



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: 32019/2020

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

FROM : DIRECTOR: SUPPLY CHAIN MANAGEMENT

DATE : 06 JUNE 2019

SUBJECT : PROVINCIAL TREASURY INSTRUCTION NOTE 5 OF 2018/2019: PREVACTION
OF PREVALENT SUPPLY CHAIN MANAGEMENT NON COMPLIANCE

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

Hope you find above order

Ms. K V Sikhweni
Director SCM

06/06/2019

Date



feed

Department:
Finance
North West Provincial Government
Republic of South Africa



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OFFICE OF THE HOD

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Tel : 018 388 1616
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Ref: 6/1/P

**TO: ACCOUNTING OFFICERS/ ADMINISTRATORS
CHIEF FINANCIAL OFFICERS
HEADS OF SUPPLY CHAIN MANAGEMENT, INTERNAL CONTROL AND RISK
MANAGEMENT**

**SUBJECT: PROVINCIAL TREASURY INSTRUCTION NOTE 5 OF 2018/2019: PREVENTION
OF PREVALENT SUPPLY CHAIN MANAGEMENT NON COMPLIANCE**

1. ISSUANCE

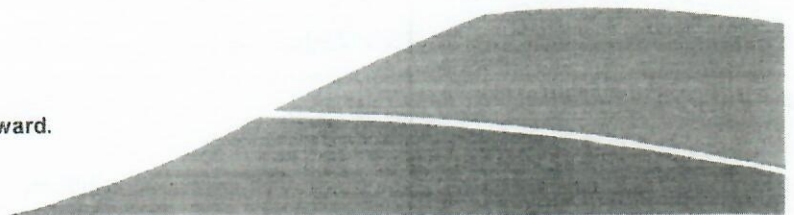
This Instruction Note is hereby issued in terms of section 18(2) (a) of the Public Finance Management Act, 1999 (Act 1 of 1999 as amended) – [PFMA], where the Provincial Treasury is mandated to prescribe provincial norms and standards.

2. PURPOSE

The purpose of this Instruction Note is to enhance compliance by providing guidance on the identification and prevention of certain Supply Chain Management (SCM) related risks. This Instruction Note does not replace any current departmental risk management and internal control processes but supplements and serve to highlight certain risk and the mitigation thereof.

3. BACKGROUND

Together moving Bokone Bophirima forward.



- 3.1 The Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) promotes the objective of good financial management in order to maximise service delivery through the efficient and effective use of limited resources.
- 3.2 Central to this objective is the procurement of goods and services and capital projects in accordance with the prescribed legislation and in manner that is fair, equitable, transparent, effective and cost effective.
- 3.3 The North West Provincial Government has incurred over a period of time continued material and recurring irregular expenditure, being expenditure incurred in contravention of the applicable legislation, and also has a significant occurrence rate of noncompliance with laws and regulations related to SCM.
- 3.4 In order to adequately and effectively address this challenge, a review has been performed to identify the current most prevalent areas of noncompliance to laws and regulations in the SCM process. The outcome of this review is reflected in annexure A of this instruction. This list should augment current SCM risk registers and checklists in use at departments.

4. RESPONSIBILITIES OF ACCOUNTING OFFICERS

- 4.1 Sections 38(1)(a)(i) and 39(1)(c)(ii) requires that an accounting officer must ensure that the department has effective, efficient and transparent systems of financial and risk management and internal control and must take effective and appropriate steps to prevent irregular expenditure.
- 4.2 Accounting officers are required to ensure that internal controls that will prevent and detect this noncompliance (Annexure A) from occurring are identified and documented, and that an initial assessment has been made to determine whether the risk of noncompliance has been adequately mitigated. This assessment should be reviewed periodically by departments and if the outcome of such reviews indicate failure of the current internal controls to prevent or detect the noncompliance, the controls should be appropriately amended to ensure that the noncompliance risk is effectively mitigated.



Furthermore these controls must be adequately described (documented), integrated into existing control processes, assigned to relevant officials and also where applicable it must be ensured that time/frequency lines for performance have been set. It is also essential to ensure that officials performing the controls know and understand their function and the controls that they are performing.

5. ATTACHMENTS

Annexure A: Key Control Checklist: Procurement

This Checklist content will be updated and this communicated to departments when required.

The completed Departmental Key Control Checklist (Annexure A) and a departmental deviation register of all deviations from procurement procedures (both approved and not approved) must be updated and maintained on a continuous basis and must be available for audit purposes at all times.

6. APPLICABILITY

This Provincial Instruction Note applies to all Provincial Departments.

7. ENQUIRY

Any enquiries and information required in respect of this Instruction Note may be directed to the Department of Finance: Provincial Internal Audit as follows:

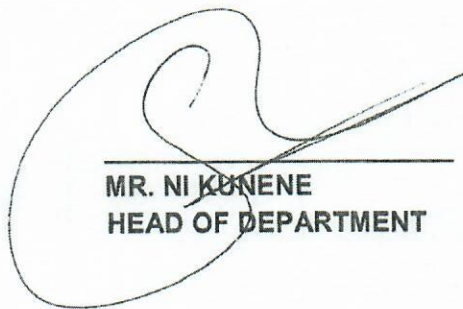
Mr. A Nel
Chief Audit Executive
Tel: (018) 3881616
E-mail: andren@nwpg.gov.za



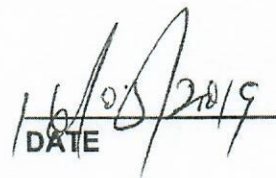
**SUBJECT: PROVINCIAL TREASURY INSTRUCTION NOTE 4 OF 2018/2019:
PREVENTION OF PREVALENT SUPPLY CHAIN MANAGEMENT NON
COMPLIANCE**

8. EFFECTIVE DATE

This Instruction Note is effective from the 1st June 2019.



**MR. NI KUNENE
HEAD OF DEPARTMENT**



DATE



<p>officer, but it was practical to invite competitive bids, as required by Treasury Regulations 16A6.1 and 16A6.4.</p>					
<p>PN 8 of 2007/2008 paragraph 3.4 PN 6 of 2007/2008 NT Instruction 3 of 2016/2017 paragraph 8</p>					
<p>Deviation from competitive bidding approved by the accounting officer was not in compliance to Treasury Regulation 16A6.4.</p>					
<p>PN 8 of 2007/2008 paragraph 3.4 PN 6 of 2007/2008 NT Instruction 3 of 2016/2017 paragraph 8</p>					
<p>Construction contracts were awarded to contractors that did not qualify for the contract in accordance with the CIDB Regulations 17 and 25(7A).</p>					
<p>Evidence could not be submitted that invitations for competitive bidding were advertised in the government tender bulletin, as required by Treasury Regulation 16A6.3(c).</p>					
<p>Treasury Instruction 1 of 2015/2016 paragraph 3.1</p>					
<p>Evidence could not be submitted that invitations for competitive bidding were advertised for a required minimum period, as required by Treasury Regulation 16A6.3(c).</p>					
<p>Evidence could not be submitted that bid, specification, evaluation and adjudication was done by committees which were composed in accordance with the policies of the department, as required by Treasury Regulation 16A6.2 (a), (b) and (c).</p>					
<p>(See also: Provincial SCM Guideline re-establishment or alignment of bid committee</p>					

dated 24 March 2011)								
Evidence could not be submitted that contracts were awarded to bidders based on points given for criteria that were stipulated in the original invitation for bidding, as required by Treasury Regulation 16A6.3(a).								
Preferential Procurement Regulations 2017 paragraphs 3, 4, 5, 6, 7, 8, 9 and 11								
Contracts were awarded to bidders based on pre-qualification criteria that differed from those stipulated in the original invitation for bidding in contravention of the Preferential Procurement Regulations 4(1) and 4(2).								
Contracts were extended or modified without approval of a properly designated official as required by section 44 of the PFMA and Treasury Regulation 8.1 and 8.2.								
NT Instruction 3 of 2016/2017 paragraph 9								
Contracts were amended or extended, and the renewal is not justifiable and is indicative of circumvention of procurement processes.								
Contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with Treasury Regulation 16A8.3.								
PN 7 of 2009/2010								
DPSA Directive January 2017 Employees conducting business with the state								
Contracts were awarded to bidders who did not submit a declaration of past supply chain practices such as fraud, abuse of SCM system and non-performance, which is prescribed in order to comply with Treasury regulation								

<p>16A9.2.</p> <p>NT PN Prohibition of restrictive practices dated 21 July 2010</p>					
<p>[c] Common</p> <p>The preference point system was not applied for goods and services procured above R30 000 as required by section 2(a) of the Preferential Policy Framework Act and Treasury Regulation 16A6.3(b).</p>					
<p>Preferential Procurement Regulations 2017 paragraphs 6.1 and 7.1</p> <p>Contracts and quotations were awarded to bidders based on a preference point system that were not allocated and calculated in terms of the Preferential Procurement Policy Framework Act and its regulations.</p>					
<p>Preferential Procurement Regulations 2017 paragraphs 6 and 7</p> <p>Contracts and quotations were awarded to bidders on that did not score the highest points in the evaluation process, as required by section 2(1)(f) of the Preferential Procurement Policy Framework Act and its regulations.</p>					
<p>Preferential Procurement Regulations 2017 paragraph 11</p> <p>Evidence could not be submitted that contracts or quotations were awarded to suppliers whose tax matters have been declared by the South African Revenue Services to be in order as required by as required by Treasury Regulation 16A9.1(d).</p>					

<p>Alternative: Some of the quotations and contracts were awarded to suppliers whose tax matters had not been declared South African Revenue Services to be in order as required by as required by Treasury Regulation 16A9.1(d).</p>					
<p>NT Instruction 9 of 2017/2018 Quotation and bid documentation for procurement of commodities designated for local content and production, did not stipulate minimum threshold for local production and content as required by the Preferential Procurement Regulation 8(2).</p>					
<p>Preferential Procurement Regulations 2017 paragraphs 3(c) and 8 Persons in service of the department who had a private or business interest in contracts awarded by the department failed to disclose such interest, as required by Treasury Regulation 16A8.4.</p>					
<p>PN 7 of 2009/2010 DPSA Directive January 2017 Employees conducting business with the state Persons in service of the department whose close family members, partners or associates had a private or business interest in contracts awarded by the department failed to disclose such interest, as required by Treasury Regulation 16A8.4.</p>					
<p>PN 7 of 2009/2010 DPSA Directive January 2017 Employees conducting business with the state</p>					

<p>[c] Payments Payments were not made within 30 days or an agreed period after receipt of an invoice, as required by Treasury Regulation 8.2.3.</p>				
<p>Payments were made before goods and services were received, contravening Treasury Regulation 15.10.1.2(c).</p>				

Annexure A: Department of

Key Control Checklist: SCM

Non Compliance	Key Controls	MITIGATED?		
		Yes	No	N/A Comment
<p>[a]Quotations Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1. PN 8 of 2007/2008 paragraph 3.3 Quotations were accepted from prospective suppliers who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with Treasury Regulation 16A8.3.</p>				
<p>PN 7 of 2009/2010 DPSA Directive January 2017 Employees conducting business with the state</p>				
<p>[b]Bids Goods and services of a transaction value above R500 000 were procured without inviting competitive bids as required by Treasury Regulation 16A6.1. PN 8 of 2007/2008 paragraph 3.4 PN 6 of 2007/2008 NT Instruction 3 of 2016/2017 paragraph 8 Deviations were approved by the accounting</p>				



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