

Reference: RCS/C.6

Private Bag X9165  
CAPE TOWN  
8000

## TREASURY CIRCULAR NO. 35/2020

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

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THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR R ADAMS)  
THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (MR D SAVAGE)  
THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (ADV. Y PILLAY)  
THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MR BK SCHREUDER)  
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (DR K CLOETE)  
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (DR R MACDONALD)  
THE ACCOUNTING OFFICER: VOTE 8: HUMAN SETTLEMENTS (MS J SAMSON)  
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR P VAN ZYL)  
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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 11: AGRICULTURE (MR F HUYSAMER)  
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 PROVINCIAL AUDITOR  
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THE DEPUTY DIRECTOR-GENERAL: CORPORATE ASSURANCE, DEPARTMENT OF THE PREMIER (MS H ROBSON)

## **AUTOMATED PROCUREMENT PLANNING TOOLKIT REQUIREMENTS FOR 2021/22**

### **1. PURPOSE**

1.1 The purpose of this Circular is to:

- a. Introduce the automated procurement planning toolkit requirements to departments; and
- b. Communicate the envisaged roll-out plan for departments only. Accounting authorities are still required to submit the annual procurement plan and the various other plans coupled thereto manually to the Provincial Treasury (PT), hence this Circular is only applicable to accounting officers.

### **2. BACKGROUND**

- 2.1 Procurement requirements are linked to the planning and budgeting process to ensure that these requirements are considered in the decision-making process when defining APP requirements and budgets associated with the delivery of such requirements.
- 2.2 The goal is to improve the management of supply chain and moveable assets through the promotion of enhanced procurement planning via strategic sourcing and to optimise the collating and extraction of data that can lead to improved decision making and thereby ensuring efficiencies in spending and ultimately value for money.
- 2.3 Procurement planning forms an important sub-process of the overall strategic planning process. The development of procurement plans is essential to ensure that procurement activities are aligned to service delivery objectives and budget.
- 2.4 The strategic importance of procurement planning has become increasingly more crucial as the degree to which service delivery relies on the procurement of goods and services has progressively increased and become critical to the success of numerous strategic projects.
- 2.5 Despite the strategic impact of procurement planning on service delivery objectives, the following challenges, amongst others, have historically hindered the strategic planning process:
  - a. Lack of alignment of the procurement plan with the budget plan;
  - b. No clear linkage of procurement needs to strategic projects;

- c. Procurement planning being perceived as a compliance requirement and not as a management tool;
  - d. No clear and/or compelling benefits of procurement planning to relevant stakeholders;
  - e. No performance monitoring process or framework in place; and
  - f. Lack of adequate performance monitoring mechanisms to track and monitor implementation of procurement plans.
- 2.6 Closely allied to the procurement strategy for a department is the annual procurement plan. The annual procurement plan should provide a cohesive linkage between the strategic priorities and objectives and the detailed operational budget allocations and performance indicators that track delivery over the medium to long term.
- 2.7 Procurement plans are useful to ensure that procurement activities are aligned to service delivery objectives and budget.
- 2.8 The annual procurement plan is also the first step in the procurement planning process. Ideally, the relationship that functional supply chain management employees have with line function/ stakeholder branches/institutions within the department should be so close that they are involved at an early stage of the budgeting round and consulted on the likely cost of given purchases to feed into the budget.
- 2.9 The procurement planning process provides an opportunity for stakeholders to meet and discuss procurement requirements and objectives. Ensuring all relevant parties are involved in the planning process, aids the development of a comprehensive and credible procurement plan that will ensure procurement activities are timeously executed.
- 2.10 Furthermore, the procurement plan can be used as a management tool to assist provincial institutions:
- a. Determine procurement timeframes, allocate resources accordingly and identify any potential procurement implementation risks;
  - b. Monitor procurement processes to ensure everything is on track and concluded on time, which will lead to improved procurement efficiency; and
  - c. Identify opportunities for strategic sourcing and bulk buying.
- 2.11 The challenge facing procurement planning is encouraging relevant stakeholders within provincial institutions to view procurement planning as a tool to improve procurement outcomes and ensure service delivery, rather than an exercise in providing information to comply with the relevant reporting requirements.
- 2.12 Provincial Treasury has in the past strongly urged all accounting officers and accounting authorities to promote the strategic importance of procurement planning within the institution's overall strategic planning process.
- 2.13 Provincial Top Management, the CFO forum and the SCM forum have worked with the PT over the years to institutionalise procurement planning and the PT has had individual sessions with provincial departments when developing the automated toolkit which was further tabled at the demand management forum.

2.14 The PT is now at the stage of rolling out an automated procurement planning tool to Western Cape departments to enable more efficient procurement planning as well as streamlining efficiencies in reporting.

### 3. **AUTOMATED PROCUREMENT PLANNING TOOLKIT**

3.1 The automated procurement planning toolkit is intended to:

- a. Streamline and standardise the procurement planning process within the province to ensure uniformity;
- b. Influence the budget process by linking procurement requirements to the budget process (draft budgets; final and adjustments budget);
- c. Digitalisation of the annual procurement plan, quarterly progress report and contract register as well as the ability to extract exception reports and monitor progress on the execution of the procurement plan;
- d. Utilisation of procurement performance information depicted in the toolkit for improved and/or informed management decision-making;
- e. Streamlining and allowing transparency and consultation on procurement planning with Programme, sub-Programme and Element Managers throughout the value chain (i.e. demand and acquisitions management) within departments;
- f. The ability to link procurement information to expenditure information;
- g. Enable procurement efficiencies by providing information on purchasing needs, spend patterns and commodities purchased;
- h. Enable commodity categorisation and development of sourcing strategies; and
- i. Improve data integrity and alignment to ICT systems used by departments when procuring.

3.2 The system will make provision for the following:

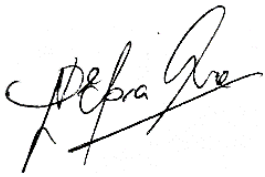
- a. Annual procurement plan: this will be based on the department's final budget submission. The system will provide a budget control sheet reflecting the budget allocations in the draft and final budgets, in order to link the budget to actual procurement and flag any variances where planned procurement is over budget allocations;
- b. Stakeholder engagement plan: The users of goods or services to be procured must be included in the process. The users' prime function is to carry out their normal line function duties, they however play a critical role in the demand management process by being closest to service delivery that the Department provides. Therefore, a stakeholder engagement plan must be developed to accompany the annual procurement plan;
- c. Performance plan: PT provides departments with a SCM System Insight Report on a quarterly basis. The intent of the aforesaid report is to provide performance information in terms of Supply Chain Management performance to departments in order to improve planning and decision-making processes as well as to measure results or outcomes that has been achieved. This report may be used to inform/assist with the development of the SCM performance plan;

- d. Empowerment impact assessment plan: The Department is required to conduct an empowerment impact assessment for all procurement above R10 million as resolved by Provincial Cabinet in giving effect to the Preferential Procurement Regulations, 2017. This threshold may be lowered, if, in the discretion of the AO or their delegate, it is warranted. The empowerment impact assessment plan forms part of the automated procurement planning toolkit as a preparatory activity before conducting the actual empowerment impact assessment; and
  - e. Quarterly reporting: in addition to the annual drafting of the procurement plan, departments are also required to submit quarterly reports to the Provincial Treasury, by the 15<sup>th</sup> of the month following the end of the quarter, reporting on the progress of the execution of their procurement plans quarter-to-quarter via system.
- 3.3 In terms of the 2021/22 financial year departments will be required to submit the plans mentioned in (a) to (d) above to the Provincial Treasury by 31 March 2021 via the system. All planned procurement of goods and services greater than R100 000 must be reflected in the plan. All planned procurement of capital items as well as maintenance work in excess of R500 000 must also be included.
- 3.4 Quarterly reporting will be done via the system with the first report due on 15 July 2021.
4. **ROLL-OUT PLAN**
- 4.1 **CFO FORUM AND PROVINCIAL TOP MANAGEMENT (PTM)**
- a. The roll-out of the automated procurement planning toolkit will be discussed at the CFO Forum scheduled for 11 November 2020 to apprise the CFOs of the automated toolkit and to discuss the roll-out plan. The PTM will thereafter be also appraised on a date to be determined at the end of November 2020.
- 4.2 **AWARENESS CAMPAIGNS**
- a. The Provincial Treasury will conduct awareness campaigns with departmental SCM officials and other nominated officials in respect of the automated procurement planning toolkit from mid-November to December 2020. Timeslots have been allocated per department as per Annexure A. Departments are required to book these sessions via Microsoft Bookings. The link will be provided to departments in due course via email; and
  - b. The awareness sessions will be conducted virtually via MS teams and by appointment.
- 4.3 **TRAINING**
- a. The Provincial Treasury will follow a train-the-trainer approach in respect of training on the system. User roles on the system has been defined as capturer; reviewer (1, 2 and 3) and approver (see attached Annexure B for definition). The initial training on the system will be provided to the relevant users by the Provincial Treasury which will take place between mid-January and early February 2021. Dates will be confirmed with departments and a similar approach with Microsoft Bookings will apply. Any further training requirements for users must be provided by the SCM unit with the support of the Provincial Treasury.
- 4.4 **CAPTURING OF ANNUAL PROCUREMENT PLANNING REQUIREMENTS**
- a. Departments will be required to capture its annual procurement plan; stakeholder engagement plan; performance plan and empowerment impact assessment plan on the system once the abovementioned training has taken place and submit to the Provincial Treasury via the system on 31 March 2021.

5. **REQUEST**

5.1 Departments are required to:

- a. Note the content of this communique;
- b. Prepare themselves for the roll-out of the automated procurement planning toolkit; and
- c. Note the timeslots allocated to their specific departments and confirm the accepted timeslot via MS bookings once further confirmation is received from the PT on how to access MS bookings.



**MS NADIA EBRAHIM**

**DIRECTOR: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT**

**DATE:** 10 November 2020