

Reference number: RCS/C.6

Private Bag X9165
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TREASURY CIRCULAR NO. 38 of 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

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

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

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

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

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

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

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

THE EXECUTIVE AUTHORITY: CASIDRA (MINISTER IH MEYER)

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

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (DR H MALILA)

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)

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

THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (DR M SEBOPETSA)

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

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

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

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THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS N PETERSEN)

THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MS A SMIT)

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

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

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

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

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

THE CHIEF FINANCIAL OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR A GAFFOOR) (ACTING)

THE CHIEF FINANCIAL OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (ADV. C SMITH)

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)

THE CHIEF FINANCIAL OFFICER: VOTE 14: LOCAL GOVERNMENT (MS B SEWLALL-SINGH)

For information

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 THE DIRECTOR: LOCAL GOVERNMENT ACCOUNTING (MR F SALIE)
 THE DIRECTOR: LOCAL GOVERNMENT BUDGET OFFICE (MR M BOOYSEN)
 THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (MR C MAPEYI)
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 THE DIRECTOR: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MR R MOOLMAN)
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 THE DIRECTOR: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS T VAN DE RHEEDE) (ACTING)
 THE DIRECTOR: PROVINCIAL GOVERNMENT FINANCE (EXPENDITURE MANAGEMENT) (MS A PICK) (PRO TEM)
 THE DIRECTOR: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS N EBRAHIM)
 THE DIRECTOR: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (MS N ISMAIL)
 THE DIRECTOR: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A MAZOMBA)
 THE PROVINCIAL AUDITOR
 MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT
 THE DEPUTY DIRECTOR-GENERAL: CORPORATE ASSURANCE, DEPARTMENT OF THE PREMIER (MS H ROBSON)

REQUEST FOR COMMENTS ON THE REVISED PRO-FORMA ACCOUNTING OFFICER'S SYSTEM (AOS) FOR SUPPLY CHAIN AND MOVABLE ASSET MANAGEMENT

1. PURPOSE

1.1 The purpose of this communiqué is to:

- a) Disseminate the revised draft Pro-forma Accounting Officer's System (AOS) with its Standard Operating Procedures (SOPs)/Annexures that seeks to guide provincial departments in developing and implementing their own AOS that speaks to standardisation and uniformity but at the same time also allows for departments to incorporate departmental specific requirements); and

- b) solicit comments from departments on the proposed amendments as included in the attached draft (AOS).

2. BACKGROUND

- 2.1 The Pro-forma AOS was initially issued on 6 December 2013 via Treasury Circular 45 of 2013. Subsequently, the National Treasury embarked on a SCM review in 2015 and implemented various reforms in relation to legislation and policy, training and capacitation, strategic procurement and SCM technology, including the Preferential Procurement Regulations for implementation 1 April 2017.
- 2.2 The issuance of various compliance and documented guideline instruments for SCM by the National and the Provincial Treasuries since 2013 as well as the issuance of Provincial Treasury Instructions, 2019; has necessitated a complete review of the Pro-forma AOS in order to facilitate alignment to the NT and PT revised prescripts. The Provincial Treasury completed an analysis of all SCM guidelines, practice notes, circulars, instructions and directives and embarked on a review of the AOS which is now ready for further commentary and is herewith issued for further comments by departments.

3. STRUCTURE OF THE DOCUMENT

- 3.1 The following basic areas are covered in the revised Pro-forma AOS:
 - a) Legislative Framework;
 - b) Institutionalisation;
 - c) Demand Management;
 - d) Acquisition Management;
 - e) Logistics and Inventory Management;
 - f) Movable Asset Management and Disposal Management;
 - g) Compliance Monitoring, Risk Management and Internal Control; and
 - h) Supporting Annexures in the form of Checklists, Templates and SOPs.
- 3.2 A synopsis of the main amendments proposed in the pro-forma AOS is as follows:
 - a) Amendment of chapters in alignment with the Provincial Treasury Instructions, 2019 including amendments to threshold values;
 - b) Write-up on the SCM Strategy and governance context for the Province;
 - c) eProcurement System including the requirements of the Central Supplier Database and Western Cape Supplier Evidence Bank (paragraph 4.4);
 - d) Amendments in respect of tax matters and foreign suppliers (paragraph 4.5.1 – 4.5.3);
 - e) Amendments in terms of the automated procurement planning toolkit and latest development (paragraph 5.3.3 – 5.3.10);
 - f) National Treasury transversal contracts (paragraph 14.7 – 14.9);
 - g) Business interest of employees (paragraph 25.13);
 - h) Provision for all SCM/AM reporting requirements (included as an annexure to the AOS); and
 - i) Disaster procurement which will be inserted into the final version in January 2021 as it is necessary to define the key principles in responding to a disaster.

3.3 PT has drafted the under-mentioned SOPs to assist departments in giving effect to the requirements of the PTI's, 2019. Departments are required to review and provide comments (where necessary) in respect of the following SOPs and annexures:

a) **Documented Process on the implementation of Local Production and Content requirements:**

This SOP provides the Western Cape Government (WCG) stance or policy direction on the implementation and applicability of local production and content requirements.

b) **Demand Management Process Requirements:**

Demand management process requirements which was previously part of the AOS, 2013 has been removed from the revised AOS and articulated in an SOP. This will allow departments and public entities to align their demand management process to departmental specific requirements.

3.4 The following key focus areas have been identified in respect of enabling specific focus areas in respect of the SCM strategy:

a) **e-Procurement and Technology Enablement:** e-Procurement System continuity to replicate and build on current model to replace current model inclusive of bids that interfaces with WCSEB and Procurement Planning Toolkit;

b) **Strategic Sourcing and Transversal Contracting:** Use opportunity for alternative strategic sourcing initiative (commodity and project focused initiatives that leverages on economies of scale and value chain) and SMME and job creation focus as opportunities;

c) **Local Economic Development:** Empowerment focused initiatives; relooking at and reconsidering the economic procurement policy to focus on post disaster recovery initiatives to stimulate the market differently; and supplier development and linkages to Strategic Sourcing; and

d) **SCM Public Disclosure Reporting** - Refinement of Public Disclosure Report to move progressively to include:

- i. All G&S;
- ii. Construction Procurement; and
- iii. B-BBEE and SMME retrospectively.

3.5 Text boxes are inserted throughout the document to guide departments where their own bespoke requirements or unique business processes need to be articulated. These also include areas where there may be a need for further policy, standard operating procedures or implementation requirements that need to be unpacked or articulated.

4. **PROPOSED COMMENTARY PROCESS**

4.1 The following departments have been identified to form core groups of SCM officials that will convene once the commentary phase has been concluded to assess the areas depicted in the table hereunder prior to its issuance. This has been built in as a further quality check of the document and would be similarly undertaken as was previously done when the 2013 version was put together. Note a PT lead will be assigned to each of these areas who will drive the process.

Area	Department
<ul style="list-style-type: none"> ● Legislative Framework ● Institutionalisation (functional arrangements) 	Department of Education Department of Transport and Public Works Department of Social Development
<ul style="list-style-type: none"> ● Institutionalisation (SCM Committees) 	Department of Health Department of Education Department of the Premier Department of Community Safety Department of Local Government
<ul style="list-style-type: none"> ● Institutionalisation (Ethical standards) 	Department of Health Department of Education Department of Transport and Public Works
<ul style="list-style-type: none"> ● Institutionalisation (Systems) 	All departments
<ul style="list-style-type: none"> ● Demand Management 	Department of Social Development Department of Education Department of Transport and Public Works Department of Health Department of Cultural Affairs and Sport Department of Economic Development and Tourism
<ul style="list-style-type: none"> ● Acquisition Management 	All departments
<ul style="list-style-type: none"> ● Logistics and Inventory Management 	Department of Health Department of Transport and Public Works Department of the Premier Department of Human Settlements Provincial Treasury Department of Environmental Affairs and Development Planning
<ul style="list-style-type: none"> ● Moveable Asset Management and Disposal Management 	Department of Health Department of Cultural Affairs and Sport Department of Agriculture Department of Environmental Affairs and Development Planning Department of Human Settlements Provincial Treasury
<ul style="list-style-type: none"> ● Compliance monitoring, risk management and internal control 	Department of Health Department of Education Department of the Premier

4.2 The Provincial Treasury will host webinar sessions to discuss the amendments made to the AOS since the version issued in 2013. Departments will be advised of the timeframes in mid-January 2021 for these sessions.

4.3 Given the current state of disaster the Provincial Treasury is also busy with defining a Chapter that speaks to disaster procurement requirements that encapsulates the principles that must be borne in mind when putting these requirements together and what must be considered generically when a declaration of disaster is made in any sphere of government and how procuring institutions will be required to respond. The PT is busy with this chapter and is reassessing lessons learnt during the

drought and pandemic disaster declarations and will consult further with departments prior to this being incorporated into the AOS.

4.4 The Provincial Treasury is also in the process of amending the Business Interest SOP in line with the Public Service Regulations, 2016 and the requirements from a supply chain management perspective. The PT has also developed a Conflict of Interest tool that may be used by HR practitioners to assess potential conflict before an appointment is made. This was done in liaison with the Department of the Premier and the Ethics Officers of departments. The tool is in the process of being finalised for roll-out.

5. REQUEST

5.1 Accounting officers and accounting authorities are requested to:

- a. Review the complete proposed draft AOS and SOP's/annexures;
- b. Ensure that comments, if any, are submitted to the Provincial Treasury by no later than **26 February 2021**. Kindly utilise the attached comments template to capture your comments;
- c. Where no responses are received; it will be accepted that the Department has no comments to the document; and
- d. Kindly include the following officials when responding:

● Palesa.Malgas@westerncape.gov.za

● Lee-Anne.Cupido@westerncape.gov.za



NADIA EBRAHIM
HEAD ASSET MANAGEMENT (ACTING)
DATE: 18 December 2020