



Education and Sport Development

Department of Education and Sport Development
Departement van Onderwys en Sport Ontwikkeling
Lefapha la Thuto le Tlhabololo ya Metshameko
NORTH WEST PROVINCE

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DIRECTORATE: SUPPLY CHAIN MANAGEMENT

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SCM CIRCULAR No: 2 2019/2020

TO : ADMINISTRATOR
SUPERITANDANT GENERAL
DDG'S
CHIEF DIRECTORS
DISTRICT DIRECTORS
DIRECTORS
ALL STAFF MEMBERS


FROM : DIRECTOR: SUPPLY CHAIN MANAGEMENT

DATE : 04 JUNE 2019

SUBJECT : PROVINCIAL TREASURY INSTRUCTION NOTE OF 2018/2019:PRE-AUDITING OF SCM PROCESSES OF BID ABOVE R10 MILLION (INCLUDING ALL APPLICABLE TAXES) BEFORE THE AWARD OF THE CONTRACT

Kindly take note of the Provincial Treasury Instruction note issued and attached as "Annexure A" which is effective from 1st April 2019

Hope you find above order



Ms. K V Sikhweni
Director SCM

04/06/2019

Date



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Department:
Finance
North West Provincial Government
Republic of South Africa



Second Floor Garona Building,
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MMABATHO 2735
www.treasury.nwpg.gov.za

OFFICE OF THE HOD

Enquiries: Harry Mashao
Tel: 018 388 4224/4225
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Email: hmashao@nwpg.gov.za

REF : 6/1/P

**TO : ACCOUNTING OFFICERS/ AUTHORITIES
CHIEF FINANCIAL OFFICERS
HEADS OF SUPPLY CHAIN MANAGEMENT**

**SUBJECT : PROVINCIAL TREASURY SCM INSTRUCTION NOTE 3 OF 2018/2019:
PRE-AUDITING OF SCM PROCESSES OF BIDS ABOVE R 10
MILLION (INCLUDING ALL APPLICABLE TAXES) BEFORE THE
AWARD OF CONTRACT.**

1. ISSUANCE

1.1 This Provincial SCM Instruction note is hereby issued in terms of section 18(2) (a) of the Public Finance Management Act, 1999 (Act 1 of 1999 as amended) – [PFMA], where the Provincial Treasury is mandated to prescribe Provincial norms and standards.

2. PURPOSE

2.1 The purpose of this Provincial Instruction Note is to enhance compliance monitoring and improve transparency, accountability and combating fraud in institutions by providing guidance on bids and contract awards above R10 million to ensure value for money in the procurement of goods, works and/or services for bids and contract awards above R10 million. .



3. BACKGROUND

3.1 The Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) promotes economy, efficiency, effectiveness and transparency in the use of state resources and one of its key objectives is to eliminate waste and corruption in the use of public assets.

3.2 In context of this policy objective, it has come to light that improper SCM practices at institutions are seriously undermining sound financial management, weakening the spirit and ethos of the PFMA, and ultimately eroding scarce resources that are intended to improve service delivery. These improper SCM practices include the circumvention of official competitive bidding processes in order to, among others, enter into contractual commitments or incur expenditure at the end of a financial year so that the surrender of unspent voted funds may be avoided.

4. RESPONSIBILITIES OF ACCOUNTING OFFICERS AND ACCOUNTING AUTHORITIES ON BIDS ABOVE R10 MILLION (INCLUDING ALL APPLICABLE TAXES) BEFORE THE AWARD OF CONTRACT

4.1 The following information must be submitted to the Provincial Treasury prior to its advertisement in e-Tender Publication Portal and Government Tender Bulletin of any bids in excess of R10 million (all applicable taxes included):

- (a) Proof that budgetary provision exists for procurement of the goods and/or services aligned with the targets/outputs indicated in the strategic plan and the approved procurement plan of the institution.
- (b) Any ancillary budgetary implications related to the bid, for example, if the project is for the building of a school, does budgetary provision exist for the remuneration of teachers, the transport of children and municipal taxes and services.
- (c) Any multi-year budgetary implications, for example, if a project will take more than one financial year, the estimated expenditure per year must be clearly stated.

4.2 Requirements may not be deliberately split into parts or items of lesser value merely to avoid the information being submitted to the Provincial Treasury prior to the publication of the bid invitation in the e-tender Publication portal and Government Tender Bulletin.

5. RESPONSIBILITIES OF PROVINCIAL TREASURY IN MONITORING CONTRACT AWARDS ABOVE R10 MILLION (INCLUDING ALL APPLICABLE TAXES)

5.1 Contracts above the value of R10 million (all applicable taxes included) may only be awarded with the concurrence by the Provincial Treasury of information submitted in section 4 above.

5.2 The Provincial Treasury will respond to the relevant accounting officer / authority within a reasonable period of between seven (7) working days not exceeding fifteen (15) working days after receipt of all the required information.

6. ATTACHMENTS

- Annexure A: detailed pre auditing of SCM process for bids above R 10 million (including all applicable taxes) before the award of contract

7. APPLICABILITY

This Provincial SCM Instruction note applies to all Provincial Departments and Public Entities.

8. ENQUIRY

Any enquiries and information required in respect of this SCM Instruction note may be directed to the Department of Finance: Provincial Supply Chain Management as follows:

HM Mashao

Head of PSCM

Tel: (018) 388 4225/4224

Fax: (086) 409 0357

E-mail: hmashao@nwpg.gov.za

9. EFFECTIVE DATE

This SCM Instruction note is effective from the 1st April 2019.


MR. NI KUNENE
HEAD OF DEPARTMENT


DATE



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Department:
Finance
North West Provincial Government
Republic of South Africa



Former FBC Building, Megacity
Private Bag X115
MMABATHO 2735
www.treasury.nwpg.gov.za

PROVINCIAL INTERNAL AUDIT

Enquiries: A. Nel
Tel : 018 388 1616
Fax : 018 388 4058
Email : andren@nwpg.gov.za

ANNEXURE A: DETAILED PRE AUDITING OF SCM PROCESS FOR BIDS ABOVE R 10 MILLION (INCLUDING ALL APPLICABLE TAXES) BEFORE THE AWARD OF CONTRACT

Following the invocation of section 100 by the National Government, the National Treasury has required per Section 100 (1) (a) Directive 10 Intervention for the North West Department of Finance- Directive 10: Strengthen SCM oversight capability of the Provincial Treasury for both PFMA and MFMA compliant institutions in the Province that all tenders with a value above R10 million must be reviewed by the Provincial Treasury before the award is made.

To give effect to this Directive, the Provincial Treasury requires that with effect from **1 April 2019**, all bids with a value above R10 million must be reviewed for compliance to prescribed norms and standards, before the award is made, by the internal auditors of the relevant department.

Through the review internal audit will also assist the Accounting Officer in maintaining efficient and effective controls by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement including compliance with laws, regulations and controls.

The outcome of the review will be reported to the Provincial Treasury, the Accounting Officer (administrator & heads of department) and subsequently to the audit committee (to whom internal audit reports functionally, on a quarterly basis). Based on the review outcome the relevant accounting officer will be required to determine the impact of the review notes and inform the Provincial Treasury, before the award is made of his/her evaluation of the review outcome and corrective actions taken or decisions made in this regard.



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ANNEXURE A: DETAILED PRE AUDITING OF SCM PROCESS FOR BIDS ABOVE R 10 MILLION (INCLUDING ALL APPLICABLE TAXES) BEFORE THE AWARD OF CONTRACT

These reviews will be performed from the special assignment hours included in the approved annual internal audit operational plans. Should there be a requirement operational plans could also be amended through the normal processes to make additional hours available for these reviews, subject to the approval of the audit committee.

In order to create an enabling and conducive environment for the reviews the following will apply:

- The relevant accounting officer (administrator & heads of department) has the accountability and responsibility for the establishment, implementation and enforcement of preventative and detectives controls over procurement through bids as required by section 38(1) of the PFMA. Such controls must be in place and have functioned adequately and effectively before submission of the bid for review. The review does not replace such controls, does not assume the role of an internal control or “gatekeeper” nor does it change the accountability and responsibility of accounting officer (administrator & heads of department) of that department.
- The relevant accounting officer (administrator & heads of department) must notify the internal audit unit 2 weeks before the planned review that the bid will be submitted for review. The notification must indicate the date when the bid will be submitted, the bid number and bid name, the type of goods or services procured, bid value and period, bid expiry date, the number of bidders who submitted bids and the planned number of appointments (single, panel, multiple etc). This will enable the internal audit unit to plan for the review and schedule the resources required to perform the review.
- In order for the review process to have adequate time to be performed and finalized up to final reporting, a minimum time of ten working days after the submission date is agreed to. The review time will be dependent on various factors and will be communicated by the Provincial Treasury to the relevant accounting officer (administrator & heads of department).
- The submission date as referred to above, will be taken as the first full working day after all documents relevant to the review has been received by the internal auditor.



ANNEXURE A: DETAILED PRE AUDITING OF SCM PROCESS FOR BIDS ABOVE R 10 MILLION (INCLUDING ALL APPLICABLE TAXES) BEFORE THE AWARD OF CONTRACT

- No bid will be accepted for review if the validity period of the bid expires within 15 working days from the date of submission to the internal auditor. It is incumbent on the Accounting Officer (administrator & heads of department) to ensure that procurement processes occur and is finalized timely.
- All reviews will be performed at the office of the internal audit unit, and all documentation subjected to detailed receipt and handing back signoffs. The submission is to be made to the office of the, Mr. Andre. Nel.
Mr Andre Nel
Chief Audit Executive
Tel: (018) 388 1616
Fax: 018 388 4058
E-mail: andren@nwpg.gov.za
- Documentation required for review purposes is indicated per Annexure 1 attached to this document.

The review process as is envisaged will give priority to Departments that are under administration as per section 100(1)(b). Also given the extent of planned procurement with a value of more than R10 million as per the procurement plans received from departments, the Provincial Treasury may subsequently approve that the reviews be done on a sample basis. Accounting officers (administrators & heads of departments) will be informed of such decisions when required.



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Annexure 1

GENERAL- INDEX		Included in file Yes/No	Checked by
A	Copies of appointment letters of:		
1	Bid specification committee members.		
2	Bid evaluation committee members.		
3	Bid adjudication committee members.		
4	SCM Delegations		
BID SPECIFIC- INDEX			
B	Copies of the following documentation:	Included in file Yes/No	Checked by
1	Compliance checklist		
2	Approved bid specifications signed off by committee/delegated official/accounting officer.		
3	Approved evaluation and adjudication criteria signed off by committee/delegated official/accounting officer.		
4	Approved bid documentation including evaluation and adjudication criteria for responsiveness/legal requirements/administrative requirements, functionality, local content, preference point system.		
5	Advertisements including eTender Publication Portal, Government Tender Bulletin and CIDB (if construction).		
6	Attendance register and minutes of compulsory site meeting.		
7	Bid register compiled when bids were opened.		
8	Signed-off report of the bid evaluation committee to the bid adjudication committee.		
9	Attendance register for evaluation committee.		



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10	Signed off minutes of the relevant evaluation committee meeting.		
11	Declaration of impartiality and confidentiality completed by evaluation committee members.		
12	Functionality calculations (when applicable)		
13	Verification of winning bid to register of tender defaulters and prohibited suppliers.		
14	Signed off report of the bid adjudication committee, before approval by accounting officer, delegated official delegated committee.		
15	Attendance register for adjudication committee.		
16	Declaration of impartiality and confidentiality completed by adjudication committee members.		
17	Signed off minutes of the adjudication committee meeting where the report was adopted/approved.		
18	Winning bidder, bid document.		

Notes:

[a]Samples of additional bidder documentation will be communicated by the internal audit unit as the audit progresses.

[b]This list is subject to amendment and communication of such by internal audit.

