, fidelity, probity and freedom from corrupting influences are included. Integrity, to a supply chain practitioner in the marketplace, means believing that the public trust is so important that it cannot be compromised. A supply chain management practitioner should therefore demonstrate integrity to:

- upholding the principles of the Constitution;
- demonstrating values such as impartiality, fairness, honesty and truthfulness in daily activities and behaviours;
- acting without consideration of personnel gain;
- resisting undue political pressure in decision making;
- not abusing power or authority;
- taking prompt action in cases of unprofessional or unethical behaviour;
- avoiding conflicts of interest or making conflicts known when they are unavoidable; and
- maintaining confidentiality of information and never disclosing information concerning the business of others without their consent.

Impartiality and fairness

Impartiality implies objectively, lack of bias, restraint-particularly when political disputes or differences arise. Just as the practice of impartiality will strengthen the institution, repeated instances of partiality, or bias, will do harm to the institution. According to The Concise Oxford Dictionary of Current English, "fair" is defined as "just, unbiased, and equitable; in accordance with the rules". In the context of impartiality and fairness and accordance with the description above, the supply chain practitioner should

- set aside all personal and institutional biases;
- apply the same standards of evaluation to all suppliers (equal treatment);
- treat suppliers with professional, business like courtesy;
- respect the letter and spirit of laws and regulations;
- apply the appropriate legal and regulatory standards to all transactions; and
- ensure that all interests, public and private, are appropriately considered in the regulatory decision-making processes.

Transparency

Transparency means unimpeded visibility. For the reason that public procurement involves accountability for the use of public funds, transparency is, perhaps, paramount in all supply chain management activities. Therefore, supply chain management practitioners:

- must always conduct themselves in such a way that any scrutiny, whether internal or external, would not damage the institution;
- must ensure that only when something is truly of a confidential nature, such as proprietary data belonging to a supplier, or proposals being evaluated prior to contract award, should confidentiality be given a higher priority over transparency, while still maintaining an overall transparent process; and
- should always assume that how they do their work is available to the public, even though details of pricing data or trade secrets may be held confidential.

Confidentiality

Confidentiality might seem to be in contradiction with transparency, but what this means is, the way the overall supply chain process is conducted needs to be clear and transparent, while truly proprietary data needs to remain confidential. A supply chain practitioner should therefore:

- exercise the utmost discretion with regard to all matters of official businesses;
- be aware that the disclosure of information, may seriously jeopardise the efficiency and credibility of the institution;
- not divulge confidential information without authorisation;
- not use information that has been made public and is known to them by virtue of their official position to private advantage; and
- be aware that the aforementioned obligation does not cease upon separation from service in the institution.

Avoidance of the appearance of impropriety

Not all societies have the same standards or traditions about what is proper and what is not. It is important to recognise cultural differences in appearance and to anticipate, in the most conservative terms, what might be received as improper conduct. A supply chain management practitioner must:

- be constantly aware of how their actions appear to outside observers;
- always behave in such a way that observers could not misconstrue their actions as improper;
- be aware that what people think of a supply chain management practitioner's behaviour can be the basis of major scandals based on misunderstandings and erroneous information that can damage the institutions effectiveness; and

- be aware that acting properly in a “technical’ sense is not enough; avoiding even the appearance of impropriety is also necessary.

Due diligence

Due diligence in the context of supply chain management refers to carrying out duties carefully and thoroughly and avoiding careless practices or techniques. Due diligence requires that all activities by supply chain management practitioners be pursued in a manner that goes beyond the minimum effort. Diligent supply chain practitioners should:

- apply high standards of professionalism and competence as well as the encouragement of similar standards amongst colleagues;
- check the references of potential suppliers;
- develop impartial evaluation criteria;
- carefully analyse the offers received; and
- not cut corners for the sake of convenience.

ANNEXURE D

PROCUREMENT STRATEGY

(Paragraph 4.2 of the Provincial Treasury Instructions, 2019)

DEVELOPING A PROCUREMENT STRATEGY – GUIDE

WHAT IS A PROCUREMENT STRATEGY?

A procurement strategy documents how your institution runs its procurement function. It provides an overview of your governance framework and a roadmap for the way your institution conducts its procurement activity. The procurement strategy should align with your institution's governance framework and business strategy.

WHY DO I NEED A PROCUREMENT STRATEGY?

Documenting your procurement strategy and establishing a review process will help with strategic planning, benchmarking, measuring performance and improving productivity in managing the institution's procurement activities.

HOW DETAILED IS A PROCUREMENT STRATEGY?

The level of detail in your procurement strategy is determined by the accounting officer/accounting authority of the institution.

As a general rule, the procurement strategy should be reviewed regularly. The scope and detail of the review will reflect a number of factors including machinery of government changes, the role and operation of the institution, the complexity of procurement carried out and the dynamics of the supplier market.

Given these factors, your institution's procurement strategy will be a 'living document', modified over time to reflect these and other changes.

Your procurement strategy must include a:

- supplier engagement plan
- capability development plan
- contract management planning strategy, and
- Procurement activity plan.

This guide includes a template and notes to help you develop your procurement strategy. This is an example only and should be adapted to suit your institution. If you use a different format, make sure you cover off all the considerations noted in this template.

USING THIS GUIDE

This guide accompanies the Provincial Treasury Instructions, 2019

HOW DO I DEVELOP A PROCUREMENT STRATEGY?

This guide provides advice on putting together a procurement strategy for your institution, including:

- the strategic direction for your procurement activities;
- key planning initiatives for your procurement function and their alignment with your institution's overarching strategic direction;
- planning and decision making for the future, reliant on evidence based analysis;
- a communication strategy for engagement with suppliers and key stakeholders;
- roles and responsibilities in the institution; and
- a framework for managing and reviewing existing arrangements.

The guide is separated into two sections (described overleaf) and contains templates where relevant.

SECTION 1: GOVERNANCE FOR PROCUREMENT

Outlines the context and overarching framework for procurement across an institution including processes and practices that can provide good governance.

SECTION 2: GOVERNANCE OUTPUT DOCUMENTS

Separates the governance framework into specific subject areas, policy, procedures, processes and system initiatives, procurement activity, contract management planning, supplier engagement, capability development and implementation strategy.

These can be read as stand alone documents as they outline the key requirements for better practice in procurement.

Table 1: Procurement strategy framework [outlines the framework for a procurement strategy].

	Section 1 – major matters for consideration	Section 2 –output documents
Part 1 – Procurement governance, objectives and targets	1.1 Institutional objectives 1.2 Procurement targets 1.3 Alignment to institutional objectives 1.4 Governance framework for procurement management.	
Part 2 – Procurement planning	2.1 Analysis of procurement spend 2.2 Supplier analysis 2.3 Category management 2.4 Contract management 2.5 Forecast benefits	Procurement activity plan Supplier engagement plan Contract management planning strategy
Part 3 – Procurement analysis	3.1 Strategic situation analysis 3.2 Risk analysis 3.3 Capability development initiatives 3.4 Policy, procedures, processes and systems initiatives 3.5 Planned budget allocation	Capability development plan
Part 4 – Procurement implementation	4.1 Performance management and monitoring	

SECTION 1: PROCUREMENT STRATEGY TEMPLATE

APPROVALS

This procurement strategy has been reviewed and approved by the accounting officer/accounting authority identified in the table below:

Name	Title	Signature	Date of Approval

Comments:

ENDORSEMENT

This procurement strategy has been endorsed by the following:

Name	Title	Business unit

PREPARED BY

This procurement strategy was prepared by:

Name	Title	Business Unit

1.1 INSTITUTIONAL PROCUREMENT OBJECTIVES

Clearly articulate your institution's procurement objectives in the context of the institution's governance and business strategy. Focus on whole of institution, procurement related objectives, not procurement objectives associated with individual procurements.

PURPOSE

Your objectives set the direction and drive the planning process. They are medium term procurement goals towards which an institution strives. You measure your progress against your procurement objectives. Objectives should be precise, measurable, feasible, consistent and relevant.

Example:

- Senior managers of various line functions are reporting on procurement as part of the annual performance plan.

Institutional objectives	
No.	Objective
1	
2	
3	

1.2 PROCUREMENT TARGETS

Develop targets or key performance indicators (KPIs) for your institution's procurement objectives. Targets may be value based, time based, qualitative or quantitative, or outcome or output focused. Defining high level procurement targets is at the discretion of the institution.

PURPOSE

Targets define the performance expectations for your procurement function.

Examples:

- Achieve savings in excess of Rx xxx xxx for year 20xx
- Establish pre qualification arrangements for common services
- Deliver all strategic and high risk procurement within budget and on time

Note: Parts 2 and 3 of the procurement strategy may influence this first part of the strategy.

Key institutional procurement targets		
No.	Procurement target	Target
1		
2		
3		
4		

1.3 ALIGNMENT TO INSTITUTIONAL OBJECTIVES

Describe how the procurement objectives defined under section 1.1 (Institutional objectives) align with the broader objectives of your institution and the objectives of the Western Cape Government (WCG).

Articulate the business drivers that impact and/or set the direction for your institution. These can be internal or external influencers.

Aligning procurement strategies and objectives to the broader institutional objectives and strategic direction is crucial to delivering quality service.

Articulate how your institution's activities support its performance. Procurement objectives must demonstrate alignment with, and clear contribution to, your institutional objectives and strategic direction.

PURPOSE

Understanding your business drivers provides a context for understanding client/customer and stakeholder needs. It also shows how your procurement objectives can support the expectations of broader government.

Examples:

Procurement objective:

- To lead in a whole of government procurement response to XYZ.

Strategic business drivers:

- Improved visibility of spend across the institution/other institutions to identify and assess savings opportunities.
- Improved compliance with policy and process to address under achievement in service outcomes and exposure to undesired scrutiny and oversight.
- Increased focus to improve the performance of suppliers to maximise the value of existing supplier agreements and to improve service delivery.

Institutional procurement objectives			
No.	Procurement objective	Alignment to institutional objective	Alignment to WCG objective
1			
2			

1.4 GOVERNANCE FRAMEWORK FOR PROCUREMENT

Describe the governance framework that will oversee your institution's procurement activities. If you do not currently have a governance framework, define the steps taken to ensure your institution's procurement function will be appropriately governed in the interim.

PURPOSE

To demonstrate that an appropriate governance framework for your procurement operations exists and is being continuously improved.

The procurement strategy should reference other sections of this document if those cover any governance framework elements or reference the actual governance framework developed for the institution. This section can also reference when and how the framework will be developed if it is still under development.

Examples:

This section could reference the following:

- procurement leadership (who will provide leadership and strategic direction on procurement activities?);
- procurement people and processes (what resourcing, structures, systems and processes for governance will be in place?);

Note: a summary or reference to Part 3. 3—Capability development initiatives may suffice if sufficient detail is provided.

- procurement performance management (how is performance management carried out? i.e. reporting processes, performance measures or indicators?);

Note: a summary or reference to Part 4.1—Performance management and monitoring and Part 3.4—Policy, procedures, processes and systems may suffice if sufficient detail is provided.

- procurement risk management (how will risk management, compliance and assurance activities be included with the governance framework?); and
- procurement accountabilities (how will decision making and reporting lines operate; and how will an individual be held to account?).

Governance framework for procurement operations

Insert text or diagram.

...

2.1 ANALYSIS OF PROCUREMENT SPEND

Prepare a short profile of your institution's anticipated spend against core procurement categories.

You can use graphs and tables to illustrate the procurement profile of your institution

Note: You can use this high level overview to develop your procurement activity plan.

PURPOSE

To create a context by which strategic analysis of an institution's procurement activity can inform management decision making for the ongoing improvement in procurement performance and capability requirements.

Examples:

- Forecast by category—logically group similar items. These could then be listed based on level of expenditure.
- Forecast spend by goods or services.
- Forecast spend by key suppliers (could be listed based on critical to business and extremely high risk, etc.).
- Forecast spend for major areas of procurement, total or major areas of spend for capital expenditure and operational expenditure by year.
- Types of spend, i.e. how are goods and services being purchased? (e.g. percentage under state purchase contracts, panels).

Overview of procurement activity		
Category	Supplier	Estimate R

Note: To varying degrees, your anticipated and ongoing procurement spend will be informed by your institution's historical spend data.

2.2 SUPPLIER ANALYSIS

Obtain a high level overview of your institution's suppliers to determine and 'segment out' those that are strategically important to your institution and/or that account for a significant proportion of your overall spend. Your institution can also identify top suppliers by category and not just by spend, to ensure critical suppliers are not missed.

PURPOSE

To align resources and effort with the main vendors to reduce the cost of servicing and better manage risks.

Note: The supplier engagement plan should be used to support the supplier analysis overview. The plan articulates the communication process with suppliers and will ensure relationships are held at the right levels of the institution, reduce process duplication, maximise economies of scale, and drive performance improvement with suppliers

As the capability of the institution matures, more formal supplier segmentation practices may develop (e.g. formal allocation of suppliers to segments or 'tiers' and development of prescriptive business rules guiding types of interaction with those suppliers based on their respective segment or tier). Understanding where the major suppliers are will naturally fall out of the spend analysis phase.

APPROACH

- From spend data, identify 10+ top suppliers by spend.
- Identify suppliers who are strategically important and/or significant (could be termed 'tier 1') to the institution by interviewing key stakeholders and/or business owners of that spend. It would be unusual for an institution to have more than 35 suppliers that fit into this category.
- Identify opportunities to engage with local businesses, small and medium enterprises and not for profit entities.
- Determine the relationship contacts with those suppliers and appoint a lead relationship owner ensuring it provides an appropriate inroad into that supplier and that the supplier mirrors it with someone of an equal level.
- Develop guidance around how often to meet suppliers and establish objectives for those meetings (over and above day to day concerns with the actual work/contracts they are currently involved with).
- Determine some specific outcomes required from supplier(s) over a 12 month or greater timeframe.

Examples of strategic, significant or 'Tier 1' suppliers:

- Major ICT projects, e.g. Ultranet—an online management system that provides extensive services to students, parents and teachers in government schools; or
- Hospital related, e.g. Johnson and Johnson or Medtronic.

Vendor/supplier analysis

Insert profile

2.3 CATEGORY MANAGEMENT

Understand how your institution manages procurement at the category level.

PURPOSE

Assessing complexity at the level of a category of goods and services provides a high level insight into the related capability requirements and market factors. This context provides the opportunity to adopt a strategic framework for engaging with the market and managing the delivery of individual procurement activity.

Each institution will have a different approach to category management depending on its procurement capability and the complexities of procurements undertaken. The following provides a prompt to consider how category management might occur within your institution.

Example:

- A business unit/person has been appointed to work with the market sector to develop a market based solution for managing the institution's future financial services requirements.

Category management

Insert data/information

2.4 CONTRACT MANAGEMENT

How does your institution approach contract management?

What opportunities exist to consolidate and rationalise contracts in 20XX?

Are there any contracts at risk or with significant issues that require redress?

PURPOSE

To describe how contract management will operate in your institution and what the major areas of focus/risk are for contract management.

The purpose of this section would be sufficiently addressed where the institution has completed a contract management planning strategy.

Examples:

- Contract management occurs at local business unit level in a decentralised manner.
- Contract managers require significant training to increase capability which will include....
- Five high value/high risk contracts as noted will expire in the next 12 months and require active management.
- Process for risk management escalation implemented.

Contract management
Insert text and/or attach the institution's contract management planning strategy

2.5 FORECAST BENEFITS

What are the forecast benefits for the year based on the planned initiatives?

PURPOSE

To clearly identify the benefits or elements of success and allow for performance reporting to occur.

Example:

- Savings, improved compliance, process efficiencies, value creation, value enhancement, value preservation with respect to your institution's strategic direction and service delivery.

Forecast benefit
Insert information/text

3.1 STRATEGIC SITUATION ANALYSIS

Undertake a high level procurement related SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis for your institution.

- What are the strengths of your institution's procurement function?
- What are the weaknesses of your institution's procurement function?
- What opportunities exist to improve your institution's procurement capability? Consider the attributes of engaging with innovative SMEs and local businesses.
- What procurement threats exist for your institution?

PURPOSE

A SWOT analysis is completed as a strategic situation analysis and exercise in robust strategy and planning.

Examples:

- Strength: centralised procurement unit is mature, has efficient resources and has the capability to undertake the level of complexity identified.
- Weakness: limited visibility of institution wide procurement activity and performance levels.
- Opportunity: large savings potential in top 3/5 categories of spend and requires detailed spend and demand analysis to identify savings opportunities.
- Threat: key supplier of IT and Telecommunication services is undergoing major restructure which could affect service delivery.

Strengths	Weaknesses
Insert information/text	Insert information/text
Opportunities	Threats
Insert information/text	Insert information/text

3.2 RISK ANALYSIS

Undertake a high level analysis of procurement related risks at the whole of institution level. Specific risks associated with individual procurements should not be included unless they potentially put the entire institution at risk.

The risk analysis should be undertaken in accordance with your institution's risk management framework for consistency purposes.

Risks may address the following areas: institutional risk, category risks, supplier related risks and/or market related risks.

PURPOSE

Risk management is an integral part of good procurement activity planning. It improves an institution's performance by ensuring that risks and related consequences are systematically integrated into procurement decision making.

Examples:

- Systems cannot currently identify those contracts approaching expiry.
- Critical services continue to be sourced from a single supplier in a competitive market.
- High staff turnover affecting institutional capability.
- Recent machinery of government change has transferred new responsibilities to the institution.

Weaknesses and threats from SWOT analysis can be a good starting point to identify your institutions procurement risks.

Risk analysis					
No.	Risk owner	Likelihood	Impact	Risk rating	Mitigation strategy
1					

3.3 CAPABILITY DEVELOPMENT INITIATIVES

What initiatives will be undertaken to improve your institution’s procurement capability? What plans and programs are to be made for training, recruitment, professional development, and retention of staff skilled in procurement.

PURPOSE

Identification of capability development initiatives within your institution’s procurement strategy and procurement activity plan will assist in appropriate decision making and prioritisation.

The SCM Unit has the responsibility to develop a capability plan for their institution.

Note: The capability plan developed by SCM Unit can be used to demonstrate the capability development initiatives and in this case the following table can be removed.

Examples:

- Develop a capability development plan.
- Introduce a procurement component or training module into your institutions standard employee induction program.
- Introduce minimum qualification/expertise/experience requirements for procurement roles.
- Embed procurement related responsibilities into position descriptions for staff.

Capability development initiatives						
No.	Initiatives	Priority	Timing	Executive Owner	Responsible Officer	Approved budget
1	[Heading] of [Description initiative]	H/M/L	Commence date – Completion date			

3.4 POLICY, PROCEDURES, PROCESSES AND SYSTEMS INITIATIVES

What are the specific initiatives that will be undertaken to improve your institution's procurement policies, procedures, processes and systems that enable the effective administration of the procurement function and to driving continuous improvement?

PURPOSE

Provide a clear list of prioritised initiatives for action and assign appropriate resourcing for their implementation.

Initiatives for each of these enablers should be developed for the purpose of:

- obtaining awareness and visibility of the current state of a procurement related policies, procedures, processes and systems;
- assessing the appropriateness of these enablers given the institution's nature, risk profile, size and procurement complexities;
- planning for improvements of these enablers; and
- prioritising initiatives to improve these enablers in a systematic and strategic manner.

Examples:

- Review and update currency of procurement/purchasing related policies in light of any reforms or changes in legislation/directions/instructions.
- Obtain visibility of procurement spend across the institution.
- Obtain complete visibility of the efficiency and effectiveness of purchasing systems for ordering and payments.
- Explore alternative/non traditional market engagement approaches to yield better value for money outcomes.
- Introduce a reporting dashboard system for informing executive and senior management.
- Implement an integrated contract management software solution for the entire institution.

Policy, process and system improvement initiatives						
No.	Initiatives	Priority	Timing	Executive Owner	Responsible Officer	Budget allocation
1	[Heading] [Description of initiative]	H/M/L	Commence date – Completion date			

3.5 PLANNED BUDGET ALLOCATION—PROCUREMENT INITIATIVES

Provide a summary of any budgeted (discretionary and non discretionary) allocation of funding that has the intent of improving the delivery of procurement services, process efficiencies, performance management/reporting, value for money outcomes, stakeholder management, supplier engagement etc.

PURPOSE

To identify and document the benefits of actions that improves the performance of the procurement function. The actions that result in improvements.

Examples:

- Identification of discretionary spend for the use of external services to assist the procurement function.
- Identification of non discretionary spend such as labour and overheads.

Budget considerations

Provide detail or attach appropriate documentation (include initiatives above and beyond normal fixed and day to day costs).

PART 4: PROCUREMENT IMPLEMENTATION

4.1 PERFORMANCE MANAGEMENT AND MONITORING

Detail your institution's procurement performance management and monitoring structure and processes.

PURPOSE

Performance needs to be measured and monitored against your institution's targets to ensure that the institution is efficiently and effectively using its resources in the attainment of its objectives and wider government objectives.

Examples:

This may include answering the following questions:

- what performance management framework will be in place for the year?
- what measures or KPIs will be adopted and associated with quantifiable targets? (Targets may include R value, date for completion, reduction in rate of occurrence, or qualitative targets.)

Note: This point also relates to section 1.2 Procurement targets.

- what systems and processes for measuring and reporting processes exist or will be developed?
- how will continuous improvement opportunities be identified and implemented?
- to whom and how often will procurement performance be reported? Using what format?
- who will be responsible?

Note: Institutions may use the following table to indicate the frequency of procurement performance reporting.

Suggested frequency of procurement performance reporting				
Report type	Coverage	Frequency	Audience purpose	and Responsible
AO report	...	Monthly	AO for review	CFO
Management Report		Quarterly	Top Management	CFO/SCM Head
CFO Report		Monthly	CFO	SCM Head / Procurement Manager and Team

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ANNEXURE E

**QUOTATIONS (PROCUREMENT
TEMPLATE R2001 – R500 000)**

(Paragraph 6.2.4 of the Provincial Treasury Instructions, 2019)

Sub-directorate/Directorate: Supply Chain Management

The Delegatee/Chairperson of Quotation Committee

.....

OFFICIAL PROCUREMENT TEMPLATE FOR PURCHASES BETWEEN R 2001 and R500 000

SECTION A: USER INFORMATION

A1. Description of goods/services.								
A2. Is the need repetitive and is it envisaged that the annual need will exceed R500 000.		NO		YES		If YES, consider competitive bidding process		
A3. Quantity of goods required.				A4. Estimated total cost (Incl. VAT)				
A5. Is the request in line with budget?		YES		NO		If NO, motivate the source of funds to be used.		
A6. Identify the SCOA Codes (LOGIS Users Only)		Fund	Responsibility	Objective	Project	Item	Regional Identifier	Assets
A6. Identify the stock Code/ICN Number where applicable								

SECTION B: QUOTATION INFORMATION

B1. How have the quotes been obtained?		Electronic Quotes from 3 suppliers on EPS	Electronic Quotes from all registered suppliers on EPS	Other (Specify)	
B2. If less than 3 quotes have been obtained, PROVIDE REASONS WHY for both methods					

B3. Pricing and Preferential Procurement Information (If too many quotes attach separate sheet)

SUPPLIER	PRICE	POINTS FOR PRICE	BEE POINTS	TOTAL POINTS
1.				
2.				
3.				
4.				
5.				
6.				

SECTION C: RECOMMENDATION

C1. _____ is the recommended supplier with the highest total points of _____ and a total price of R_____ (Incl. VAT)

C2. Other _____ offers were received with price ranges of R_____ to R_____ (Incl. VAT) but do not provide any value for the Department.

C3. Are there any offers received and passed over?	YES		NO		If YES, give details below.
--	-----	--	----	--	-----------------------------

SUPPLIER	PRICE	REASON FOR PASSING OVER
1.		
2.		
3.		

SECTION D: SCM COMPLIANCE

D1. I hereby confirm that:

- specifications for the product/service was developed in accordance with the departmental prescripts;
- that all quotations obtained have been verified and that no supplier has been prejudiced.

I hereby also declare/confirm that I have no interest in any bid under consideration.

D2. The recommended bidder is registered/will be requested to register on the CSD and EPS.

D3. The recommended bidder's tax matters is in order

D4. The recommended bidder is not on the list of defaulters or restricted suppliers

D5. I will ensure / have ensured that the successful bidder will complete / have completed the WCBD4 forms before the order is placed.

D6. The end user has confirmed that the product/service is acceptable.

Compiled by:		Rank:	
Signature:		Date	

SECTION E: CONSIDERATION BY QUOTATION/ADJUDICATION COMMITTEE

(Tick the applicable)	YES	NO	N/A	DECLARATION OF INTEREST BY QUOTATION COMMITTEE MEMBERS	
				Name	Signature
E1. Are all necessary documentation attached?					
E2. Is the request well motivated?					
E3. Disqualifications are justified and that valid and accountable reasons/motivations were furnished for passing over of bids					
E4. Scoring has been fair, consistent and correctly calculated and applied					
E5. The ability of the vendor to execute the contract from a technical and financial view was verified.					
E6. Is the bid to specification in terms of quality, design, functionality, dimensions, support, guarantee etc.					
E7. Is the offer value for money?					
E8. Has the previous success or failure of contracts been considered?					

If any of the above answers is NO, motivate and/or give reasons.

SECTION F: RECOMMENDATION BY QUOTATION/ADJUDICATION COMMITTEE

RECOMMENDED / NOT RECOMMENDED (Delete the inapplicable).

QC Chairperson:		Rank	
Signature:		Date	

Comments:

SECTION G: APPROVAL BY DELEGATED OFFICIAL

Contract award is hereby **APPROVED / NOT APPROVED** (delete inapplicable) according to delegation _____
(specify delegation used)

Authoriser by:		Rank:	
Signature:		Date	

ANNEXURE F

TRANSACTION CHECKLISTS FOR ORDERS AND PAYMENTS

(Paragraph 6.2 of Provincial Treasury Instructions, 2019)

ORDER CHECKLIST (One checklist per order)

To be completed by the SCM official that checks the order.

Order Number:

ALL REQUISITIONS LINKED TO THIS ORDER:	Yes	No
• Have been approved by cost centre manager (that funds are available)		
• Indicate correct SCOA codes and descriptions		

SOURCING	Yes	No
• Is this a valid item purchased on one of the following valid contracts <ul style="list-style-type: none">- departmental- other department- transversal		
• Is completed bidding template attached?		

PROCUREMENT ADVICE	Yes	No
• Is manually approved by authorised delegate		
• Corrections on relevant form initialled		

ORDER	Yes	No
• Is manually approved on relevant form by authorised delegate		

Print name:

Date:

Signature

PAYMENT CHECKLIST (One checklist per payment)

To be completed by the official that authorises the payment on the system.

Order Number (s):

GENERAL	Yes	No
• Is this an order exempted payment?		
• Is this a partial payment?		

DELIVERY (Goods and Services)	Yes	No
• The batch includes confirmation that G&S and quantities delivered match the order.		
• The batch includes confirmation that G&S have been received on the SCM system.		

INVOICE	Yes	No
• Is the date of receipt stamped or recorded on the invoice?		
• Is the payment made within 30 days of receipt of invoice?		
• Are all supporting documents stamped "paid"?		
• Is the invoice certified "Correct and Payable"?		
• Does the invoice amount match the order? (ie. Equal or less than order)		
• If the order date is later than invoice date, are reasons attached?		

PAYMENT AUTHORISATION	Yes	No
• Have the correct SCOA codes/description been used?		
• Has this payment been approved by the authorised delegate?		
• Will this payment lead to irregular or fruitless and wasteful expenditure? (*)		
• Has the irregular or fruitless and wasteful expenditure been reported to the relevant authority as required in terms of Treasury Regulation 9.1.2?		

Print name:

Date:

Signature

(*) Valid commitments that will result in irregular or fruitless and wasteful expenditure must still be paid./ Payments which might result in irregular expenditure and which is not a valid commitment must be referred back for investigation.

**STANDARD OPERATING PROCEDURE
FOR BUSINESS CONFLICT OF INTEREST**

Paragraph 3.8 of Provincial Treasury Instructions, 2019

PROCESS TO ASSESS AND MITIGATE POTENTIAL CONFLICT OF INTEREST

ACTION	LEGISLATIVE REQUIREMENT
Departments to interrogate and investigate any potential business interest an employee of an organ of state or related party may have prior to engaging in any business	Public Service Regulation 13 (c) prohibits an employee from conducting business with any organ of state or be a director of a public or private company conducting business with an organ of state, unless such employee is in an official capacity a director of a company listed in schedule 2 and 3 of the Public Finance Management Act;
<p><u>Process to be followed:</u></p> <p>1) <u>Identify</u></p> <p>a) Review the WCSEB/ CSD Registration Report to determine whether shareholders/ directors/ members/ partners or individuals are identified as a “Government Employee”.</p> <p>b) Review the quarterly insight report to identify the number of conflicts for employees that are registered on the CSD and the total number and value of payments, of payments made to suppliers who were flagged as having a potential conflict of interest on the CSD.</p> <p>2) <u>Assess</u></p> <p>a) Ascertain whether the identified employee is a SCM practitioner that have or may be perceived to have an influence on the award of bids, including quotations; or</p> <p>b) If the identified employee is part of line function and have or may be perceived to have influence to direct the award of the bid or quotation.</p> <p>c) Verify if a “designated employee” has disclosed any financial interest in the relevant matter as prescribed in part 2 of the Public Service Regulations.</p> <p>d) If the identified employee is also employed outside of the public sector, confirm if the employee has official permission (RWOPS) to undertake such work. Approved RWOPS is only acceptable if such employment does not constitute any shareholding or ownership.</p> <p>e) Where the employee is employed in another department check if the employee has official permission (RWOPS) from that department to perform remunerative work outside of the public sector.</p> <p>3) <u>Mitigate</u> - immediate corrective measures or disciplinary steps must be taken</p> <p>In terms of the transitional arrangements of Public Service Regulations 2016, Annexure 1 the following actions must be complied to:</p> <p>a) An employee, who at the time of the coming into effect of these Regulations, conducts business with an organ of state or is a director of a company which conducts business with an organ of state, other than an employee who is in his or her official capacity a director of company listed in schedule 2 or 3 of the Public Finance Management Act, shall –</p>	

- i. within one month, disclose that the employee is conducting business with an organ of state or is a director of a company that conducts business with the organ of state;
 - ii. within six months -
 - cease conducting business with the organ of the state or resign as an employee;
 - resign as a director of a company that conducts business with an organ of state or resign as an employee;
- b) if the employee does not resign within the six-month period, the employee must submit proof that the employee has ceased conducting business or has resigned as a director of a company that conducts business with an organ of the state within a month of doing so.
- c) Department also to identify any other transactions involving the supplier but not yet paid to curb any potential irregular expenditure.

Departments to submit report to PT by the 26th of each month.

- 1) NB: Report as in attached format marked hereto "Annexure A" and attach copies of the following for each individual case:
 - a) Declaration of business interest by employee.
 - b) RWOPS
- 2) The department to provide feedback in terms of the cases identified through the quarterly insight report.

Definitions

- "designated employee"** means—
- (a) any member of the SMS;
 - (b) any other person in terms of section 36(3) of the Public Finance Management
 - (c) Act approved or instructed by the relevant treasury to be the accounting
 - (d) officer of a department; or
 - (e) any other employee or category of employees determined by the Minister;
- "employee"**, in relation to –
- (a) a department, means a person contemplated in section 8 of the Public Service Act, 1994 but excludes a person appointed in terms of section 12A of that Act; and
 - (b) a public entity, means a person employed by the public entity;

ANNEXURE A

REPORTING FORMAT

Provincial Treasury

Attention:

COMPARISON BETWEEN CSD AND PERSAL INFORMATION: POTENTIAL CONFLICT OF INTEREST

1. The information provided by the [Department] for the month of [Month and Year] was scrutinised and the following findings were made:

NAME OF OFFICIAL	PERSAL NO.	SUPPLIER NAME	FINDING

2. The department have implemented the following steps to address each of the above findings and its associated risks:

FINDING	RISK	STEPS TAKEN TO ADDRESS RISK

3. Where the Department had not yet implemented the corrective measures to address the situation, the Department will now implement the following steps to address each of the above findings and its associated risks:

FINDING	RISK	STEPS TAKEN TO ADDRESS RISK

Head of Department

Date:

ANNEXURE H

INTERNAL CONTROL FRAMEWORK

FOR

**SUPPLY CHAIN MANAGEMENT
(GOODS AND SERVICES)**

AND

MOVEABLE ASSET MANAGEMENT

(Paragraph 13.2 of Provincial Treasury Instructions, 2019)

PART 1

INTERNAL CONTROL IN GOVERNMENT

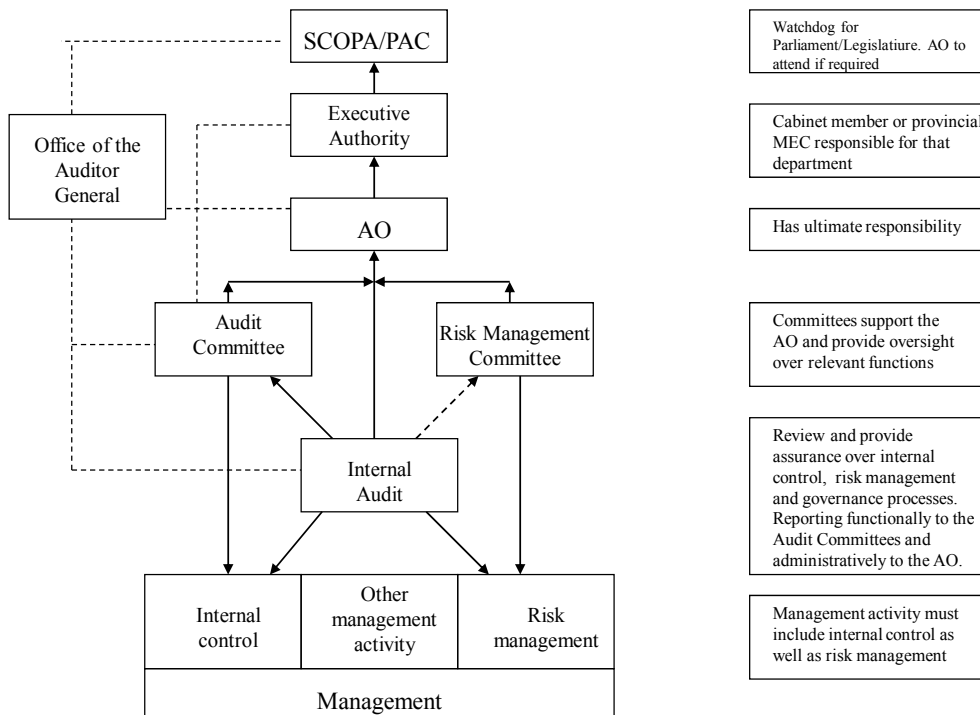
1. The Governance and Control Framework

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.

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, 2018~~9~~ 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 other options. The supply chain management system of the institution must, however, provide for a policy in relation to the management and treatment of emergency procurement including the options available to the institution during emergencies.

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 performance
10. Financial treatment and disclosure of assets, inventories and disposals

Appendix B: Internal Control Framework - Supply Chain Management (Goods and Services)

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEMENT CONTROL	ADMIN. CONTROL	ACCOUNTING 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	<ul style="list-style-type: none"> Approved human resource development plan in accordance with the minimum competency levels as 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	<ul style="list-style-type: none"> Supply chain strategy exists for at least three years to support expenditure for goods and services included in the strategic plan and budget of the institution. Annual procurement 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	<ul style="list-style-type: none"> 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		

Appendix B: Internal Control Framework - Supply Chain Management (Goods and Services)

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
Acquisition of goods or services	Goods and services are purchased without authorisation	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> A delegated official verifies the acquisition of goods or services against annual procurement plan (demand plan) prior to the order being placed. If goods or services to be acquired are not included in the annual procurement plan, the purchase must be authorized by a delegated official prior to acquisition. 		P	P		
	Bid specifications are biased and not properly evaluated	<ul style="list-style-type: none"> Bid specifications are approved by a delegated official or committee and recorded in minutes There is evidence of an evaluation process 			P P		

Appendix B: Internal Control Framework - Supply Chain Management (Goods and Services)

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEMENT CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
	Bids for goods or services may have to be re-advertised	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Blank order forms should be subject to stringent stationery controls in the custody of an appropriately delegated official 			P		

Appendix B: Internal Control Framework - Supply Chain Management (Goods and Services)

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
	Consultants unable to meet minimum requirements of quality and efficiency are appointed	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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			
	Incorrect awarding of preferential points to bidders	<ul style="list-style-type: none"> Bid committee verify the preference points allocated and sign the schedule as proof 		P			
	Employees receive gifts, etc. to influence bid process	<ul style="list-style-type: none"> 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			

Appendix B: Internal Control Framework - Supply Chain Management (Goods and Services)

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEMENT CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
Compliance monitoring	Suppliers paid for goods not received, or goods not ordered, or damaged goods received	<ul style="list-style-type: none"> The creditors' payment function is independent of ordering and receiving of goods Supplier's original invoices are matched with a copy of the order and signed GRN before payment is made Persons approving creditor payments review all documentation supporting the payment 			P	P P	
	Suppliers are paid before payment is due	<ul style="list-style-type: none"> Creditors clerks check payment terms before processing payment requests Creditors clerks review suppliers contracts before approving payment and certifies accordingly on payment form 			P	P	

Appendix B: Internal Control Framework - Supply Chain Management (Goods and Services)

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
	Suppliers not paid or paid incorrect amount	<ul style="list-style-type: none"> Monthly creditors' reconciliations between supplier's statement and payments to supplier are timeously performed independently of payment, ordering and receiving Outstanding reconciliation items are regularly followed up to resolve all reconciling items, especially long outstanding reconciling items Creditors reconciliations are regularly reviewed by an independent supervisor The review of creditors reconciliation by a supervisor is evidenced by the supervisor's signature on the reconciliation 			D D D P		
	Department fails to claim discount on timely payments	<ul style="list-style-type: none"> 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 Discounted payments are separated from other payments and are prioritised for payment A delegated official reviews a sample of invoices paid to ensure that discounts have been claimed 		P		P D	

Appendix B: Internal Control Framework - Supply Chain Management (Goods and Services)

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
	Late payments	<ul style="list-style-type: none"> 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 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 Late payments (after 30 days) to be evaluated against creditor clerk's assessment 			P D	D	
	Abuse of the institution's purchasing power	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Delegated officials adhere to prescripts and supervisors check adherence to policies and procedures (Payment can be made only after service has been rendered) Officials approving creditor payments review all documentation supporting the event 		P P			

Appendix B: Internal Control Framework - Supply Chain Management (Goods and Services)

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
Contract Management	Suppliers/service providers is not performing in terms of contractual requirements Contract is not enforceable Employees are not aware of institutional period contracts	<ul style="list-style-type: none"> Regular reports on performance in terms of the contract or agreements are submitted by delegated employees There is evidence that special conditions of contracts was subjected to a legal review Contracts are recorded in a contract register and there is evidence that information is made available to all relevant employees in the institution 		D	P P		
Logistics Management (Setting stock levels)	Optimum stock levels are not determined	<ul style="list-style-type: none"> 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)	<ul style="list-style-type: none"> A delegated official monitors past performance of current vendors before authorisation of any new transaction A delegated official activates processes to identify poorly performing suppliers and initiative steps to remove suppliers from the supplier database. 		P	 D		

Appendix B: Internal Control Framework - Supply Chain Management (Goods and Services)

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEMENT CONTROL	ADMIN. CONTROL	ACCOUNTING CONTROL	
	Suppliers behave unethically	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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		

Appendix B: Internal Control Framework - Supply Chain Management (Goods and Services)

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEMENT CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
	Theft by employees or third parties	<ul style="list-style-type: none"> The official receiving the goods should be independent of those ordering and paying for the goods There are management and supervisory check on the ordering and receiving functions Isolation of responsibility for receiving and safe custody of goods Delivery of goods only authorised to secured areas 		P	D		
Logistics Management (Recording)	Goods received are recorded inaccurately (allocation, amounts, dates etc.)	<ul style="list-style-type: none"> A delegated official, independent of officials ordering or receiving goods, ensures that all entries are recorded timeously in the inventory listing/ledger 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. 			P	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			

Appendix B: Internal Control Framework - Supply Chain Management (Goods and Services)

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEMENT CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
Logistics Management (Movement of Inventory)	Not all in and out inventory movements are recorded	<ul style="list-style-type: none"> • Periodic physical inventory counts are performed • Sequence of GRN is checked to ensure that all inventories are accounted for • Regular independent reconciliations are performed from the GRN to inventory listing/ledger and exceptions are followed up and reported to a delegated official • Quantities of physical inventory counts are reconciled to the inventory listing/ledger and exceptions are followed up and reported to a delegated official • A delegated official approves the correcting journals/entries for accuracy 			D	D D	

Appendix B: Internal Control Framework - Supply Chain Management (Goods and Services)

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEMENT CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
	Stock losses may occur	<ul style="list-style-type: none"> Physical security of stock (e.g. restricted access to storeroom) is implemented and access is monitored A delegated official authorises access to and issues stock from storeroom or other storage facility A delegated official regularly compares physical stock on hand to recorded stock Deteriorating goods are identified during the annual physical stock take and marked as such on the inventory list A delegated official is responsible for ensuring that deteriorating goods are repaired or replaced and there is evidence of this being done 		P P C		C P C	
Logistics management (Issue and distribution of items from stock)	Stock is issued incorrectly (including incorrect stock and / or incorrect recording of issue)	<ul style="list-style-type: none"> The person receiving stock confirms receipt of correct stock and signs for it A delegated official conducts an independent reconciliation of stock issue notes to the ledger and exceptions are followed up and reported Inventory items returned are recorded in a register, including reasons for return. Reasons for returns are followed up and reported to delegated official 				D C C	

Appendix B: Internal Control Framework - Supply Chain Management (Goods and Services)

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEMENT 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Responsibility for the sale of goods is independent of ordering and receiving goods A regular analysis of goods disposed off or scrapped at less than net book value is undertaken, independent of officials responsible for acquiring goods The analysis of goods disposed off or scrapped is reviewed by delegated official and evidenced 			P P D		
	Payment is not received for goods sold	<ul style="list-style-type: none"> Suitable procedures are in place to ensure that goods sold are properly authorised and that formal documentation is prepared A delegated official performs credit checks before completion of a sale Responsibility for the collection of amounts due is independent of sales and invoicing Regular supervisory reviews are undertaken of outstanding debtors in relation to goods sold 		P	P	P D	

Appendix B: Internal Control Framework - Supply Chain Management (Goods and Services)

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEMENT 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 Information provided is not complete and accurate	<ul style="list-style-type: none"> There is evidence of a reporting register, updated on a regular basis and reviewed by a delegated official. There is evidence of inspection reports to detect weak data maintenance Corrective action plans are developed to rectify non-compliance with reporting requirements and weak data maintenances 		D P	D		
Regular assessment of Supply Chain Management	Risks and controls are not analysed, reviewed and improved	<ul style="list-style-type: none"> A risk assessment of policies and procedures around goods and services is reviewed and updated annually by management 		D			

Appendix B: Internal Control Framework - Supply Chain Management (Goods and Services)

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEM'T CONTROL	ADMIN. CONTROL	ACCOUNT'G CONTROL	
	Non-compliance with policies and procedures	<ul style="list-style-type: none"> 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 Deviations from policies and procedures are approved by the AO/AA or an appropriately delegated official There is on-going training on policies and procedures related to goods and services There is evidence of management review and adoption of action plans arising from internal and/or external audit Actions agreed by the Audit Committee are actioned by Management and the results are reported back to the Audit Committee 			C P P C C		
	Experience gained (lessons learned) is not input into management of goods and services	<ul style="list-style-type: none"> Goods and services management planning is reviewed, annually updated, and approved by management Management considers prior experience in goods and services management when planning and budgeting for goods and services 			C C		

Appendix B: Internal Control Framework - Supply Chain Management (Goods and Services)

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to maturity capability model
				P=Preventative D=Detective C=Corrective			
				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	<ul style="list-style-type: none"> • There is evidence of a proper planning process in preparation for the finalisation of financial statements which include: <ul style="list-style-type: none"> - 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) the Asset Management Guidelines (movable Assets) issued by the Provincial Treasury on 13 February 2008 and the Asset Accounting Policy Guide on the Classification, Recognition and Measurement of Capital Assets issued by the Provincial Treasury on 5 July 2016.

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 immovable (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 foregoing, 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			MANAGEMENT ASSESSMENT To be done by Management and linked to the maturity capability model
				P=Preventative D=Detective C=Corrective			
				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	<ul style="list-style-type: none"> • 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			

Appendix A: Internal Control Framework – Moveable Asset Management

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to the maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEM'T CONTROL	ADMIN CONTROL	ACCOUNT'G CONTROL	
Acquisition of assets	Assets are acquired which were not planned and budgeted for	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 acquisition planning phase 			P P		

Appendix A: Internal Control Framework – Moveable Asset Management

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to the maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEM'T CONTROL	ADMIN CONTROL	ACCOUNT'G CONTROL	
Recording of assets	Assets acquired are not recorded in the asset register	<ul style="list-style-type: none"> Assets are recorded timeously in the asset register independently of the official ordering and receiving the assets The asset register records the invoice number or payment number The asset register records the locality of the asset Unique asset number in asset register should be stated on the Goods Received Note (GRN)/delivery note 			P P P	D	
	Assets are incorrectly recorded in the asset register	<ul style="list-style-type: none"> The asset register is reconciled monthly to the institution's general ledger (cost, annual depreciation to date, and accumulated depreciation) by a delegated official The monthly reconciliation of the asset register to the general ledger is independently reviewed by a delegated official Reconciling differences are independently approved and the asset register corrected where appropriate 				D C	

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TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to the maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEM'T CONTROL	ADMIN CONTROL	ACCOUNT'G CONTROL	
	The asset register does not accurately reflect assets on hand (physical existence)	<ul style="list-style-type: none"> Annual physical verification of asset inventory is independently performed Assets scrapped or disposed off are recorded in the asset register as disposed or scrapped and the general ledger entries are effected Physical inventory verification is reconciled to the asset register independently of parties writing up the asset register and performing the physical inventory verification 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) 			D	P D C	

Appendix A: Internal Control Framework – Moveable Asset Management

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to the maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEM'T CONTROL	ADMIN CONTROL	ACCOUNT'G CONTROL	
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	<ul style="list-style-type: none"> An annual asset maintenance plan is prepared and approved Deteriorating assets are identified during the annual physical identification of assets, and marked as such on the inventory list 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) A delegated official is responsible for ensuring that deteriorating assets are repaired or replaced and there is evidence of this being done An independent assessment is performed by a delegated official in respect of assets with excessive maintenance or with lives \leq expected useful lives The annual asset maintenance plan is implemented and regularly updated with new information There is evidence that management has reviewed the implementation of the annual asset maintenance plan 		P C D P	P D		

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to the maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEM'T CONTROL	ADMIN CONTROL	ACCOUNT'G CONTROL	
Safeguarding of assets	Assets are stolen, lost or vandalized	<ul style="list-style-type: none"> • Assets are physically safeguarded and protected and access to store-room is limited • Items lost or stolen are recorded in the asset register • Insurance cover is in place, where appropriate, and regularly reviewed and updated • A loss register is completed for all assets lost, stolen or vandalized • The loss register is independently reviewed by a delegated official and there is evidence of such review • 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. • Disciplinary action is taken against officials responsible for any loss or damage to assets • Legal or other appropriate action is taken for the recovery or restoration of assets stolen, lost or vandalized 		P	P D P C C	D/C	

Appendix A: Internal Control Framework – Moveable Asset Management

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to the maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEM'T CONTROL	ADMIN CONTROL	ACCOUNT'G CONTROL	
	Utilisation of assets by unauthorised personnel	<ul style="list-style-type: none"> 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)	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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		

Appendix A: Internal Control Framework – Moveable Asset Management

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to the maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEMENT CONTROL	ADMIN CONTROL	ACCOUNTING CONTROL	
Disposal of assets	Assets are sold at less than market value	<ul style="list-style-type: none"> The responsibility for sale of assets is independent of ordering and receiving assets Suitable procedures are in place, and adhered to, for the sale of assets in accordance with Treasury Regulations 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/documentated for future reference The analyses of assets disposed of or scrapped are reviewed by management and such review is evidenced 		C	P P D		
	Payment is not received for assets sold	<ul style="list-style-type: none"> 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 Responsibility for the collection of amounts due is independent of the sale of assets and invoicing Regular supervisory reviews are undertaken of outstanding debtors in relation to assets sold 			P P D		
	Assets are sold which are still required	<ul style="list-style-type: none"> Management approval is required before assets are sold and motivation for its sale is indicated and assessed prior to authorisation by management 		P			

Appendix A: Internal Control Framework – Moveable Asset Management

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to the maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEM'T CONTROL	ADMIN CONTROL	ACCOUNT'G CONTROL	
	Assets are scrapped which are still required	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> A risk assessment of policies and procedures around asset management is reviewed and updated annually by management 		D			
	Non-compliance with policies and procedures	<ul style="list-style-type: none"> 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 Deviations from policies and procedures are approved by AO/AA or delegated official There is on-going training on policies and procedures related to Asset Management There is evidence of management review and adoption of action plans arising from internal and/or external audit Actions agreed by the Audit Committee are actioned by Management and results reported back to the Audit Committee 		P C C	C P		

Appendix A: Internal Control Framework – Moveable Asset Management

TRANSACTION	RISKS	CONTROL DETAILS	DELEGATED OFFICIAL Responsibility to be allocated by Management	CONTROL TYPE			MANAGEMENT ASSESSMENT To be done by Management and linked to the maturity capability model
				P=Preventative D=Detective C=Corrective			
				MANAGEM'T CONTROL	ADMIN CONTROL	ACCOUNT'G CONTROL	
	Experience gained (lessons learned) is not input into Asset Management	<ul style="list-style-type: none"> Asset Management planning is reviewed, annually updated, and approved by management Management considers prior experience when planning and budgeting for assets 		C			
				C			