

**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 Act and Treasury Regulations, has the same meaning, and –

“**acceptance of a bid**” means the award of a contract to a bidder in response to that bidder’s bid or price quotation;

“**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;

“**arranging**” in relation to transversal contracts means drawing up the business case, obtaining formal approval from participating institutions and the Provincial Treasury to proceed with the planning, organising, logistical arrangements and bid administration requirements by the custodian department;

“**bid**” means a written offer on the official bid documents or invitation of price quotations;

“**bidder**” means any natural or legal 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 in terms of a bidding process which provides for appropriate levels of competition to ensure cost-effective and best value outcomes;

“**contract management**” means maintaining control or influence over the contractual arrangement between the institution and the contractor or service provider including administering and regulating such agreement;

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

“**contractor**” means any natural or legal person whose bid has been accepted by the State;

**“delegate”** for purposes of these Instructions means a person assigned 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”** means a person employed by the Provincial Government or a provincial public entity, whether permanently or temporarily, including –

- (a) an employee as contemplated in section 8 of the Public Service Act, 1994 (Proclamation 103 of 1994);
- (b) a person appointed in terms of section 12A of the Public Service Act;
- (c) a person transferred or seconded to the Provincial Government or a provincial public entity in terms of section 15 of the Public Service Act; and
- (d) an educator as defined in the *Employment of Educators Act, 1998* (Act 76 of 1998),

and includes a member of the board or other controlling body of a provincial public entity;

**“emergency”** means a situation where immediate action is necessary in order to avoid a dangerous or perilous condition or risky situation or misery or defect. Provided that the situation was unforeseen;

**“facilitation”** in relation to transversal contracts means that the Provincial Treasury must provide advice, assist and guide the transversal procurement process to ensure that the technical and governance requirements are met but may not actively participate in either the evaluation or adjudication process;

**“family member”** means a person’s-

- (a) spouse; or
- (b) child, parent, brother, sister, whether such a relationship results from birth, marriage or adoption;

**“final award”** in relation to bids submitted for a contract, means the final decision on which a bid is accepted;

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

**“functionality”** means the measurement according to pre-determined norms, as set out in the bid documents, of a service or commodity that is designed to be practical and useful, working or operating, taking into account, amongst other factors, the quality, reliability, viability and durability of a service or commodity and the technical capacity and ability of a bidder;

**“goods or services:”** “Goods” means “corporeal movable things, fixed property and any real right in any such thing or fixed property”. “Services” means “anything done or to be done, including the granting, assignment, cession or surrender of any right and the making available of any facility or advantage”;

**“in the service of the Western Cape Provincial Government”**, means to be –

- (a) a member of the provincial legislature;

- (b) an employee of any provincial department or provincial public entity within the meaning of the Act;
- (c) a member of the accounting authority of a provincial public entity; or
- (d) an employee of the provincial legislature;

**“integrated procurement solution” (IPS)** means a web-based system that houses the Western Cape supplier database and is utilised for the request of quotations (RFQ's), the receipt thereof and the adjudication of quotations, submitted by suppliers;

**“intermediary”** means a person through whom an interest is acquired, and includes-

- (a) a person to whom is granted or from whom is received a general power of attorney; and
- (b) a representative or agent;

**“institution”** means a provincial department, or public entity listed in Schedule 3C of the Act;

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

**“multiple source bidding”** means a form of bidding where the market has been tested through a detailed market analysis, and there are only a few prospective service providers that are able to submit a proposal;

**“other applicable legislation”** means any other legislation applicable to the institution's supply chain management system;

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

**“single source bidding”** means a form of bidding where a pre-selection process, following a detailed market analysis, identified only one amongst a few prospective service providers to be requested to submit a final proposal;

**“sole source bidding”** means a form of bidding where there is no competition and only one service provider exist, following a detailed market analysis, to submit a proposal;

**“spouse”** means a person's -

- (a) partner in marriage;
- (b) partner in a customary union according to indigenous law; and
- (c) partner in a relationship in which the parties live together in a manner resembling a marital partnership or customary union;

**“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;

**“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);

**“transversal contracts”** means those contracts facilitated by the Provincial Treasury and the Departments of the Premier and Transport and Public Works referred to in paragraph 5.2.1.8; 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.

### **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 Chapter 10: Moveable Asset Management of Part 5: Asset and Liability Management and Chapter 16A: Supply Chain Management of Part 6: Frameworks of the Provincial Treasury Instructions issued in terms of section 18(2)(a) of the Act, prior to the commencement date of these Instructions, are hereby repealed.

### **1.5 DATE OF COMMENCEMENT**

1.5.1 These Provincial Treasury Instructions take effect from 1 April 2012, except for those instructions determined by the Provincial Minister responsible for financial matters in the issuing notice, which will take effect on a date determined in the notice, but which may not be a date later than 1 April 2013.

## PART 2

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

#### **2.1 NATIONAL TREASURY NORMS AND STANDARDS**

2.1.1 In terms of section 76(4)(b) of the Act the National Treasury may make regulations or issue instructions applicable to all institutions to which the Act applies concerning the determination of a framework for an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.

#### **2.2 PROVINCIAL TREASURY NORMS AND STANDARDS**

2.2.1 In terms of section 18(1)(c) of the Act the Provincial Treasury must promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities of provincial departments and provincial public entities.

2.2.2 To the extent necessary to perform the functions mentioned in paragraph 2.2.1 the Provincial Treasury must in terms of section 18(2)(a) of the Act issue Provincial Treasury Instructions not inconsistent with the Act.

#### **2.3 INSTITUTIONAL NORMS AND STANDARDS**

2.3.1 In terms of section 38(1) (a) (iii) of the Act the accounting officer for a department must ensure that the department has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.

2.3.2 In terms of section 51(1) (a) (iii) of the Act an accounting authority for a public entity must ensure that the public entity has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.

2.3.3 The procurement and provisioning system referred to in paragraph 2.3.1 and 2.3.2 must provide for:

- (a) institutional instructions issued from time to time to ensure uniform application of National and Provincial Treasury norms and standards and to enforce compliance; and
- (b) standard operating procedures which constitute a manual of operation as it relates to a specific subject.

**2.4 HIERARCHY OF REGULATORY FRAMEWORK**

2.4.1 Should there be a conflict between legislation, regulations, instructions and standard operating procedures referred to in paragraph 2.1 to 2.3 the following priority of the framework will prevail:

- (a) Public Finance Management Act, 1999 (Act 1 of 1999);
- (b) National Treasury Regulations;
- (c) Provincial Treasury Instructions;
- (d) Accounting officer's or accounting authority's supply chain management system;
- (e) Institutional instructions; and
- (f) Standard operating procedures.

**2.5 ADMINISTRATIVE ACTIONS**

2.5.1 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 precedence created;
- (b) adherence to the regulatory framework;
- (c) the administrative action falls within ambit of 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:

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

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 assets and inventories.

#### 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 gives effect to the core principles of behaviour as envisaged by the Five Pillars of Procurement which are:



### **(a) Fairness (ethics and fair dealing)**

- (i) comply with ethical standards;
- (ii) recognise and deal with conflicts of interest or the potential thereof;
- (iii) deal with suppliers even – handed;
- (iv) do not compromise the standing of the state through acceptance of gifts or hospitality;
- (v) be scrupulous in the use of public property; and
- (vi) provide assistance in the elimination of fraud and corruption.

### **(b) Equity**

- (i) advance the development of small, medium and micro enterprises;
- (ii) empower black people including women, workers, youth, people with disabilities and people living in rural areas;
- (iii) support the creation of work opportunities;
- (iv) promote local enterprises; and
- (v) support local products.

### **(c) Transparency (accountability and reporting)**

- (i) individuals and institutions are answerable for their actions and outcomes; and
- (ii) openness and transparency in administration by external scrutiny through public reporting.

### **(d) Competiveness (open and effective competition)**

- (i) a framework of procurement legislation, policies, practices and procedures that is transparent;
- (ii) openness in procurement processes;
- (iii) encouragement of effective competition through procurement methods suited to market circumstances;
- (iv) observance of the provisions of the Preferential Procurement Policy Framework Act;
- (v) potential suppliers have reasonable access to procurement opportunities;
- (vi) where market circumstances limit competition – institutions recognise it and use procurement methods that take account of it;
- (vii) adequate and timely information is provided to suppliers to enable them to bid;
- (viii) bias and favouritism are eliminated;
- (ix) the cost of bidding for opportunities do not deter competent suppliers; and
- (x) costs incurred in promoting competition are at least commensurate with the benefits received.

### **(e) Cost effectiveness (value for money)**

- (i) Avoid any unnecessary costs and delays for the institution or suppliers;
- (ii) monitor supply arrangements on an on-going basis and reconsider if existing arrangements cease to provide the expected benefits; and

- (iii) ensure continuous improvement in the effectiveness and efficiency of internal processes and systems.

### **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, unless determined otherwise by the Provincial Treasury.
- 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) enforcement of the regulatory framework for supply chain management within the institution;
  - (e) render assistance and administrative support to the line function managers and other employees 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; and
  - (e) disposal committee.
- 3.4.2 The accounting officer or accounting authority must ensure that the abovementioned committees are provided with the required administrative and secretarial support.
- 3.4.3 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 knowledge (general and specific) and skills as set out in the following dictionaries issued by the National Treasury or Provincial Treasury from time to time:

- (a) supply chain management competency dictionary and related occupational profiles; and
- (b) moveable asset management competency dictionary and related occupational profiles.

**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 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 An accounting officer or accounting authority may, in terms of section 44 and 56 of the Act, in writing delegate any of the powers entrusted or delegated to the accounting officer or accounting authority in terms of the Act to an employee in his or her institution or instruct any employee in his or her institution to perform any of the duties assigned to the accounting officer or accounting authority in terms of the Act.

3.7.2 When the accounting officer or accounting authority consider the delegation of powers or instructions to perform duties the following principles must apply to minimise the risks associated with such delegations or instructions:

- (a) delegations and instructions are within the scope permitted by the legislative framework;
- (b) employees are familiar with their roles and responsibilities;
- (c) employees possess the necessary skills and competencies to exercise the delegation or instruction;
- (d) effective performance management, feedback and reporting mechanisms are in place;

- (e) appropriate controls are in place;
- (f) clear directions or instructions are given and conditions set that restrict, where applicable, the exercise of delegations; and
- (g) delegations and instructions are reviewed regularly, as prescribed by the accounting officer or accounting authority, for appropriateness and accuracy, particularly following policy changes.

3.7.3 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 comply with the required ethical standards.

3.8.2 The supply chain management system of an institution must, irrespective of the procurement process followed, prohibit any award to a person:

- (a) who is in the service of the Provincial Government Western Cape; or
- (b) if that person is not a natural person, of which any director, manager, principal shareholder, stakeholder, is a person in the service of the Provincial Government Western Cape;

unless that person has appropriate authority to undertake remunerative work outside his or her employment in the institution.

3.8.3 Before an accounting officer or accounting authority enters into any contract with an entity for the sale, 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 Provincial Government Western Cape has in that entity.

3.8.4 An employee of an institution must disclose in the prescribed manner to the accounting officer or accounting authority any business interest that the employee or any family member of the employee has in an entity conducting business with the Provincial Government Western Cape.

3.8.5 No person who is a provider or prospective provider 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 a representative or 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.

- 3.8.6 The accounting officer or accounting authority of an institution must promptly report any alleged contravention of paragraph 3.8.5 to the Provincial Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be suspended from the Western Cape supplier database.
- 3.8.7 Paragraph 3.8.5 does not apply to gifts and hospitality extended for less than R350 in value, referred to in Provincial Treasury Instruction 21.1.2.
- 3.8.8 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 a representative or intermediary, by any person who is:
- (a) a provider or prospective provider 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 allow persons aggrieved by decisions or actions taken by the institution during implementation of the supply chain management system, to lodge within 14 days of the decision or action a written objection or complaint to the institution against the decision or action.
- 3.9.2 The supply chain management system of an institution may provide for the appointment by the accounting officer or accounting authority of an independent and impartial person not directly involved in the supply chain management processes of the institution to deal with the objection or complaint referred to in paragraph 3.9.1.
- 3.9.3 An objection or complaint may be referred to the Provincial Treasury if:
- (a) the objection or complaint is not resolved within 60 days; or
  - (b) no response is received from the institution within 60 days.

## PART 4

### 4. DEMAND MANAGEMENT

#### 4.1 SYSTEM OF DEMAND MANAGEMENT [TREASURY REGULATION 16A 3.2]

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 or 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 STRATEGIC PLANNING

4.2.1 The accounting officer or accounting authority of the institution must develop and implement a supply chain strategy for his or her supply chain management unit.

4.2.2 The strategy referred to in paragraph 4.2.1 must be reviewed on an annual basis.

4.2.3 The supply chain management strategy must at least deal with the following matters:

- (a) supply chain management vision of the institution;
- (b) supply chain management 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) identified cost drivers;
- (h) risk analysis and mitigation measures; and
- (i) goods or services to be procured over the 5 year period.

#### 4.3 OPERATIONAL PLANNING

4.3.1 The accounting officer or accounting authority must develop and implement an annual operational plan for his or her supply chain management unit.

4.3.2 The annual operational plan referred to in paragraph 4.3.1 must be consistent with the supply chain strategy referred to in paragraph 4.2.1.

4.3.3 The annual operational plan must at least contain the following information:

- (a) goods or services to be procured;
- (b) method of procurement;
- (c) timelines to execute the procurement action;
- (d) estimated value (including all applicable taxes);
- (e) confirmation that funds are available; and
- (f) responsible office or regional office.

4.3.4 The supply chain management unit of an institution must compile a bid register for each procurement requirement identified in the annual operational plan to monitor the procurement or acquisition process.

4.3.5 The accounting officer of a department must submit a procurement schedule containing all planned procurement for the financial year in respect of goods or services which exceed R500 000 (all applicable taxes included) to the Provincial Treasury by 30 April of each year in the prescribed format for monitoring purposes.

4.3.6 Accounting authorities of public entities must submit the procurement schedule referred to in paragraph 4.3.5 to the Provincial Treasury through their parent departments within the same timeline.

#### **4.4 WESTERN CAPE STANDARD BIDDING DOCUMENTS**

[TREASURY REGULATION 16A6.3 (a) AND (b)]

4.4.1 In order to give effect to the requirements of National Treasury Regulation 16A8 and 16A9 and the spirit and import of National Treasury's Standard Bidding Documents (SBD) 4, 8 and 9, the Provincial Treasury has issued a consolidated bidding document which for ease of reference is referred to as WCBD 4.

4.4.2 The WCBD 4 bidding document therefore captures the following essential requirements:

- (a) declaration of past performance in relation to contracts;
- (b) declaration pertaining to bid rigging and collusive practices; and
- (c) conflict of interest.

4.4.3 Suppliers are required to annually complete the WCBD 4 bid document which must be housed on the central supplier database. The onus is on suppliers to update their profile should any information on the bid document change. Any suppliers detected who submitted false information on the WCBD4 bid documents in any respect will be suspended from the database.

4.4.4 Institutions are not required to request completion of the WCBD 4 for every tender process, but must use the supplier database information for this purpose. The relevant WCBD 4 bid document must be downloaded from the supplier database and kept in the bid file for reference, but only for the successful bidder.

- 4.4.5 In order to give effect to the requirements of the Preferential Procurement Regulations, 2011, the Provincial Treasury has issued the new WCBD 6.1(a) and WCBD 6.1(b) bidding documents thereby replacing the current preference claim form utilised in the province.
- 4.4.6 The WCBD 6.1(a) and WCBD 6.1(b) bidding documents therefore capture the following essential requirements: BBBEE status in terms of the 80/20 and 90/10 preference points respectively.
- 4.4.7 Suppliers are required to annually complete the WCBD 6.1 bid document which must be housed on the central supplier database. The onus is on suppliers to update their profile should any information on the bid document change. Any suppliers detected who submitted false information on the WCBD 6.1 bid document in any respect will be suspended from the database and such supplier must be dealt with in terms of Regulation 13 of the Preferential Procurement Regulations, 2011 and any fronting must be dealt with in terms of the National Department of Trade and Industry prescripts on fronting.
- 4.4.8 In the event that the WCBD 6.1 bid document is not yet available on the supplier database, the institution must obtain a fully completed WCBD 6.1 from the recommended bidder before the conclusion of the procurement process.
- 4.4.9 The SBD 7.1 and 7.2 bidding documents issued by the National Treasury have been consolidated into one form, WCBD 7.1: Contract Form for Goods or services.
- 4.4.10 The other SBD forms issued by the National Treasury have been customised with the WCBD prefix and include the following:
- (a) WCBD 1: Invitation to Bid;
  - (b) WCBD 2: Tax Clearance Certificate Requirements;
  - (c) WCBD 3.1: Pricing Schedule – Firm Prices (Purchases)
  - (d) WCBD 3.2: Pricing Schedule – Non-firm Prices (Purchases);
  - (e) WCBD 3.3: Pricing Schedule (Professional Services);
  - (f) WCBD 5: National Industrial Participation Programme; and
  - (g) WCBD 7.2: Sale of Goods.
- 4.4.11 The Provincial Treasury may revise the prescribed bidding documents from time to time and issue new requirements when necessary.
- 4.5 APPOINTMENT OF CONSULTANTS [TREASURY REGULATION 16A6.3 (g)]**
- 4.5.1 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; and
  - (d) evaluation of responses.



- 4.5.2 In general the requirements in these Provincial Treasury Instructions for the acquisition of goods or services apply also to the appointment of consultants.
- 4.5.3 Consultants should be appointed in accordance with the various forms of procurement referred to in paragraph 5.2 and threshold values set out in paragraph 5.3 of these Provincial Treasury Instructions.
- 4.5.4 When consultants are appointed, the requirements of the Preferential Procurement Regulations, 2011 must be adhered to.
- 4.5.5 Consultants should only be engaged when the required skills or resources to perform a specific project, assignment or study are not available in the institution and the accounting officer or accounting authority cannot be reasonably expected either to train or to recruit people in the time available.
- 4.5.6 The relationship between the accounting officer or accounting authority, and the consultant should be one of purchaser and provider 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.
- 4.5.7 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 Services 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(c) (ii) of the Public Service Act, 1994.
- 4.5.8 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.

### **4.6 FINANCE LEASE TRANSACTIONS [TREASURY REGULATION 13.2]**

- 4.6.1 The accounting officer or accounting authority may enter into finance lease transactions without the approval of the Provincial Treasury, provided that:
- (a) the finance lease is found to be more economical than an operating lease;
  - (b) the period of the finance lease does not exceed 36 months or 60 months in respect of motor vehicles; and
  - (c) the finance lease is for the acquisition of goods that is required for the day to day operational requirements of the institution for which

funds have been provided for in the approved budget of the institution.

- 4.6.2 In instances where the lease period mentioned in paragraph 4.6.1 exceeds the period stipulated therein, the institution must obtain written approval from the Provincial Treasury prior to entering into such a lease.
- 4.6.3 Where found to be more economical than an operating lease, the Department of Transport and Public Works or other relevant authority may, on behalf of institutions, enter into finance lease transactions for the acquisition of land and buildings for operational purposes.
- 4.6.4 The entering into finance lease transactions referred to in paragraph 4.6.3 is subject to:
- (a) expenses relating to the acquisition been provided for in the approved budget of the institution; and
  - (b) prior written approval of the Provincial Treasury has been obtained for the acquisition.
- 4.7 GOODS OR SERVICES FUNDED THROUGH GRANTS IN ACCORDANCE WITH THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND ACT, 1998**
- 4.7.1 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 Act, 1998, accounting officers or accounting authorities must ensure that the procurement of goods or services is done in accordance with the requirements of the donor as included in the technical assistance agreement.
- 4.7.2 Should the donor require that goods or services be procured in accordance with the donor's own procurement procedures, no approval is required by the institution from the Minister of Finance for exemption from the requirements of the Preferential Procurement Policy Framework Act, 2000(Act 5 of 2000), and its related Regulations.
- 4.7.3 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 of 2000) and its related Regulations must be applicable in relation to the funds provided by the institution.
- 4.7.4 If a distinction cannot be made in terms of which part of a contract will be funded by donor funding 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 donor as included in 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 donor agrees.

## PART 5

### 5. ACQUISITION MANAGEMENT

#### 5.1 SYSTEM OF ACQUISITION MANAGEMENT [TREASURY REGULATION 16A3.2]

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 general conditions of a contract, are in accordance with all applicable legislation; and
- (d) expenditure on goods or services are provided for in the approved budget of the institution.

#### 5.2 FORMS OF PROCUREMENT

5.2.1 The acquisition management system of an institution must, subject to the threshold values as prescribed in paragraph 5.3, provide for the procurement of goods or services by way of:

##### 5.2.1.1 Petty cash purchases

- (a) Accounting officers or accounting authorities may procure requirements without inviting quotations or competitive bids by means of petty cash; and
- (b) accounting officers or accounting authorities must establish their own internal policies and standard operating procedures to arrange procurement of goods or services by means of petty cash.

##### 5.2.1.2 Informal quotations

- (a) Quotations must be obtained from at least three different providers whose names appear on the supplier database;
- (b) to the extent practical providers must be requested to submit quotations in writing;
- (c) If a quotation was submitted verbally, the order must be placed only against written confirmation by the selected provider;
- (d) if it is not possible to obtain at least three quotations, the reasons must be recorded for audit purposes; and
- (e) the WCBD4 bidding document and the tax clearance certificate of the successful supplier/bidder must have been verified as complete and current on the supplier database.

**5.2.1.3 Formal invitation of price quotations**

- (a) Quotations must be obtained through the integrated procurement solution from service providers who are duly registered on the supplier database;
- (b) quotations obtained through the integrated procurement solution is deemed to be competitive formal quotations as all possible accredited suppliers are given the opportunity to submit a quote in their relevant fields of business;
- (c) the validity period for the quotation must be clearly indicated by the institution inviting the quotation;
- (d) the specification and the setting of functionality criteria and the evaluation thereof must be done in accordance with the accounting officer's or accounting authority's acquisition management system;
- (e) the WCBD 4 bidding document and the tax clearance certificate of the successful supplier or bidder must have been verified as complete and current on the supplier database;
- (f) the award to the successful bidder must be captured on the integrated procurement solution for quotations; and
- (g) when the integrated procurement solution is not functional for a period of time, and time is of the essence for delivery of goods or services, an institution may use the procurement method referred to in paragraph 5.2.1.2 of these instructions, provided that those incidents are recorded and reported monthly to the Provincial Treasury.

**5.2.1.4 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) the invitation of bids;
  - (ii) receipt of bids;
  - (iii) evaluation of bids;
  - (iv) clearing successful bidders and award of contracts; and
  - (v) 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 5.2.1.4 (a) (i) to (v).

**5.2.1.5 Limited bidding**

- (a) An accounting officer or accounting authority may procure goods or services by means of a limited bidding process if:
- (i) a business case was developed that clearly indicates that a limited bidding process is the appropriate form of procurement. The business case must, amongst others, reflect a market and expenditure analysis of the relevant goods or services (commodity), whether the commodity is available from a sole, single or multiple source as well as how it was determined;
  - (ii) an open invitation process was initiated which resulted in an approved list of service providers or only one service provider who could provide the goods or services. In such case proposals should be invited from the approved list of service providers or the single service provider if applicable;
  - (iii) a competitive bidding process 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 service providers who initially submitted proposals;
  - (iv) goods or services are designed or manufactured by the supplier or the supplier is the owner of the intellectual property. Written confirmation of such design, manufacturing or ownership of intellectual property must be obtained from the supplier and retained on the relevant bid file;
  - (v) there exists legislative, technological or safety requirements or standards to limit the invitation to those suppliers or contractors who meet the requirements or standards. The afore-mentioned requirements or standards must be recorded by the institution and retained on the relevant bid file;
  - (vi) 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; or
  - (vii) goods or services are offered by other departments, trading entities or public entities, inclusive of service products, provided that prices are reasonable and market related.
- (b) when procuring goods or services through a limited bidding process, an accounting officer or accounting authority must ensure that, where relevant:
- (i) the prescribed bidding documents have been completed;
  - (ii) the preferred bidders tax matters are in order;
  - (iii) the bid is evaluated in terms of the preference point system;
  - (iv) the required demand management process has been complied with;
  - (v) all goods or services procured through a limited bidding process be recommended through the bid adjudication process prior to a final

award being made by the accounting officer or accounting authority;

- (vi) 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;
- (vii) 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
- (viii) reasons for the decision are documented and readily available to give effect to the Promotion of Administrative Justice Act, 2000(Act 3 of 2000).

### 5.2.1.6 **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 by means of quotations.
- (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) ex-post facto submission to the bid adjudication committee for ratification; and
  - (vii) processes to be followed in respect of the recording and approval of emergency procurement by the accounting officer or accounting authority.
- (c) The accounting officer or accounting authority should preferably make use of the supplier database to obtain quotations.
- (d) 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.

### 5.2.1.7 **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 5.2.1.7 (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 prescribed bidding documents have been completed; 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.

### **5.2.1.8 Transversal contracts** [Treasury Regulation 16A6.5]

- (a) Where the Provincial Treasury or any other provincial department designated in terms of paragraph 5.2.1.8 (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 term contracts as required in terms of National Treasury Regulation 16A6.5.



- (c) Contracts so procured must follow a strategic sourcing methodology and leverage buying power to achieve economies of scale and must be governed by the current requirements for supply chain management as envisaged by these Instructions.
- (d) For purposes of these Instructions, and in terms of current institutional arrangements in the Province, three principal departments will be the designated custodian departments in terms of their provincial mandates, being responsible for the following corporate functions:
  - (i) Department of the Premier for corporate shared services in respect of human resource, organisational development, provincial training, corporate communication and information technology related goods or services where it has a financial or contractual impact on other institutions;
  - (ii) Department of Transport and Public Works for accommodation requirements where such provision has a financial or contractual impact on other institutions generally; and
  - (iii) Provincial Treasury for goods or services where no single institution can be determined as the custodian for the provision of such goods or services.
- (e) Notwithstanding the above, where the procurement or line function activities of one institution substantially impacts on another institution's finances or contractual arrangements, in the interest of efficiency and good corporate governance, the Provincial Treasury may direct that a cooperative procurement and provisioning process be followed.
- (f) A principal department designated in terms of paragraph 5.2.1.8(d) of these Instructions must obtain written consent from the other accounting officers or accounting authorities to participate in the arrangement of the contemplated transversal contract and need to do so immediately after conclusion of the business case and before proceeding to any further phases of the procurement process. Where the principal department is the Department of the Premier or the Department of Transport and Public Works, a formal approval from the Provincial Treasury is additionally required on conclusion of a business case.
- (g) Where an accounting officer or accounting authority opts to participate in a transversal contract facilitated by the Provincial 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 term contract.
- (h) In terms of paragraph 5.2.1.8(d) (iii) of these Instructions, the Provincial Treasury must take full responsibility for the arrangement and conclusion of the bid process, inclusive of the formalisation of the contracting arrangements, but each participating institution, depending on the requirements and the nature of the contract, may have to sign a separate service level agreement with the selected service provider. In terms of paragraphs 5.2.1.8(d) (i) – (ii) the Provincial Treasury's role shall be one of facilitation only.

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

- (a) The accounting officer or accounting authority of an institution may procure goods or services under a contract secured by another organ of state only if:
  - (i) the contract secured by that other organ of state is supported by a business case, analysing the commodity, the market and the appropriate sourcing method;
  - (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 procurement in writing;
  - (iv) the institution procures under the same terms and conditions as provided for in the original contract or more beneficial terms or conditions; and
  - (v) a separate service level agreement is concluded for this purpose which clearly stipulates the duration of the contract with particular emphasis on the start and end date.

**5.3 THRESHOLD VALUES FOR VARIOUS FORMS OF PROCUREMENT**  
[TREASURY REGULATION 16A6.1]

- 5.3.1 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 between an estimated value of R2000 and up to R10 000 (inclusive of all taxes) may be procured by obtaining at least three informal quotations;
  - (c) goods or services between an estimated value of R10 000 and up to R500 000 (inclusive of all taxes) must be procured through formal invitation of price quotations by means of the integrated procurement solution; and
  - (d) 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 5.2.1.4 and 5.2.1.5 of these Instructions respectively.
- 5.3.2 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 5.3.1 of these Instructions.

- 5.3.3 An accounting officer or accounting authority may:
- (a) lower, but not increase, the various threshold values specified in paragraphs 5.3.1 (a) to (d); or
  - (b) direct that:
    - (i) informal quotations be obtained for any procurement of a transaction value lower than R2 000;
    - (ii) formal price quotations be obtained for any procurement of a transaction value lower than R10 000; and
    - (iii) competitive bidding processes be followed for any procurement of a transaction value lower than R500 000.

### **5.4 INTERGRATED PROCUREMENT SOLUTION**

- 5.4.1 The Provincial Treasury is responsible for the implementation and maintenance of an integrated procurement solution which includes a central database of suppliers, to be utilised by provincial institutions for obtaining bids or quotations.
- 5.4.2 The Provincial Treasury shall ensure that the supplier database is updated and maintained on a regular basis.
- 5.4.3 All prospective suppliers intending to do business with the Provincial Government of the Western Cape must submit applications for registration on the database and amendments to supplier profile, within the format as prescribed or determined from time to time by the Provincial Treasury.
- 5.4.4 Institutions of the Provincial Government may not do business with suppliers that are not actively registered on the supplier database. This requirement does not however apply when procuring through petty cash.
- 5.4.5 It is incumbent on institutions to advise their current or prospective suppliers to register on the supplier database and to check that such suppliers' details are current at the time of concluding any procurement process.
- 5.4.6 The following minimum criteria for the registration of suppliers on the supplier database apply:
- (a) Name of supplier or service provider;
  - (b) Street address;
  - (c) Postal address;
  - (d) Contact person;
  - (e) Telephone number; fax number; cell number;
  - (f) Email address;
  - (g) Vat registration number (if applicable);
  - (h) Bank details;
  - (i) Type of industry;
  - (j) Valid certification for specialised services;
  - (k) Valid original tax clearance certificate;
  - (l) CIDB registration if applicable;
  - (m) Valid certification of BBBEE accreditation; and
  - (n) WCBD 4 bid document.

- 5.4.7 Amendments to these requirements will be published on the Provincial Treasury's website ([http://www.westerncape.gov.za/eng/your\\_gov/398](http://www.westerncape.gov.za/eng/your_gov/398)) as well as onto the "Provincial tender website" (<http://www.westerncape.gov.za/eng/tenders/>) by the Provincial Treasury and it is incumbent on suppliers and institutions to verify compliance to the latest registration requirements.
- 5.4.8 The supplier database must be a central repository of all supplier information cited in paragraph 5.4.6 above which is inclusive of:
- (a) the valid original tax clearance certificate of the supplier;
  - (b) the original WCBD 4 form which is a consolidated version of the National Treasury SDD 4; 8 and 9;
  - (c) the BBBEE accreditation certificate; and
  - (d) any other requirement that may become relevant.
- 5.4.9 The documents cited in paragraph 5.4.6 must be submitted by a supplier on application for registration on the supplier database and thereafter, annually updated. It is however the responsibility of the supplier to inform the relevant institution and the Provincial Treasury should any information change in the interim.
- 5.4.10 Suppliers must be informed by the Provincial Treasury as part of the database registration process of all requirements needed to do business with the Provincial Government of the Western Cape as amended from time to time.
- 5.4.11 As part of the maintenance process of the database, registered suppliers must be notified a month before the documents referred to in paragraph 5.4.6 expires on the database. This status must also be flagged on the database.
- 5.4.12 Should any of the documents cited in paragraph 5.4.6 lapse, the status of the supplier must be suspended on the database until such time that the supplier has updated and supplied the required information to the Provincial Treasury.
- 5.4.13 Should a supplier's status be suspended on the database then institutions are prohibited from doing business with the said supplier until the status has been activated.
- 5.4.14 The Provincial Treasury must perform periodic checks on the National Treasury Database of Tender Defaulters and any suppliers found on this database, if relevant, must be suspended from the Western Cape supplier database.
- 5.4.15 It remains incumbent on institutions to check the National Treasury Database of Tender Defaulters and Register of Restricted Suppliers before the conclusion of any procurement process. Institutions may not under any circumstances procure from a supplier listed on the Tender Defaulter Database. For suppliers listed as restricted, institutions must apply due diligence and risk assessment before deciding to proceed with procurement from any such supplier.
- 5.4.16 For the purpose of checking the business interest of employees in suppliers doing business with the Provincial Government of the Western Cape, a monthly data dump from the employee information system must be verified against the

supplier information housed on the database by the Provincial Treasury. The Provincial Treasury must upon detection notify institutions of any such possible business interest conflicts. This status must also be flagged on the supplier database.

- 5.4.17 The accounting officer or accounting authority must ensure that the information on bids or quotations awarded via the integrated procurement solution is captured correctly to ensure credibility of the data.
- 5.4.18 The Provincial Treasury may from time to time prescribe the required standards for the integrated procurement solution.
- 5.4.19 The Provincial Treasury must maintain a helpdesk for the purposes of handling queries and requests in relation to the integrated procurement solution.

## PART 6

### 6. COMPLIANCE MONITORING

#### 6.1 INTERNAL CONTROL MEASURES

6.1.2 The accounting officer or accounting authority for 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 5.2 of these Instructions.

6.2.4 The Provincial Treasury must prescribe the format and content of 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 5.2 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 via the integrated procurement solution;

- (d) any problems experienced with the invitation of price quotations through the integrated 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 prescribed by the Provincial Treasury.

6.3.3 A copy of the report referred to in paragraph 6.3.1 must also be submitted to the Provincial Treasury within 5 working days after submission to the accounting officer or accounting authority.

6.3.4 The Provincial Treasury must prescribe the format of the report referred to in paragraph 6.3.1.

#### **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 program;
- (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

- (a) The accounting officer or accounting authority must ensure that all contracts entered into by the institution are legally sound.
- (b) A valid 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 validity period has expired.
- (c) The contract concluded must consist of:
  - (i) the general conditions of contract issued by the National Treasury;
  - (ii) where applicable, special conditions in relation to the specific goods or services procured;
  - (iii) submitted bid documents;
  - (iv) documentation for the claiming of preferential bidding points;
  - (v) tax clearance certificate; and
  - (vi) letter of acceptance.
- (d) Contracts relating to information technology must be prepared in accordance with the State Information Technology Act, 1998 (Act 88 of 1988), and any regulations issued in terms of that Act.
- (e) The special conditions referred to in paragraph 7.1(c)(ii) may include, but is not limited to:
  - (i) a preamble that serves to explain the rationale for the conclusion of the contract or to provide contextual or background information;
  - (ii) governance protocols;
  - (iii) reporting on performance in terms of the contract or agreement in respect of contracts that extend over a period of time;
  - (iv) a periodic review of the contract or agreement by the parties in respect of contracts that extend over a period of time;
  - (v) clauses that clearly and unambiguously set out the rights and obligations of the parties, relevant to the specific subject matter in respect of which the contract is entered into;
  - (vi) service levels, if applicable; and
  - (vii) incorporation of other documents as annexures.

#### 7.2 CONTRACT MANAGEMENT

- (a) The accounting officer or accounting authority must ensure that the supply chain management system of the institution provide for contract management to include, but not limited to:
  - (i) recording of contracts in a contract register;
  - (ii) monitoring and regular reporting on contracts;



- (iii) evaluation of compliance with transversal contracts in which the institution participates;
- (iv) identification of institutional period contracts that are nearing expiry;
- (v) evaluation of applications for price adjustments;
- (vi) evaluation of applications for variations, amendments, and cancellations; and
- (vii) invoking of penalty clauses.

## 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 to oversee the stock take processes within the institution.

## **8.5 INVENTORY MANAGEMENT FINANCIAL TREATMENT AND DISCLOSURE**

- 8.5.1 The accounting officer or accounting authority must ensure that the financial treatment and disclosure of inventory items is done in accordance with the requirements set out in PART 14 of these Provincial Treasury Instructions.

## **8.6 ELECTRONIC LOGISTICAL SYSTEM**

- 8.6.1 The accounting officer or accounting authority must ensure that institutional policies and standard operating procedures are developed, implemented

- and maintained for efficient and effective utilisation of the electronic logistical system within the institution.
- 8.6.2 The policies and standard operating procedures referred to in paragraph 8.6.1 must provide for, amongst others, the following:
- a) setting up of new users;
  - b) amendments due to transfer or relocation of employees and termination of service;
  - c) identification of inactive user accounts;
  - d) regular verification of validity of access;
  - e) access control to the system;
  - f) responsibilities of individual users;
  - g) investigation of suspicious transactions; and
  - h) co-ordination of formal training of system users.
- 8.6.3 The accounting officer or accounting authority must ensure that 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). These access controls must include, amongst others, the following:
- a) standardised application forms for registration, modification and deregistration of system users that provide for adequate details of the users, supervisor or manager, type of access and required approvals;
  - b) processes for the safeguarding of the duly completed and approved application forms for inspection and audit purposes;
  - c) segregation of duties;
  - d) standardisation of user ID's to persal numbers, except in instances where the system programmatically generates ID's and for interface purposes;
  - e) utilisation of the maximum password length provided for by the relevant system;
  - f) restriction of the password expiry date to a maximum of 30 days; and
  - g) implementation of additional access controls as prescribed by the Provincial Treasury from time to time.
- 8.6.4 The accounting officer or accounting authority must appoint an institutional system controller or administrator, in writing, whose responsibilities must include the following:
- a) ensure compliance to institutional policies and standard operating procedures;
  - b) orientation of system users;
  - c) identification of training needs and the roll-out of appropriate training or interventions;
  - d) evaluate and recommend system enhancements;
  - e) monitoring of effective utilisation of the system at institutional level;
  - f) the issuing of system notices, circulars and to emphasise issues that require attention;
  - g) compilation and maintenance of standard operating procedures;
  - h) liaison with Provincial Treasury, where applicable; and
  - i) render an institutional user support (helpdesk) function.

- 8.6.5 The accounting officer or accounting authority must ensure that:
- a) all goods or services are procured and accounted for on the relevant electronic logistical system, whether transversal or in-house, utilised by the institution;
  - b) only the current years' projected expenditure in respect of a long term contract is committed in the current financial year;
  - c) 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
  - d) prior to the registration or modification of an entity's or supplier's bank detail, the information is validated by means of the Account Verification System (AVS) of the official banker. A printout of the result must be attached to the prescribed bank detail form.
- 8.6.6 The accounting officer or accounting authority must ensure that 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.

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

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

- (a) asset management activities must be undertaken within the institution's strategic objectives that is driven by programme and service delivery needs;
- (b) asset management planning and decisions must be integrated into the strategic and operational planning processes as referred to in paragraphs 4.2 and 4.3 of these Provincial Treasury Instructions;
- (c) 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 assets; and
- (d) accountability and reporting requirements for both ownership and control are to be determined and clearly defined.

#### 9.2 ASSET MANAGEMENT PLANS

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

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

- (a) cover a 5 year period; and
- (b) be revised on an annual basis.

- 9.2.3 The asset strategic plan must include at least the following:
- (a) an acquisition plan which defines the 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 assets and which should include matters such as access, security, accountability, the monitoring of performance, training of staff in the use of assets and estimates of operating costs;
  - (c) a maintenance plan which defines 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 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 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 assets.

### **9.3 ASSET REGISTER**

- 9.3.1 The accounting officer or accounting authority must have and maintain an asset register for the institution which allows for:
- (a) integration to the extent practicable with purchasing and payments systems and the general ledger;
  - (b) structuring to allow the different classifications of assets to be distinguished;
  - (c) financial data on 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 asset; and
  - (e) 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; and
    - (iii) readily available to asset managers, preferably on line.

### **9.4 ASSET MANAGEMENT FINANCIAL TREATMENT AND DISCLOSURE**

- 9.4.1 The accounting officer or accounting authority must ensure that the financial treatment and disclosure of assets is done in accordance with the requirements set out in PART 14 of these Provincial Treasury Instructions.

## 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 to make recommendations for the disposal of any assets.

#### 10.3 DISPOSAL MANAGEMENT FINANCIAL TREATMENT AND DISCLOSURE

10.3.1 The accounting officer or accounting authority must ensure that the financial treatment and disclosure of assets disposed of is done in accordance with the requirements set out in PART 14 of the Provincial Treasury Instructions.



## 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) 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.
- (ii) The Provincial Treasury must on a monthly basis forward to all institutions a pre-populated spread-sheet as obtained from the CRA and request additional information. Accounting officers or accounting authorities must submit responses to this request within 10 working days of the request being made by the Provincial Treasury.
- (iii) 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.
- (iv) A copy of the report referred to in paragraph (iii) above must also be submitted to the Provincial Treasury within 5 working days after submission to the accounting officer or accounting authority.

#### **(b) 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 schedule containing all planned procurement for the financial year in respect of goods or services which exceed R500 000 (applicable taxes included) to the Provincial treasury by 30 April of each year in the prescribed format

**(c) General Reporting**

- (i) Accounting officers or accounting authorities must within 5 working days furnish the National Treasury with the prescribed information on the restriction of suppliers from doing business with the public sector in terms of the Preferential Procurement Regulations, 2011.
- (ii) All cases where goods or services above the value of R1 million (inclusive of all taxes) were procured in respect of National Treasury Regulations 16A6.4 must be reported, as prescribed, to the Provincial Treasury and the Auditor General within 10 working days.
- (iii) Accounting officers or accounting authorities must furnish the Department of Trade and Industry with the required information within 5 working days after the award of any contract that is in excess of R10 million.
- (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 2 working days:
  - (aa) Notify the Provincial Treasury of all bids advertised via the open bidding process as and when they are advertised in the Government Tender Bulletin (GTB) or the local newspapers; and
  - (bb) for awards, forward a copy of the acceptance letter sent to the successful bidder to the Provincial Treasury.

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 objectives are being achieved.
- 12.2 The performance monitoring and evaluation system referred to in paragraph 12.1 must, amongst others, provide for:
- (a) a scorecard mechanism which describes the key strategic and operational performance targets to be met in relation to the strategic and operational 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 provide for:

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

13.2.3 The Provincial Treasury must prescribe the format and content of the internal control framework for supply chain management referred to in paragraph 13.2.1.

## PART 14

### 14. FINANCIAL TREATMENT AND DISCLOSURE OF ASSETS AND INVENTORIES

#### 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 assets and inventories.

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

- (a) annual asset and inventory count;
- (b) updating and reconciling of the 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

14.1.3 The accounting officer or accounting authority must report on the following matters in the Report of the accounting officer or accounting authority which form part of the interim and annual financial statements of the institution:

- (a) reasons if all the assets of the institution have not been recorded in the asset register;
- (b) reasons why compliance with the minimum requirements for credible asset registers have not been achieved and date when this is expected to be achieved;
- (c) reasons why compliance with the asset management reform milestones, as required by the Provincial Treasury, has not been achieved and date when this is expected to be achieved;
- (d) problems being experienced regarding the asset management reforms; and
- (e) reasons where disclosure of all stores and inventories in the prescribed annexure is not possible.

#### 14.2 TREATMENT OF DEPARTMENTAL REVENUE

14.2.1 The accounting officer must ensure that all departmental revenue from the sale of goods or services and capital assets:

- (a) is recognised in the statement of financial performance when received and is subsequently paid into the Provincial Revenue Fund; and

- (b) is recognised as a payable in the statement of financial position if any amount is owned to the Provincial Revenue Fund at the end of the financial year.

14.2.2 Amounts receivable from the last receipt date to the end of the reporting period should not be dealt with as an accrual but should be disclosed in the disclosure note to the annual financial statements.

### **14.3 ACCOUNTING FOR AND DISCLOSURE OF REVENUE AND EXPENDITURE**

14.3.1 The accounting officer must ensure that all departmental expenditure and revenue in relation to goods or services and capital assets is recorded as follows:

#### ***Statement of financial performance***

- (a) payments made during the year for goods or services are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system, by no later than 31 March of each financial year;
- (b) payments are classified as capital if the goods or services were acquired for a capital project or if the total purchase price exceeds the capitalisation threshold of R5 000;
- (c) all other expenditure in relation to goods or services are classified as current;
- (d) rental paid for the use of buildings or other fixed structures is classified as goods or services and not as rent on land; and
- (e) employee costs are capitalised to the cost of a capital project when an employee spends more than 50 per cent of his or her time on the project. These payments must form part of expenditure for capital assets in the statement of financial performance.

#### ***Statement of financial position***

- (a) amounts prepaid or advanced are recognised in the statement of financial position when the payments are made and are derecognised as and when the goods or services are received or the funds are utilised;
- (b) prepayments and advances outstanding at the end of the year are carried in the statement of financial position at cost;
- (c) amounts recoverable from other parties as a result of the sale of goods or provision of services must be included as receivables in the statement of financial position and are derecognised upon recovery or write-off; and
- (d) receivables outstanding at year-end are carried in the statement of financial position at cost plus any accrued interest. Amounts that are potentially unrecoverable are included in the disclosure notes.

#### ***Cash flow statement***

- (a) any revenue which derived from the sale of assets or the sale of investments and disclosed as departmental receipts in the statement of financial performance, should form part of the cash flow statement as financing or investing activities; and

- (b) all expenditure on capital assets relates to investing activities and should therefore be relocated to cash flows from investing activities.

### *Disclosure notes*

- (a) commitments for goods or services that have been approved or contracted, but where no delivery has taken place at the reporting date are not recognised in the statement of financial position as a liability or as expenditure in the statement of performance but are included in the disclosure notes;
- (b) accruals (goods or services that have been received, but no invoice has been received from the supplier at the reporting date, or where an invoice has been received but final authorisation for payment has not been effected on the system) are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes;
- (c) finance leases are not recognised as assets and liabilities in the statement of financial position. These lease payments are recognised as an expense in the statement of financial performance and are apportioned between the capital and the interest portions. The finance lease liability is disclosed in the disclosure notes to the financial statements;
- (d) operating lease payments are recognised as an expense in the statement of financial performance. The operating lease commitments are disclosed in the disclosure notes to the financial statements;
- (e) receivables for goods sold or services rendered where no cash has been received at year end are disclosed in the disclosure notes to the annual financial statements;
- (f) inventories that qualify for recognition must be initially reflected at cost. Where inventories are acquired at no cost, or for nominal consideration, their cost shall be their fair value as at the date of acquisition. All inventory items at year end must be reflected in the prescribed annexure, using either the weighted average cost or FIFO cost formula;
- (g) a capital asset is recorded in the asset register on receipt of the item at cost. Cost of a capital asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the capital asset is stated at fair value. Where fair value cannot be determined the capital asset is included in the asset register at normal value (R1);
- (h) the expenditure for capital assets disclosure note must be split between capital costs incurred using voted funds or donor funds (aid assistance);
- (i) minor assets purchased in a particular financial year must be disclosed as part of the sub-note to goods or services ("assets less than R5 000"); and
- (j) the information in the asset register should be used to complete the disclosure notes on moveable capital assets.

## **14.4 FINANCIAL TREATMENT AND DISCLOSURE OF ASSETS AND INVENTORIES FOR PUBLIC ENTITIES**

- 14.4.1 The accounting authority of a public entity must ensure that the financial treatment and disclosure of assets and inventories are done in accordance with the prescribed Generally Recognised Accounting Practice standards.