

**WESTERN CAPE PROVINCIAL
TREASURY INSTRUCTIONS**

CHAPTER 16A

**SUPPLY CHAIN MANAGEMENT:
GOODS AND SERVICES**

PART 1

1. DEFINITIONS, APPLICATION, DEPARTURES, REPEAL OF INSTRUCTIONS AND DATE OF COMMENCEMENT

1.1 DEFINITIONS

1.1.1 In these Provincial Treasury Instructions, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the Public Finance Management Act, 1999, (Act 1 of 1999) and Treasury Regulations, has the same meaning, and –

“**asset**” means a resource that is controlled by an institution as a result of past events and from which future economic benefits or service potential are expected to flow to the institution;

“**award**” means the final decision to accept a bid;

“**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;

“**bidder**” means any natural or juristic person submitting a bid;

“**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 paragraph (a) to (c) acquired through an intermediary and any potential interest in terms of any of those paragraphs;

“**competitive bid**” means a bid which provides for appropriate levels of competition to ensure cost-effective and best value outcomes;

“**conduct business**” means to conclude an agreement, not associated with an employee’s employment, for the provision of goods or services to an organ of state, excluding those activities not constituting conducting business with an organ of state as directed by the Minister of Public Service and Administration;

“**contract management**” means the process of maintaining control over the implementation of a contract, thereby ensuring that the contracting parties comply with their obligations, including but not limited to their obligations to meet the required level of performance and quality, as set out in that contract;

“**contract**” means the agreement which results from the acceptance of a bid;

“delegate” for purposes of these Instructions means a person authorised by the accounting officer or accounting authority to perform specific powers or duties as contemplated in terms of section 44 and 56 of the Act;

“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;

“employee in the service of the state” means a person in the service of any organ of state;

“emergency” means a situation where immediate action is necessary in order to avoid an urgent, unforeseen and dangerous situation that, left unattended, may lead to death, injury or disease; damage to property, infrastructure or the environment; significant economic loss; or disruption of the life of a community;

“e-procurement solution” means a web-based system that -

- (a) is utilised for the invitation of quotations, the receipt thereof and the adjudication of bids; and
- (b) houses the Western Cape Supplier Evidence Bank.

“family member” means a person's-

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

“fronting” in the context of preferential procurement means a misrepresentation or the making of a misrepresentation in order to obtain undue preference points;

“goods” means the equipment, machinery and/or other materials to be supplied under a contract;

“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;

“long term contract” means a period contract with a duration period exceeding three years;

“organ of state” means an organ of state as defined in section 239 of the Constitution;

“period contract” means a contract entered into for the supply of goods or the rendering of services for a specified period of time;

“provincial transversal contracts” means those contracts facilitated by the Provincial Treasury and the Departments of the Premier and Transport and Public Works, as contemplated in National Treasury Regulation 16A6.5, read with paragraph 5.5.7 of these Provincial Treasury Instructions.

“services” means any services to be supplied under any contract;

“sole source bidding” means a form of bidding where there is no competition and only one potential supplier exist, as established through a detailed market analysis;

“spouse” means a person's -

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

“standards” means that which is established by authority, custom, or general acceptance as a model;

“standard operating procedures” (SOPs) means a method of functioning that has been established over time in order to execute a specific task or react to a specific set of circumstances or situation or process. They document the normal or accepted methodology and help form the basis for conformance evaluation;

“Supplier” means a bidder whose bid has been accepted by the institution;

“supply chain management” means the design, planning, execution, control and monitoring of supply chain activities in the delivery of goods or services, with the objective of creating net value and providing oversight and co-ordination of information and finances within the supply chain;

“the Act” means the Public Finance Management Act, 1999 (Act 1 of 1999); and

“Treasury Regulations” means Treasury Regulations published in terms of the Act.

1.2 APPLICATION

- 1.2.1 These Provincial Treasury Instructions apply to provincial departments and provincial public entities listed in Schedule 3C of the Act.

1.3 DEPARTURES FROM INSTRUCTIONS

- 1.3.1 The Provincial Treasury may on good grounds give prior approval for a departure from a Provincial Treasury Instruction or any condition imposed in terms of these Instructions and must promptly inform the Auditor General in writing of the approval.

1.4 REPEAL OF INSTRUCTIONS

- 1.4.1 Subject to paragraph 1.5.1 below, Chapter 16A: Supply Chain Management: Goods and Services of the Provincial Treasury Instructions issued in terms of section 18(2)(a) of the Act, signed by the Provincial Minister responsible for financial matters on 28 March 2012, are hereby repealed and replaced with effect from the date upon which the corresponding paragraphs of these Provincial Treasury Instructions commence.
- 1.4.2 The commencement of the Provincial Treasury Instructions set out herein shall in no way affect the validity of, nor render irregular, any arrangement entered into by an institution prior to the repeal and replacement of the relevant sections of Chapter 16A of the Provincial Treasury Instructions issued on 28 March 2012 where such arrangement complied with the applicable requirements of Chapter 16A of the Provincial Treasury Instructions issued on 28 March 2012, read with the requirements of any supply chain management system determined by the relevant accounting officer or accounting authority in terms of the Act, and any supply chain management-related policy determined for the institution concerned, applicable at the time that that arrangement was entered into.

1.5 DATE OF COMMENCEMENT

- 1.5.1 These Provincial Treasury Instructions shall take effect on the date on which they are issued by the Provincial Minister responsible for financial matters, unless otherwise determined by the said Provincial Minister in the issuing notice.

PART 2

2. SUPPLY CHAIN MANAGEMENT REGULATORY FRAMEWORK IN TERMS OF THE ACT

2.1 COMPONENTS OF SUPPLY CHAIN MANAGEMENT REGULATORY FRAMEWORK

2.1.1 The supply chain management regulatory framework consists of –

- (a) National Treasury norms and standards;
- (b) Provincial Treasury instructions;
- (c) The accounting officer or accounting authority supply chain management system augmented by institutional instructions and standard operating procedures.

2.2 NATIONAL TREASURY NORMS AND STANDARDS

2.2.1 The National Treasury norms and standards consist of –

- (a) The Act; and
- (b) Regulations and instructions issued by the National Treasury in terms of section 76 of the Act.

2.3 PROVINCIAL TREASURY INSTRUCTIONS

2.3.1 Provincial Treasury instructions consist of instructions that the Provincial Treasury must issue in terms of section 18(2)(a) of the Act applicable to provincial departments and provincial public entities.

2.4 INSTITUTIONAL INSTRUCTIONS AND STANDARD OPERATING PROCEDURES

2.4.1 The appropriate procurement and provisioning system that an institution must have and maintain in terms of section 38(1)(a)(iii) or 51(1)(a)(iii) of the Act must provide –

- (a) for institutional instructions that are approved by the accounting officer or accounting authority to ensure that –
 - (i) the institution's system conforms to applicable National Treasury norms and standards; and
 - (ii) the applicable National Treasury norms and standards are implemented by that institution;

- (b) for institutional instructions that are approved by the accounting officer or accounting authority to ensure that, in addition to compliance with the applicable National Treasury norms and standards –
 - (i) the institution's system conforms to the applicable Provincial Treasury instructions; and
 - (ii) the applicable Provincial Treasury instructions are applied and enforced by that provincial institution; and
- (c) for standard operating procedures set out in an operational manual approved by the accounting officer or accounting authority to clarify the method by which that institution must carry out specific tasks or react to specific circumstances or processes.

2.5 HIERARCHY OF REGULATORY FRAMEWORKS

2.5.1 Regulations and instructions issued by the National Treasury, Provincial Treasury instructions, institutional instructions and standard operating procedures apply only to the extent of their consistency with the Act.

2.5.2 In the event of any inconsistency between the Act and its regulations and instructions issued by National Treasury, Provincial Treasury instructions, institutional instructions and standard operating procedures, the prevailing instrument must be determined in accordance with the hierarchal order from paragraphs (a) to (e) below:

- (a) the Act;
- (b) the Treasury Regulations;
- (c) the National Treasury instructions (subject to the requirements of paragraph 2.6 of these Provincial Treasury Instructions);
- (d) the Provincial Treasury instructions; and
- (e) the accounting officer or accounting authority supply chain management system, augmented by institutional instructions and standard operating procedures.

2.6 APPLICABILITY OF NATIONAL TREASURY INSTRUCTIONS

2.6.1 The requirements of any National Treasury instruction issued in terms of section 76 of the Act shall only become applicable to institutions on the date determined in terms of paragraph 2.6.3 or 2.6.6 below (as applicable).

2.6.2 The Provincial Treasury shall, after consultation with relevant role-players within the Western Cape Government, and within 20 (twenty) working days of a National Treasury instruction being issued (or such longer period as is approved in writing in advance by the Provincial Minister responsible for financial matters), assess the requirements of such National Treasury instruction to determine whether and to what extent the National

Treasury instruction should be applicable to institutions with reference to the following factors:

- (a) whether and to what extent the Western Cape Government has existing or improved methods of satisfying the purpose of the National Treasury instruction, which methods negate the need for strict compliance with some or all of the requirements set out in the National Treasury instruction;
- (b) the practicality and rationality of the requirements provided for in the National Treasury instruction;
- (c) whether and to what extent the requirements provided for in the National Treasury instruction are in line with the provisions of the Constitution and other legislation;
- (d) the impact of implementing the requirements provided for in the National Treasury instruction from a process, resource, value for money, red tape and systems perspective; and
- (e) the cost-benefit implications of ensuring strict compliance with the requirements provided for the National Treasury instruction.

2.6.3 In the event that the assessment referred to in paragraph 2.6.2 above determines that the requirements of the National Treasury instruction should be applicable, whether in full or in part, to institutions, the Provincial Treasury shall issue a circular to institutions confirming the extent and effective date of the implementation of those requirements of the National Treasury instruction that have been determined as being applicable to institutions.

2.6.4 In the event that the assessment referred to in paragraph 2.6.2 above determines that some or all of the requirements of the National Treasury instruction should not be applicable to institutions, the Provincial Treasury shall recommend to the Provincial Executive that approval be granted for the Provincial Treasury to request the National Treasury for a departure from such requirements in terms of section 79 of the Act.

2.6.5 In the event that the Provincial Executive approves the recommendation of the Provincial Treasury referred to in paragraph 2.6.4 above, the Provincial Treasury shall timeously submit a request for a departure from the relevant requirements of the National Treasury instruction concerned in terms of section 79 of the Act.

2.6.6 In the event that the National Treasury grants a departure from any requirements of the National Treasury instruction contemplated in paragraph 2.6.5 above, the Provincial Treasury shall issue a circular to institutions confirming the nature and extent of the said departure, and the extent and effective date of the implementation of any requirements of that National Treasury instruction to which the said departure does not apply.

2.6.7 In the event that a departure is not granted by the National Treasury and/or in the event of any unresolved implementation risks and/or legal implications relating to the application and implementation of a National Treasury instruction, the matter must be referred to the Provincial Executive to obtain a provincial policy position.

2.7 ADMINISTRATIVE ACTIONS

2.7.1 The accounting officer or accounting authority must ensure that when supply chain management practitioners execute an administrative action as contemplated in the Promotion of Administrative Justice Act, 2000 (Act 3 of 2000), the following considerations are made:

- (a) all relevant and permissible facts and circumstances were taken into consideration, mindful of previous precedents created;
- (b) adherence to the regulatory framework;
- (c) the administrative action falls within ambit of a delegation or legislative power;
- (d) the result of the administrative action must serve a legal permissible purpose; and
- (e) the result of the administrative action falls within the ambit of that institution's budget, budget description and strategic objectives.

PART 3

3. INSTITUTIONAL ARRANGEMENTS

3.1 THE ACCOUNTING OFFICER OR ACCOUNTING AUTHORITY SUPPLY CHAIN MANAGEMENT SYSTEM [TREASURY REGULATION 16A 3]

3.1.1 The accounting officer or accounting authority of an institution to which these Instructions apply must develop, document, maintain and implement an effective and efficient supply chain management system.

3.1.2 The supply chain management system referred to in paragraph 3.1.1 must be consistent with the:

- (a) Constitution of the Republic of South Africa, 1996;
- (b) Regulatory framework for supply chain management referred to in PART 2 of these Provincial Treasury Instructions;
- (c) Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000);
- (d) Broad Based Black Economic Empowerment Act, 2003 (Act 53 of 2003);
- (e) State Information Technology Agency Act, 1998 (Act 88 of 1998);
- (f) Construction Industry Development Board Act, 2000 (Act 38 of 2000);
- (g) Prevention and Combating of Corrupt Activities Act, 2004 (Act 12 of 2004);
- (h) Promotion of Administrative Justice Act, 2000 (Act 3 of 2000);
- (i) Promotion of Access to Information Act, 2000 (Act 2 of 2000); and
- (j) any other legislation applicable to the institution's supply chain management system.

3.1.3 The supply chain management system referred to in paragraph 3.1.1 must provide for at least the following:

- (a) institutionalisation;
- (b) demand management;
- (c) acquisition management;
- (d) compliance monitoring;
- (e) contract management;
- (f) logistics management;
- (g) moveable asset management;
- (h) disposal management;
- (i) reporting of supply chain management information;

- (j) regular assessment of supply chain management performance;
- (k) risk management (including internal controls); and
- (l) financial treatment and disclosure of information.

3.2 CORE PRINCIPLES FOR AN APPROPRIATE SUPPLY CHAIN MANAGEMENT SYSTEM
[TREASURY REGULATION 16A3.2]

3.2.1 The accounting officer or accounting authority must ensure that the supply chain management system is developed in accordance with the constitutional imperatives for a procurement system which is:

- (a) fair;
- (b) equitable;
- (c) transparent;
- (d) competitive; and
- (e) cost effective.

3.3 ESTABLISHMENT OF SUPPLY CHAIN MANAGEMENT UNITS
[TREASURY REGULATION 16A4]

3.3.1 The accounting officer or accounting authority must establish a separate supply chain management unit within the office of that institution's chief financial officer.

3.3.2 The primary responsibilities of the supply chain management unit include the following:

- (a) implementation of the approved accounting officer's or accounting authority's supply chain management system;
- (b) on-going maintenance of the supply chain management system to improve the effectiveness and efficiency of the system;
- (c) regular reporting to the accounting officer or accounting authority on the performance of the supply chain management system;
- (d) ensuring compliance with the regulatory framework for supply chain management within the institution;
- (e) render assistance and administrative support to bid committees, line function managers and other employees of the institution in the performance of their supply chain management responsibilities; and
- (f) capacity building and training of employees involved in supply chain management processes.

3.4 ESTABLISHMENT OF SUPPLY CHAIN MANAGEMENT COMMITTEES
[TREASURY REGULATION 16A6.2]

3.4.1 The accounting officer or accounting authority must ensure that the supply chain management system provides for the establishment, composition and functioning of, at least, the following committees:

- (a) bid specification committee;
- (b) bid evaluation committee;
- (c) bid adjudication committee;
- (d) stock take committee(s); and
- (e) disposal committee.

3.4.2 The accounting officer or accounting authority may direct that a committee be established for the evaluation of quotations.

3.4.3 The accounting officer or accounting authority must ensure that the above-mentioned committees are provided with the required administrative and secretarial support.

3.4.4 The accounting officer or accounting authority must appoint committee members in writing specifying the member's roles and responsibilities as well as the period of appointment.

3.5 REQUIRED COMPETENCIES FOR THE SUPPLY CHAIN MANAGEMENT UNIT [TREASURY REGULATION 16A5]

3.5.1 The accounting officer or accounting authority must ensure that employees employed in the supply chain management unit of the institution possesses the necessary competency levels and/or certification requirements as may be prescribed by the National Treasury and the Provincial Treasury.

3.6 TRAINING OF SUPPLY CHAIN MANAGEMENT EMPLOYEES AND MEMBERS OF COMMITTEES [TREASURY REGULATION 16A5]

3.6.1 The accounting officer or accounting authority must ensure that the members of the committees referred to in paragraph 3.4.1, supply chain management practitioners and other employees responsible for the procurement of goods or services are capacitated and trained to fulfil their responsibilities.

3.6.2 The accounting officer or accounting authority must ensure that sufficient funding is available on the institution's training budget for this purpose.

3.6.3 The Provincial Treasury may facilitate training to address institutional needs.

3.7 DELEGATIONS

3.7.1 When the accounting officer or accounting authority considers the delegation of powers or the issuing of instructions to perform duties as contemplated in section 44 or 56 of the Act, the following principles must apply to minimise the risks associated with such delegations or instructions:

- (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.

3.7.2 To promote consistency and uniform application, the supply chain management system delegations and instructions must be structured in accordance with minimum standards set by the Provincial Treasury.

3.8 COMPLIANCE WITH ETHICAL STANDARDS

[TREASURY REGULATION 16A8 AND 21]

3.8.1 All employees involved in the implementation of the institution's supply chain must adhere to any code of conduct and/or ethics as may be prescribed by the National Treasury and Provincial Treasury.

3.8.2 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, who seeks to conduct business with the Western Cape Government, unless such employee is in an official capacity a director of a company listed in Schedule 2 or 3 of the PFMA.

3.8.3 Before an accounting officer or accounting authority enters into any contract with an entity for the sale (excluding the sale of movable assets to an employee), lease or supply of goods or services, the entity must, in the prescribed manner, disclose any business interest that an employee or a family member of an employee who is in the service of the state has in that entity.

3.8.4 No person who is a supplier or prospective supplier of goods or services to an institution, or a recipient or a prospective recipient of goods disposed or to be disposed by an institution, may either directly or through an intermediary promise, offer or grant:

- (a) any inducement or reward to an institution, for or in connection with the award of a contract; or
- (b) any reward, gift, favour or hospitality to:
 - (i) any employee of an institution; or
 - (ii) any other role player involved in the implementation of the supply chain management system of an institution.

- 3.8.5 Paragraph 3.8.4 does not apply to gifts and hospitality extended for less than R350 in value, referred to in Provincial Treasury Instruction 21.1.2.
- 3.8.6 The accounting officer or accounting authority of an institution must promptly report any alleged contravention of paragraph 3.8.4 to the Provincial Treasury to consider whether the offending person, and any intermediary through which such person is alleged to have acted, should be suspended from the e-procurement solution.
- 3.8.7 The accounting officer or accounting authority of an institution must promptly disclose to the Provincial Treasury any gift, donation or sponsorship promised, offered or granted in terms of Treasury Regulation 21 to an institution, whether directly or through an intermediary, by any person who is:
- (a) a supplier or prospective supplier of goods or services to the institution; or
 - (b) a recipient or prospective recipient of goods disposed or to be disposed, by an institution.

3.9 AVOIDING ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM

[TREASURY REGULATION 16A9]

- 3.9.1 The supply chain management system of an institution must provide for the appointment, by the accounting officer or accounting authority, of (an) independent and impartial person(s), not directly involved in the supply chain management processes of the institution to deal with complaints or queries regarding decisions made, or actions taken by officials during the implementation of the institution's supply chain management system.
- 3.9.2 In the interest of attaining finality in matters, interested or affected parties must be encouraged to lodge complaints within 14 calendar days of becoming aware of the decision made or action taken. All complaints lodged should however be dealt with even if it was submitted after such 14-calendar day period.
- 3.9.3 Complaints must be considered and dealt with as soon as is reasonably possible, but in any case, not later than 60 calendar days after the complaint was submitted.
- 3.9.4 The person appointed to deal with complaints must submit monthly reports to the accounting officer or accounting authority on all complaints attended to, within 7 calendar days after the end of each calendar month.
- 3.9.5 Institutions must, and complainants may, refer complaints, not resolved within 60 calendar days, to the Provincial Treasury.
- 3.9.6 Any non-compliance with norms and standards issued by the National Treasury or Provincial Treasury must be reported to the Provincial Treasury.

- 3.9.7 The Provincial Treasury will consider the complaint and, if non-compliance of any norms and standards is established, the Provincial Treasury may make recommendations to the accounting officer or accounting authority of the institution in question for remedial actions to be taken, which may include taking criminal steps in the case of corruption, fraud or other criminal offences.
- 3.9.8 The complaints process does not constitute-
- (a) an internal appeal process:
 - (b) a request for written reasons for a decision made as contemplated in the Promotion of Administrative Justice Act, 2000 (Act 3 of 2000); or
 - (c) a request for access to information as contemplated in the Promotion of Access to Information Act, 2000 (Act 2 of 2000).

PART 4

4. DEMAND MANAGEMENT

4.1 SYSTEM OF DEMAND MANAGEMENT [TREASURY REGULATION 16A 3.2(d)(i)]

4.1.1 The accounting officer or accounting authority must ensure that the supply chain management system of the institution provides for an effective and efficient system of demand management.

4.1.2 The demand management system must ensure that the goods and services required to support the strategic and operational commitments of the institution are delivered timeously at the right price and at the right location, and that the quality and quantity satisfy the needs of the institution.

4.2 PROCUREMENT STRATEGY

4.2.1 The accounting officer or accounting authority of the institution must develop and implement a procurement strategy for the institution.

4.2.2 The procurement strategy referred to in paragraph 4.2.1 must be reviewed every three years or earlier when a change in circumstances requires it.

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 (which amount may be lowered by institutions);
- (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, planning in excess of the said 3-year period.

4.3 PROCUREMENT PLANNING

4.3.1 The accounting officer or accounting authority must ensure that the institution implement and maintain an effective and efficient procurement planning process.

- 4.3.2 The procurement planning process referred to in paragraph 4.3.1 must:
- (a) provide for the identification and analysis of the procurement needs of components within the institution;
 - (b) ensure that the procurement requirements of components within the institution, to achieve the strategic and operational commitments of the institution, are met;
 - (c) be integrated, where appropriate, into the strategic planning process of the institution to ensure the early and appropriate identification of procurement needs and the incorporation into strategic and annual performance plans; and
 - (d) be integrated with the budget process of the institution to ensure that provision is made for procurement related expenditure.
- 4.3.3 The procurement planning process referred to in paragraph 4.3.1 must provide for the following phases:
- (a) Phase I (demand planning): The demand planning phase must provide for a process where the supply chain management unit of the institution engage relevant stakeholders to determine their procurement needs for the ensuing financial year.
 - (b) Phase II (procurement planning): The procurement planning phase must provide for assessing stakeholder needs and determining procurement timelines/milestones and strategies for optimally fulfilling the procurement needs of the institution.
 - (c) Phase III (procurement execution): The procurement execution phase involves implementing procurement in accordance with the procurement plan and monitoring and tracking procurement outcomes.
 - (d) Phase IV (Performance review): The procurement performance review process must ensure the assessment and reporting on implementation of the procurement plan. It should also facilitate the identification of procurement risks that may adversely affect procurement outcomes.

4.4 SUBMISSION OF PROCUREMENT PLANS

- 4.4.1 The accounting officer or accounting authority of an institution must submit a procurement plan containing all planned procurement for the ensuing financial year in respect of goods or services which exceed R100 000 (all applicable taxes included) to the Provincial Treasury by 31 March of each year in the prescribed format.
- 4.4.2 The accounting authorities of public entities must submit the plan referred to in paragraphs 4.4.1 to the Provincial Treasury through their designated departments.

4.5 REPORTING ON IMPLEMENTATION OF PROCUREMENT PLANS

- 4.5.1 The accounting officer or accounting authority of an institution must report on the execution of the annual procurement plan on a quarterly basis in a format and in accordance with timelines as prescribed by the Provincial Treasury.
- 4.5.2 The accounting authority of a public entity must submit the quarterly reports referred to in paragraph 4.5.1 to the Provincial Treasury through their designated departments.

4.6 WESTERN CAPE STANDARD BIDDING DOCUMENTS

[TREASURY REGULATION 16A.6.3 (a) AND (b)]

- 4.6.1 In order to give effect to the requirements of Treasury Regulation 16A.6.3(a) and (b), the Provincial Treasury has consolidated certain information as included in National Treasury's Standard Bidding Documents (SBD). The bidding documents, customised with the WCBD prefix, includes the following:

- (a) WCBD 1: Invitation to Bid and Terms and Conditions for Bidding;
- (b) WCBD 3.1: Pricing Schedules – Firm Prices (Purchases);
- (c) WCBD 3.2: Pricing Schedules – Non-firm Prices (Purchases);
- (d) WCBD 3.3: Pricing Schedule (Professional Services);
- (e) WCBD 4: Declaration of Interests, Bidders Past SCM Practices and Independent Bid Determination;
- (f) WCBD 5: National Industrial Participation Programme;
- (g) WCBD 6.1: Preference Points Claim Form in terms of the Preferential Procurement Regulations, 2017 and Codes of Good Practice;
- (h) WCBD 6.2: Declaration Certificate for Local Production and Content for Designated Sectors;
- (i) WCBD 7.1: Contract Form for Goods and Services; and
- (j) WCBD 7.2: Sale of Goods.

- 4.6.2 The Provincial Treasury may revise the prescribed bidding documents from time to time and issue new requirements when necessary.

4.7 APPOINTMENT OF CONSULTANTS [TREASURY REGULATION 16A6.3 (g)]

- 4.7.1 The accounting officer's or accounting authority's supply chain management system should provide for the following stages in the appointment of consultants:
- (a) identification of the approach;
 - (b) invitation of bids or proposals;
 - (c) receipt of responses;
 - (d) evaluation of responses; and
 - (e) award of contracts.

- 4.7.2 The requirements in these Provincial Treasury Instructions for the acquisition of goods or services apply also to the appointment of consultants.
- 4.7.3 Consultants should be appointed in accordance with the various forms of procurement referred to in paragraph 5.5 and threshold values set out in paragraph 5.4 of these Provincial Treasury Instructions.
- 4.7.4 When consultants are appointed, the requirements of the Preferential Procurement Regulations, 2017 must be adhered to.
- 4.7.5 The appointment of consultants must be supported by a written motivation setting out an analysis of the underlying skills gap and a diagnosis of requirements and specified deliverables, as approved by the accounting officer or accounting authority of the institution. The following matters should, amongst others, be addressed in the written motivation:
- (a) why the need for consultants has arisen;
 - (b) whether it is a once-off requirement or a recurring requirement;
 - (c) if it is a recurring requirement, whether provision will be made for this recurring requirement in the departmental establishment, or not; and
 - (d) whether any transfer of skills is required.
- 4.7.6 The relationship between the accounting officer or accounting authority, and the consultant should be one of purchaser and supplier and not employer and employee. The accounting officer or accounting authority is, however, responsible for monitoring and evaluating the consultant's performance and outputs against project specifications and targets as set out in the contractual arrangement and should take remedial action if performance is below standard.
- 4.7.7 Accounting officers or accounting authorities should avoid appointing persons as consultants whilst it would be more appropriate to appoint the relevant individual on contract in terms of the Public Service Act, 1994. If accounting officers or accounting authorities consider to appoint a person for a limited period to perform duties to a post on the fixed establishment, the person should as a general rule be appointed on contract in terms of section 8(1)(b) of the Public Service Act, 1994.
- 4.7.8 If the consultancy assignment includes an important component for training or transfer of knowledge and skills, the terms of reference (TOR) should indicate the objectives, nature, scope and goals of the training programme, including details of trainers and trainees, skills to be transferred, time frames and monitoring and evaluation arrangements.

4.8 GOODS OR SERVICES FUNDED THROUGH GRANTS IN ACCORDANCE WITH THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND ACT, 1994 (ACT 7 OF 1994)

4.8.1 Where goods or services are fully financed by means of a grant in accordance with a technical assistance agreement as required in terms of the Reconstruction and Development Programme Fund Act, 1994, accounting officers or accounting authorities must ensure that the procurement of goods or services is done in accordance with the requirements included in the technical assistance agreement.

4.8.2 If the procurement of goods or services is partially funded by means of a grant in accordance with a technical assistance agreement and the remainder is funded by the institution, the requirements of the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) and its related Regulations must be applicable in relation to the funds provided by the institution.

4.8.3 If a distinction cannot be made in terms of which part of a contract will be funded through development aid or institutional funding the following should be applied:

- a) if the bulk of the expenditure is funded by means of a grant, the procurement of goods or services must be done in accordance with the requirements of the technical assistance agreement; and
- b) if the bulk of the expenditure is funded by means of institutional contributions, the procurement of goods or services must be done in accordance with domestic requirements provided that the technical assistance agreement provides for it.

PART 5

5. ACQUISITION MANAGEMENT

5.1 SYSTEM OF ACQUISITION MANAGEMENT

[TREASURY REGULATION 16A3.2(d)(ii)]

- 5.1.1 The accounting officer or accounting authority must ensure that the supply chain management system of the institution provides for an effective and efficient system of acquisition management in order to ensure that:
- (a) goods or services are procured in accordance with authorised processes;
 - (b) the threshold values for the different procurement processes are complied with;
 - (c) bid documentation and special conditions of a contract, are in accordance with all applicable legislation; and
 - (d) expenditure on goods or services are provided for in the approved procurement plan and budget of the institution.

5.2 CENTRAL SUPPLIER DATABASE

- 5.2.1 National Treasury has established a Central Supplier Database (CSD) on behalf of all departments, constitutional institutions and public entities listed in Schedule 2 and 3 of the Act.
- 5.2.2 The accounting officer or accounting authority of an institution must ensure that a supplier of goods and services is registered on the CSD.
- 5.2.3 Registration on the CSD will however not apply when procuring:
- (a) through petty cash;
 - (b) from foreign suppliers with no local registered entity; and
 - (c) any other entity, as may be directed by National Treasury from time to time.

5.3 E-PROCUREMENT SOLUTION

- 5.3.1 The Provincial Treasury is responsible for the implementation and maintenance of an e-procurement solution, which provides for:
- (a) an internet based sourcing solution to be utilised by institutions for invitation of quotations, the receipt thereof and the adjudication of bids submitted by suppliers; and
 - (b) a Supplier Evidence Bank as a central repository of governance documentation.
- 5.3.2 All prospective suppliers intending to do business with the Western Cape Government must complete a registration process on the e-procurement solution as determined from time to time by the Provincial Treasury.

- 5.3.3 Institutions may only do business with suppliers that are registered on the e-procurement solution. This requirement does, however, not apply when procuring:
- (a) through petty cash;
 - (b) from foreign suppliers with no local registered entity; and
 - (c) any other entity, as may be directed by National Treasury from time to time.
- 5.3.4 It is incumbent on institutions to advise their current or prospective suppliers to register on the e-procurement solution.
- 5.3.5 The status of enterprises and persons listed on the National Treasury's Register for Tender Defaulters will be housed on the e-procurement solution. Institutions may not under any circumstances procure from enterprises and persons listed on the Tender Defaulter Database.
- 5.3.6 The status of suppliers listed on the National Treasury's Database of Restricted Suppliers will be housed on the e-procurement solution; however, it remains incumbent on institutions to check the National Treasury Register of Restricted Suppliers before the conclusion of any procurement process. For suppliers listed as restricted, institutions must apply due diligence and risk assessment before deciding to proceed with procurement from any such supplier.
- 5.3.7 Information on the business interest of any employees who are in the service of the state in suppliers doing business with the Western Cape Government will be housed on the e-procurement solution. It remains the responsibility of institutions to check for such information before the conclusion of any procurement process.
- 5.3.8 The accounting officer or accounting authority must ensure that the information on bids awarded via the e-procurement solution is captured correctly to ensure credibility of the data.
- 5.3.9 The Provincial Treasury may from time to time prescribe the required processes to follow and standards for the e-procurement solution.
- 5.3.10 The Provincial Treasury will support institutions in handling queries and requests in relation to the e-procurement solution.

5.4 THRESHOLD VALUES FOR VARIOUS FORMS OF PROCUREMENT

[TREASURY REGULATION 16A6.1]

- 5.4.1 Accounting officers or accounting authorities must adhere to the following threshold values for the procurement of goods or services:
- (a) goods or services up to an estimated value of R2000 (inclusive of all taxes) may be procured through petty cash;
 - (b) goods or services above an estimated value of R2 001 and up to R500 000 (inclusive of all taxes) must be procured through invitation of price quotations; and

- (c) goods or services above the estimated value of R500 000 (inclusive of all taxes) must be procured through a competitive or limited bidding process, subject to the requirements of paragraphs 5.5.3 and 5.5.4.

5.4.2 The accounting officer or accounting authority must ensure that goods or services are not deliberately split into parts as items of lesser value merely to avoid complying with the requirements of the prescribed threshold values as contained in paragraph 5.4.1 of these Provincial Treasury Instructions.

5.4.3 An accounting officer or accounting authority may:

- (a) lower, but not increase, the various threshold values specified in paragraphs 5.4.1 (a) to (c); or
- (b) direct that:
 - (i) price quotations be obtained for any procurement of a transaction value lower than R2 000; and
 - (ii) competitive bidding processes be followed for any procurement of a transaction value lower than R500 000.

5.5 FORMS OF PROCUREMENT

The acquisition management system of an institution must, subject to the threshold values as prescribed in paragraph 5.4, provide for the procurement of goods or services by way of:

5.5.1 Petty cash purchases

- (a) The accounting officers or accounting authority may procure goods and services without inviting bids by means of petty cash.
- (b) Procurement by means of petty cash must be performed in accordance with institutional instructions and standard operating procedures referred to in paragraph 2.4 of these Provincial Treasury Instructions.

5.5.2 Invitation of price quotations

- (a) Subject to paragraph 5.5.2(b) below, quotations for procurements with an estimated value of between R2000 and R500 000 must be invited from at least 3 or more service providers.
- (b) The e-procurement solution must be used for procurements with an estimated value of between R10 000 and R500 000. The accounting officer however can lower the threshold value stipulated herein for use of the e-procurement solution if so required.
- (c) The accounting officer or accounting authority of an institution may only deviate from utilising the e-procurement solution in accordance with the requirements of paragraph 5.6 of these Provincial Treasury Instructions.

5.5.3 **Competitive bidding** [Treasury Regulations 16A6.1, 16A6.2, 16A6.3]

- (a) The accounting officer or accounting authority must ensure that the acquisition management system of the institution in the case of procurement through a competitive bidding process, provide, amongst other, for:
 - (i) receipt of bids;
 - (ii) evaluation of bids through the bid adjudication process;
 - (iii) award of contracts; and
 - (iv) proper record keeping;
- (b) The accounting officer or accounting authority must ensure that standard operating procedures are developed for each of the stages of the competitive bidding process mentioned in paragraph 5.5.3 (a) (i) to (iv).
- (c) National Treasury has established an e-Tender Publication Portal on behalf of all departments, constitutional institutions and public entities listed in Schedule 2 and 3 of the PFMA, on which all competitive bids and awards for goods and services, excluding infrastructure related goods and services, must be published.
- (d) The accounting officer and accounting authority of an institution must therefore ensure that the following requirements in relation to advertisement of competitive bids and publication of awards for goods and services are met:
 - (i) all competitive bids of the institution must be advertised on the e-Tender Publication Portal in accordance with the requirements as prescribed;
 - (ii) the awards of all advertised competitive bids must be published on the e-Tender Publication Portal in accordance with the requirements as prescribed; and
 - (iii) competitive bids must also be advertised and awards published in the Government Tender Bulletin as required in terms of Treasury Regulation 16A.6.3(c) and (d) respectively.
- (e) The accounting officer or accounting authority must ensure that the closing dates of competitive bids advertised in the Government Tender Bulletin are the same as those advertised on the e-Tender Publication Portal.

5.5.4 **Limited bidding**

- (a) An accounting officer or accounting authority may procure goods or services by means of a limited bidding process if:
 - (i) a written motivation clearly indicates a limited bidding process to be the appropriate form of procurement because there is confirmed, limited competition in the supplier field, or there is the confirmed presence of a sole source in the supplier field. The motivation must include an appropriate market and expenditure analysis of the relevant goods and services. Given

the exceptional nature of a limited bidding process, the motivation must, in addition to the findings, present and substantiate the methodology used for such analysis and determinations;

- (ii) a competitive bidding process or invitation of quotations was initiated, but the bids received were all non-responsive or unaffordable and time is of the essence. In such cases re-invitation of bids can be limited to those suppliers who initially submitted proposals;
 - (iii) goods or services are designed or manufactured solely by an identified supplier or the supplier is the owner of the intellectual property necessary to create the goods or services. Written confirmation of such design, manufacturing or ownership of intellectual property must be obtained from the supplier and retained on the bid file;
 - (iv) there exists legislative, technological or safety requirements or standards that reasonably permit only a limited number of suppliers or contractors to meet the requirements or standards. Invitations to bid may, if desired, be limited to those proven to meet said requirements or standards. The aforementioned requirements or standards must be recorded by the institution and retained on the bid file; or
 - (v) the institution has a specific need and can procure for exceptionally low prices for a limited period of time from a specific supplier. Written confirmation of the offer and the reasons for it must be provided by the supplier and retained on the relevant bid file as well as an indication that other relevant suppliers could not match the offer.
- (b) When procuring goods or services through a limited bidding process, an accounting officer or accounting authority must ensure that:
- (i) the required demand management process has been complied with;
 - (ii) goods or services procured above the threshold of R500 000 be recommended through the bid adjudication process prior to an award being made by the accounting officer or accounting authority;
 - (iii) all limited bids over the value of R1 million (all applicable taxes included) must be reported to the Provincial Treasury and the Auditor General within 10 working days after finalisation of the procurement transaction;
 - (iv) all limited bids over the value of R5 million (all applicable taxes included) be executed in consultation with the Provincial Treasury prior to the award being made by an institution; and
 - (v) reasons for the decision are documented and approved by the accounting officer or accounting authority and readily available to give effect to the Promotion of Administrative Justice Act, 2000 (Act 3 of 2000).

5.5.5 **Emergency procurement [Treasury Regulation 16A6.4]**

- (a) The accounting officer or accounting authority of an institution may in cases of emergency dispense with the invitation of competitive bids if impractical and may obtain goods or services in accordance with the emergency procurement policy referred to in paragraph (b).
- (b) The accounting officer's or accounting authority's supply chain management system must provide for a policy in relation to the management and treatment of emergency procurement. The policy must at least provide for the following:
 - (i) the different categories of emergency procurement;
 - (ii) an outline of the institution's planning efforts to limit or improve responsiveness during an emergency;
 - (iii) an indication of the pre-requisites to consider when awarding and administering contracts during emergencies;
 - (iv) options available to an institution during emergencies, including the procurement solutions of preference;
 - (v) post execution assessment of the relevant emergency;
 - (vi) processes to be followed in respect of the recording and approval of emergency procurement by the accounting officer or accounting authority; and
 - (vii) processes to be followed for registration if a supplier is not registered on the CSD and e-procurement solution.
- (c) Accounting officers or accounting authorities must within 10 working days after the finalisation of the procurement transaction report to the Provincial Treasury and the Auditor-General all cases where goods or services above the value of R1 million (all applicable taxes included) were procured in terms of Treasury Regulation 16A6.4.

5.5.6 **Unsolicited bids**

- (a) The accounting officer or accounting authority of an institution is not obliged to consider an unsolicited proposal but may consider such a proposal only if the bid includes at least the following information:
 - (i) proof of ownership of design, manufacturing, intellectual property, copyright or any other proprietary right of ownership or entitlement of the bidder;
 - (ii) an offer in writing clearly setting out the proposed cost of the goods or services; and

- (iii) a value proposition which demonstrates a clear measurable, foreseeable efficiency gain for the institution.
- (b) The accounting officer or accounting authority of an institution must reject the unsolicited proposal if the proposal:
 - (i) relates to known institutional requirements that can, within reasonable and practical limits, be acquired through conventional competitive bidding methods;
 - (ii) relates to goods or services which are generally available;
 - (iii) does not fall within the institutions powers and functions; and
 - (iv) does not comply with paragraph 5.5.6 (a) of these Instructions.
- (c) The accounting officer or accounting authority of an institution must upon receipt of an unsolicited proposal in writing notify the Provincial Treasury within ten working days of such receipt.
- (d) When procuring goods or services as a result of an unsolicited bid an accounting officer or accounting authority must ensure that:
 - (i) the supplier is registered on the CSD and e-procurement solution; and
 - (ii) a recommendation is made through the bid adjudication process prior to a final award being made by the accounting officer or accounting authority.
- (e) The authority to approve a final award as a result of an unsolicited bid may not be delegated by the accounting officer or accounting authority.

5.5.7 Provincial transversal contracts [Treasury Regulation 16A6.5]

- (a) Where the Provincial Treasury or any other provincial department designated in terms of paragraph 5.5.7(d) of these Instructions has identified the need for a transversal contract as provided for in National Treasury Regulation 16A6.5, the Provincial Treasury and the relevant department must ensure that the procurement of goods or services or both for transversal use of institutions must be procured in terms of section 217 of the Constitution of the Republic of South Africa, 1996 and any other legislation and prescripts.
- (b) Where it is contemplated that transversal contracts will result in lower unit costs or economies of scale or other corporate advantages as demonstrated by the required business case, the Provincial Treasury must facilitate such transversal contracts as required in terms of National Treasury Regulation 16A6.5. For the purposes of this paragraph 5.5.7, the term "facilitate" shall mean to provide support required for the procurement of a transversal contract as is necessary and appropriate in the circumstances.

- (c) Provincial transversal contracts must be substantiated by an approved business case and must follow a strategic sourcing methodology which must be governed by existing requirements for supply chain management as envisaged by these Instructions.
- (d) For the purposes of and subject to these Instructions, and in terms of existing institutional arrangements in the Province, the following departments shall be the principal procuring departments responsible for procuring provincial transversal contracts in line with their provincial mandates and corporate functions (as indicated below):
 - (i) Department of the Premier for the provision of corporate shared services in respect of people management, corporate assurance, legal services, corporate communication and information technology related goods or services where such provision has a financial or contractual impact on other institutions;
 - (ii) Department of Transport and Public Works for accommodation or transport requirements where the provision of such requirements has a financial or contractual impact on other institutions;
 - (iii) Provincial Treasury for goods or services where no single institution can be determined as the principal procuring institution for the provision of such goods or services; and
 - (iv) Any other provincial department designated by the Provincial Treasury, with the concurrence of the Provincial Minister responsible for financial matters, for goods or services not contemplated in sub-paragraphs (i) to (iii) above where the provision of such goods or services has a financial or contractual impact on other institutions.
- (e) Written consent to participate in a provincial transversal contract must be obtained from the accounting officer or accounting authority on behalf of each institution that intends participating in such contract in advance of the procurement of that contract.
- (f) Where an accounting officer or accounting authority opts to participate in a provincial transversal contract on behalf of an institution, the accounting officer or accounting authority of that institution may not solicit bids for the same or similar product or service as is envisaged by that provincial transversal contract during the tenure of such contract.
- (g) The Provincial Treasury shall ensure that, depending on the requirements and nature of each provincial transversal contract, each institution participating in such a contract signs the service level agreement concluded with the relevant service provider by the Provincial Treasury or a department contemplated in paragraph 5.5.7(d) above, or an addendum to that service level agreement (where appropriate), confirming the terms of its participation.

5.5.8 **National transversal contracts** [Treasury Regulation 16A6.5]

- (a) Where an accounting officer or accounting authority opts to participate in a transversal contract facilitated by the National Treasury, the accounting officer or accounting authority may not solicit bids for the same or similar product or service during the tenure of the transversal contract.
- (b) In instances where the Auditor-General wishes to peruse procurement documents relating to a transversal contract facilitated by the National Treasury, these must be requested from the other organ of state. If any non-compliance to the required prescripts is found, this must be dealt with by the other organ of state where the actual procurement process took place.

5.5.9 **Contracts procured by other organs of state** [Treasury Regulation 16A6.6]

- (a) The accounting officer or accounting authority of an institution may purchase goods or services under a contract secured by another organ of state only if:
 - (i) the other organ of state has certified that the contract was secured through a procurement process that was fair, equitable, transparent, competitive and cost effective;
 - (ii) the institution has no reason to believe that such contract was not validly procured;
 - (iii) the other organ of state and relevant service provider have consented to such purchase in writing;
 - (iv) the institution purchases under the same terms and conditions as provided for in the original contract or more beneficial terms or conditions; and
 - (v) an addendum to the original service level agreement entered into between the other organ of state and the relevant service provider is concluded between the institution, the other organ of state and the relevant service provider, or, alternatively, a separate service level agreement is concluded between the other organ of state and the relevant service provider in terms of which the other organ of state procures the required goods and/or services from that service provider for the benefit and on behalf of the institution and a separate agreement is entered into between the other organ of state and the institution authorising the other organ of state to procure such goods and/or services on behalf of the institution..

- (b) When seeking the consent required in (a) above, a written request should be submitted to the other organ of state, clearly:
 - (i) detailing reasons for the request;
 - (ii) demonstrating the benefits to the institution from procuring from the contract;
 - (iii) demonstrating that the five pillars of procurement referred to in section 217 of the Constitution, those being fairness, equity, transparency, competitiveness, and cost-effectiveness, will be served; and
 - (iv) confirming, that the institution will conform to the terms and conditions of the existing contract.
- (c) In instances where an institution opts to purchase goods and/or services under a contract procured by another organ of state in line with applicable legal prescripts (including, but not limited to, the requirements of these Instructions), the institution may not, during the currency of such arrangement, source the same or similar goods and/or services from another supplier;

5.6 DEVIATIONS FROM UTILISING THE E-PROCUREMENT SOLUTION

- 5.6.1 The accounting officer or accounting authority may deviate from obtaining quotations in instances where it may be impractical to utilise the e-procurement solution, provided that:
 - (a) the supply chain management system of the institution makes provision for circumstances which includes a detailed list of criteria that warrant such a deviation;
 - (b) the supply chain management system of an institution determines the processes to be followed in respect of the approval and recording of such deviations;
 - (c) quotations and bids are solicited from suppliers who are registered on the CSD and e-procurement solution;
 - (d) the procurement template utilised by the institution makes provision for the requirements as encapsulated under this paragraph for audit purposes; and
 - (e) the institution must inform the Provincial Treasury of all awards made to a supplier in this manner through the monthly reporting process referred to in paragraph 6.3.3 of these Provincial Treasury Instructions.
- 5.6.2 Poor planning or wilful deviation will not be deemed as impractical for the purposes of deviating from utilising the e-procurement solution.

PART 6

6. COMPLIANCE MONITORING

6.1 INTERNAL CONTROL MEASURES

6.1.1 The accounting officer or accounting authority of an institution must ensure that internal procedures and internal control measures are in place to ensure compliance with financial and supply chain management prescripts.

6.2 TRANSACTION CHECKLISTS

6.2.1 The accounting officer or accounting authority must implement transaction checklists which records all actions to be performed from the initiation of a request for specific goods or services to the final authorization of the payment.

6.2.2 The transaction checklists referred to a paragraph 6.2.1 must provide for at least the following processes:

- (a) requisitioning;
- (b) sourcing (form of procurement);
- (c) procurement advice;
- (d) ordering;
- (e) invoice or delivery note; and
- (f) payment authorisation.

6.2.3 The transaction checklists referred to in paragraph 6.2.2 must be supported by templates for the various forms of procurement referred to in paragraph 5.5 of these Provincial Treasury Instructions.

6.2.4 The Provincial Treasury may prescribe the minimum requirements for the transaction checklists and templates referred to in paragraphs 6.2.1 and 6.2.3 respectively.

6.3 MONTHLY REPORT ON PROCUREMENT TRANSACTIONS

6.3.1 The head of the supply chain management unit of an institution must within 15 working days after the end of each month submit a report via, the chief financial officer, to the accounting officer or accounting authority containing information on procurement transactions during that month.

- 6.3.2 The report referred to in paragraph 6.3.1 must contain the following:
- (a) required information, on procurement transactions for each form of procurement as specified in paragraph 5.5 of these Instructions;
 - (b) compliance to norms and standards prescribed for the various forms of procurement;
 - (c) any patterns observed that could be construed as irregular in the responses received from the issuance, management or handling of requests for quotations and bids via the e-procurement solution;
 - (d) any problems experienced with the invitation of price quotations and bids through the e-procurement solution;
 - (e) information on payments outstanding after the prescribed 30-day period;
 - (f) any problems experienced with the implementation of the accounting officer's or accounting authority's supply chain management system; and
 - (g) any other information as may be prescribed by the Provincial Treasury.
- 6.3.3 A copy of the report referred to in paragraph 6.3.1 must also be forwarded to the Provincial Treasury when submitted to the accounting officer or accounting authority.
- 6.3.4 The format of the report and process for submission of the report must be included in the supply chain management system of the accounting officer or accounting authority.

6.4 COMPLIANCE MONITORING CAPACITY

- 6.4.1 The accounting officer or accounting authority must ensure that capacity exists within the institution to prevent and detect matters of non-compliance in relation to supply chain management prescripts.
- 6.4.2 The responsibilities of the compliance monitoring function should include, but is not limited to:
- (a) detect non-compliance or weak data maintenance through conducting inspections at institutional components in accordance with a pre-determined programme;
 - (b) submission of reports on inspection findings to relevant managers;
 - (c) establish whether non-compliance or weak data maintenance is addressed by the relevant manager;
 - (d) give guidance and assistance, where necessary, with the development of corrective action plans for institutional components; and
 - (e) monitoring of implementation of corrective action plans.

PART 7

7. CONTRACTS AND CONTRACT MANAGEMENT

7.1 CONTRACTS

- 7.1.1 The accounting officer or accounting authority must ensure that all contracts entered into by the institution are legally sound.
- 7.1.2 A contract is concluded and becomes binding when a bidder's bid is accepted by the institution and a signed letter of acceptance, by an authorised person, has been sent before the bid validity period has expired.
- 7.1.3 The contract concluded must consist of:
- (a) the general conditions of contract issued by the National Treasury;
 - (b) where applicable, special conditions in relation to the specific goods or services procured;
 - (c) submitted bid documents;
 - (d) documentation for the claiming of preferential bidding points;
 - (e) proof of tax compliance status;
 - (f) letter of acceptance; and
 - (g) where applicable, a service level agreement.
- 7.1.4 Contracts relating to information technology goods and services must be prepared in accordance with the State Information Technology Agency Act, 1998 (Act 88 of 1988), and any regulations issued in terms of that Act.
- 7.1.5 The service level agreement referred to in paragraph 7.1.3(g) may include the following:
- (a) a preamble that serves to or to provide contextual or back ground information;
 - (b) clauses that clearly and unambiguously set out the rights and obligations of the parties;
 - (c) standards/levels of performance in respect of quality, quantity and timelines;
 - (d) performance management and assessment measures;
 - (e) reporting/monitoring requirements;
 - (f) provisions related to payments and in particular how payments would be linked to performance; and
 - (g) incorporation of other documents as annexures.

7.2 CONTRACT MANAGEMENT

- 7.2.1 The accounting officer or accounting authority must ensure that the supply chain management system of the institution provide for contract management to include the following:
- (a) recording of contracts in a contract register;
 - (b) monitoring and regular reporting on contracts;
 - (c) evaluation of compliance with transversal contracts in which the institution participates;
 - (d) identification of institutional period contracts that are nearing expiry;
 - (e) evaluation of applications/requests for price adjustments;
 - (f) evaluation of applications for amendments, expansions, variations, extensions and cancellations;
 - (g) recording complaints or failures by suppliers to meet their contractual obligations;
 - (h) monitoring and management of performance in accordance with contracts; and
 - (i) taking appropriate measures in the case of supplier's non-performance or underperformance which may include the imposition of penalties.

7.3 EXTENSIONS AND EXPANSIONS AGAINST THE ORIGINAL CONTRACT

- 7.3.1 The accounting officer or accounting authority of an institution must submit motivations for all expansions or extensions of existing contracts above a threshold of 15% or R15 million, whichever is the lower amount, to the Provincial Treasury and the Auditor-General.
- 7.3.2 The aforementioned motivations (reports) must be submitted within 10 working days after the accounting officer or accounting authority has granted approval for the expansion and / or extension.
- 7.3.3 The Provincial Treasury will scrutinise such reports and only take appropriate action where deemed necessary.
- 7.3.4 The motivation(report) referred to in paragraph 7.3.2 must be done in accordance with the format as prescribed by the Provincial Treasury.

PART 8

8. LOGISTICS MANAGEMENT

8.1 SYSTEM OF LOGISTICS MANAGEMENT [TREASURY REGULATION 16A3.2]

8.1.1 The accounting officer or accounting authority must ensure that the supply chain management system of the institution provides for an effective and efficient system of logistics management to ensure that:

- (a) processes, whether manual or electronic, and procedures are in place for the effective, efficient, economical and transparent use of the institution's resources;
- (b) a proper record of all the applicable assets and group of assets under the control of the institution is maintained;
- (c) proper control systems exist for assets and that:
 - (i) preventative mechanisms are in place to eliminate theft, losses, wastage and misuse; and
 - (ii) stock levels are at an optimum and economic level;
- (d) the reliability of suppliers in terms of delivery periods, quantity and quality is monitored and underperforming suppliers are reported and acted upon; and
- (e) full record of all procurement transactions is kept and maintained.

8.2 POLICIES AND STANDARD OPERATING PROCEDURES FOR LOGISTICS MANAGEMENT

8.2.1 The accounting officer or accounting authority must ensure that the logistics management system of the institution provides for the following policies and standard operating procedures, including the checklists and templates referred to in paragraph 6.2:

- (a) requisition of goods or services;
- (b) placing of orders for goods or services;
- (c) receiving of goods;
- (d) distribution of goods;
- (e) preparation of payment vouchers; and
- (f) reconciliation of asset records with financial accounts.

8.3 POLICIES AND STANDARD OPERATING PROCEDURES FOR INVENTORY MANAGEMENT

8.3.1 The logistics management system of an institution must provide for the following policies and standard operating procedures in relation to inventory management:

Policies

- (a) measurement of inventory for reporting in the annual financial statements and associated disclosures;
- (b) coding system for the recording of inventory items;
- (c) systems in place, whether computerised or manual, for demand forecasting and material requirement planning;
- (d) approaches for inventory control;
- (e) stock levels for the different categories of inventory items;
- (f) quality and re-order point models to be used for categories of inventory items;
- (g) annual stocktake requirements;
- (h) mechanisms to eliminate theft, losses, wastage and misuse for each category of items;
- (i) warehouse and stockroom organisation; and
- (j) systems in place, whether manual or computerised, for recording of inventory transactions.

Standard operating procedures

- (a) demand forecasting and resource planning for stock items;
- (b) calculation of stock levels, safety stock, reorder quantities and reorder points;
- (c) stocktake;
- (d) restricted access areas;
- (e) disposal of damaged, spoiled or obsolete items;
- (f) losses and misuse of inventory items;
- (g) safe operation of storage facilities, plant and equipment;
- (h) recording of orders, receipts, issues and returns;
- (i) production of inventory management reports; and
- (j) reconciliation of inventory records with financial accounts.

8.4 STOCK TAKE COMMITTEE

8.4.1 The accounting officer or accounting authority must ensure that the logistics management system of the institution provides for the establishment, composition and functioning of a stock take committee(s) to oversee the stock take processes within the institution.

8.5 ELECTRONIC LOGISTICAL SYSTEM

8.5.1 The accounting officer or accounting authority must ensure that:

- (a) institutional policies and standard operating procedures are developed, implemented and maintained for efficient and effective utilisation of the electronic logistical system within the institution;
- (b) appropriate access controls are in place to minimise the risks of confidentiality breaches, unauthorised access and changes to data (integrity) or loss of continuity of business (availability);
- (c) all goods or services are procured and accounted for on the relevant electronic logistical system, whether transversal or in-house, utilised by the institution;
- (d) only the current years' projected expenditure in respect of a long-term contract is committed in the current financial year;
- (e) the relevant system utilised provides for, in addition to an invoice date, for an invoice receipt date, which must be captured on the system; and
- (f) new and current system users are subject to formal training in at least the system profile allocated to them to ensure the correct and optimal utilisation of the system.

8.5.2 The accounting officer or accounting authority must appoint an institutional system controller or administrator, in writing. The responsibilities of the system controller or administrator must be attached to the appointment letter.

PART 9

9. MOVEABLE ASSET MANAGEMENT

9.1 SYSTEM OF MOVEABLE ASSET MANAGEMENT

[TREASURY REGULATION 10.1]

9.1.1 The accounting officer or accounting authority must ensure that the supply chain management system of the institution provides for an efficient and effective system of moveable asset management.

9.1.2 The asset management system referred to in paragraph 9.1.1 must provide for:

- (a) the planning phase: where the requirement for a new moveable asset is planned for and established;
- (b) the acquisition phase: where the moveable asset is purchased, constructed or otherwise created;
- (c) the operation and maintenance phase: where the moveable asset is used for its intended purpose; and
- (d) the disposal phase: initiated when the economic life cycle of the moveable asset has expired, or when the moveable asset has become redundant.

9.1.3 The accounting officer or accounting authority must ensure that the following principles are captured in the moveable asset management system of the institution:

- (a) moveable asset management activities must be undertaken within the institution's strategic objectives that is driven by programme and service delivery needs;
- (b) moveable asset management planning and decisions must be integrated into the strategic and procurement planning processes as referred to in paragraphs 4.2 and 4.3 of these Provincial Treasury Instructions;
- (c) moveable asset management decisions must be based on the evaluation of alternatives that take into account the full life cycle of costs, benefits and risks of moveable assets; and
- (d) accountability and reporting requirements for both ownership and control are to be determined and clearly defined.

9.2 MOVEABLE ASSET MANAGEMENT PLANS

9.2.1 The accounting officer or accounting authority of the institution must develop and implement a moveable asset strategic plan for his or her institution.

9.2.2 The moveable asset strategic plan referred to in paragraph 9.2.1 must:

- (a) cover a 5-year period;
- (b) be revised on an annual basis; and
- (c) aligned with the institutional strategic plan.

9.2.3 The moveable asset strategic plan must include at least the following:

- (a) an acquisition plan which defines the moveable assets to be acquired or replaced during the planning period and which establishes the sources and monetary value of funding acquisitions;
- (b) an operational plan which defines the use of existing moveable assets and which should include matters such as access, security, accountability, the monitoring of performance, training of staff in the use of moveable assets and estimates of operating costs;
- (c) a maintenance plan which defines moveable assets to be maintained, the level of maintenance and the delivery of maintenance services which include an annual programme of routine preventative maintenance and a long term-programme for major repairs and maintenance;
- (d) a disposal plan which identifies moveable assets to be disposed of in the planning period, the expected proceeds of disposal and the treatment of the proceeds;
- (e) a funding plan which defines the options available for funding capital and recurrent moveable asset costs; and
- (f) a risk management plan, which describes the risk management strategies and control activities to be implemented for the various categories of moveable assets.

9.3 MOVEABLE ASSET REGISTER

9.3.1 The accounting officer or accounting authority must have and maintain a moveable asset register for the institution that complies with the relevant reporting framework applicable to the institution and which allows for:

- (a) integration to the extent practicable with logistics and financial systems and its general ledger;
- (b) structuring to allow the different classifications of moveable assets to be distinguished;
- (c) financial data on moveable assets that is maintained down to a level which is important to decision-makers;

- (d) a clear identification of the individual, or institutional unit responsible for the moveable asset;
- (e) movable asset data that is:
 - (i) updated as transactions and events occur;
 - (ii) regularly reconciled with acquisition, disposal and transfer data as well as the general ledger;
 - (iii) readily available to moveable asset managers, preferably on line; and
- (f) the gathering of relevant information for purposes of compiling the annual financial statements.

PART 10

10. DISPOSAL MANAGEMENT

10.1 SYSTEM OF DISPOSAL MANAGEMENT

[TREASURY REGULATION 16A3.2 AND 16A7]

10.1.1 The accounting officer or accounting authority must ensure that the supply chain management system of the institution provides for an effective and efficient disposal management system which must minimise the holding of surplus and under-performing assets.

10.1.2 The disposal management system of the institution must provide for the various disposal options as required by the categories of assets of the institution and may include:

- (a) public auction;
- (b) public tender;
- (c) transfer to another institution;
- (d) sale to another institution;
- (e) letting;
- (f) sale to employees;
- (g) trade-in; and
- (h) controlled dumping.

10.2 ESTABLISHMENT OF A DISPOSAL COMMITTEE

10.2.1 The accounting officer or accounting authority of an institution must establish a disposal committee, as required in paragraph 3.4.1(e) of these Provincial Treasury Instructions, to make recommendations for the disposal of any movable assets.

PART 11

11. REPORTING OF SUPPLY CHAIN MANAGEMENT INFORMATION

[TREASURY REGULATION 16A11]

11.1 REPORTING REQUIREMENTS

11.1.1 The accounting officer or accounting authority of an institution must ensure that the information required by the National and Provincial Treasury and other organs of state in relation to the supply chain management system is;

- (a) submitted timeously; and
- (b) is complete and accurate.

11.1.2 The accounting officer or accounting authority must adhere to the following monthly, annual and general reporting requirements:

(a) Monthly Reporting

- (i) The head of the supply chain management unit of an institution must within 15 working days after the end of each month submit a report, via the chief financial officer, to the accounting officer or accounting authority containing information on procurement transactions during that month, and other related information.
- (ii) A copy of the report referred to in paragraph (i) above must also be forwarded to the Provincial Treasury when submitted to the accounting officer or accounting authority.
- (iii) Accounting officers or accounting authorities must capture the prescribed information for all institutional contracts awarded above the value of R100 000 on the National Treasury's Contract Registration Application (CRA) within ten working days after the end of each month

(b) Quarterly Reporting

- (i) The accounting officer or accounting authority of an institution must report on the execution of the annual procurement plan on a quarterly basis in a format and in accordance with timelines as prescribed by the Provincial Treasury.

(c) Annual Reporting

- (i) All concluded unsolicited proposal agreements must be reported by the accounting officer or accounting authority in the annual report of the institution.
- (ii) Accounting officers or accounting authorities must submit a copy of the final annual stock take report together with the prescribed information to the Provincial Treasury before closing of the financial year.
- (iii) Accounting officers or accounting authorities must submit a procurement plan containing all planned procurement for the ensuing financial year in respect of goods or services which exceed R100 000 (applicable taxes included) to the Provincial treasury by 31 March of each year in the prescribed format.

(d) General Reporting

- (i) Accounting officers or accounting authorities must inform the National Treasury in writing of any actions taken in terms of Regulation 14(1) of the Preferential Procurement Regulations, 2017.
- (ii) All cases where goods or services above the value of R1 million (inclusive of all taxes) were procured in respect of National Treasury Regulation 16A6.4 must be reported, as prescribed, to the Provincial Treasury and the Auditor General within 10 working days after finalisation of the procurement transaction.
- (iii) Accounting officers or accounting authorities must furnish the Department of Trade and Industry with the following information within 5 working days after the award of any contract that is in excess of R10 million:
 - bid number;
 - description of the goods and services;
 - date on which the contract was awarded;
 - name, address and contact details of the contractor; and
 - imported content of contract, if applicable.
- (iv) Upon receipt of an unsolicited proposal, the accounting officer or accounting authority must, in writing, notify the Provincial Treasury within 10 working days.
- (v) The accounting officer must submit a copy of a concluded unsolicited proposal contract to the Auditor General and the Provincial Treasury.

- (vi) Accounting officers or accounting authorities must within 7 working days of awarding bids, publish the required information on bids awarded/ unsuccessful bids for all advertised competitive bids on the e-Tender Publication Portal.
- (vii) The accounting officer or accounting authority of an institution must in the event that a supplier breaches any of the material terms and conditions of a contract and/or a service level agreement, immediately inform the Provincial Treasury and the Branch: Legal Services on discovery of the breach.

11.1.3 The Provincial Treasury may review the reporting requirements from time to time and issue new or revised reporting requirements when necessary.

PART 12

12. REGULAR ASSESSMENT OF SUPPLY CHAIN MANAGEMENT PERFORMANCE [TREASURY REGULATION 16A 3.2]

- 12.1 The accounting officer or accounting authority must ensure that the supply chain management system provides for an effective internal performance monitoring and evaluation system in order to determine, on the basis of retrospective analysis, whether the authorised supply chain management processes are being followed and whether the desired goals and objectives are being achieved.
- 12.2 The performance monitoring and evaluation system referred to in paragraph 12.1 must, amongst others, provide for:
- (a) the key strategic and operational performance targets to be met in relation to the procurement strategy and planning processes referred to in PART 4 of these Provincial Treasury Instructions;
 - (b) a system of performance reporting which describes the key reports to be produced, its contents and the frequency of distributing; and
 - (c) a process for identifying, approving and implementing improvement interventions.
- 12.3 The accounting officer or accounting authority must ensure that the following objectives in respect of supply chain management are met through the performance monitoring and evaluation system:
- (a) the improvement of supply chain management as the primary objective;
 - (b) the provision of information in respect of supply chain management as a basis for rational decisions;
 - (c) continuous evaluation of the effectiveness of the supply chain;
 - (d) identification of potential efficiency gains;
 - (e) establishment of a rational basis for comparison or benchmarking with other institutions;
 - (f) the retrospective analysis of past supply chain management performance against specific norms and standards set by the Provincial Treasury from time to time; and

- (g) the motivation and enhancement of personnel:
 - (i) through the setting of performance evaluation standards against which personnel and bid committees can be measured; and
 - (ii) which must serve as an incentive for enhancing personal and team performance.

PART 13

13. RISK MANAGEMENT AND INTERNAL CONTROL

13.1 SYSTEM OF RISK MANAGEMENT [TREASURY REGULATION 16A3.2]

13.1.1 The accounting officer or accounting authority must ensure that the supply chain management system of the institution provides for an effective and efficient system of risk management.

13.1.2 The risk management system referred to in paragraph 13.1 must provide for:

- (a) a systematic effort to identify and document the institution's key risks in relation to the supply chain management system;
- (b) identifications of all risks, regardless of whether or not such risks are within the direct control of the supply chain management unit;
- (c) on-going risk assessments but at least once a year to ascertain the shift in the magnitude of risk and the need for further management action as a result thereof; and
- (d) designing of control activities to mitigate identified risks.

13.2 DEVELOPMENT OF AN INTERNAL CONTROL FRAMEWORK

13.2.1 The accounting officer or accounting authority must develop, implement and maintain an internal control framework for the supply chain management system of the institution.

13.2.2 The internal control framework referred to in paragraph 13.2.1 must at least provide for:

- (a) the entire 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.

13.2.3 The Provincial Treasury may prescribe minimum requirements for the internal control framework for supply chain management referred to in paragraph 13.2.1.

PART 14

14. FINANCIAL TREATMENT AND DISCLOSURE OF INFORMATION

14.1 PLANNING FOR THE PREPARATION OF FINANCIAL STATEMENTS

14.1.1 The accounting officer or accounting authority should ensure that a proper planning process is initiated for the preparation and finalisation of the interim and annual financial statements in relation to goods and services, moveable assets and inventories.

14.1.2 The planning process referred to in paragraph 14.1.1 should include the following activities:

- (a) annual moveable asset and inventory count;
- (b) updating and reconciling of the moveable asset register;
- (c) identification, collection and verification of information on commitments and accruals;
- (d) identifying events after reporting dates requiring disclosure or adjustments to the financial statements; and
- (e) analysis and response to the management letter issued by the Auditor-General

14.2 FINANCIAL TREATMENT AND DISCLOSURE OF INFORMATION BY DEPARTMENTS

14.2.1 The accounting officer of a department must ensure that the recognition, recording, measurement, presentation and disclosure of information in relation to goods and services, moveable assets and inventories are done in accordance with:

- (a) the Modified Cash Standard issued by the National Treasury;
- (b) the Accounting Manual for Departments issued by the National Treasury; and
- (c) the Western Cape Provincial Asset Accounting Policy Guide issued by the Provincial Treasury.

14.3 FINANCIAL TREATMENT AND DISCLOSURE OF INFORMATION BY PUBLIC ENTITIES

14.3.1 The accounting authority of a public entity must ensure that the recognition, recording, measurement, presentation and disclosure of information in relation to goods and services, moveable assets and inventories are done in accordance with the prescribed Generally Recognised Accounting Practice Standards.