



**Western Cape
Government**

Provincial Treasury

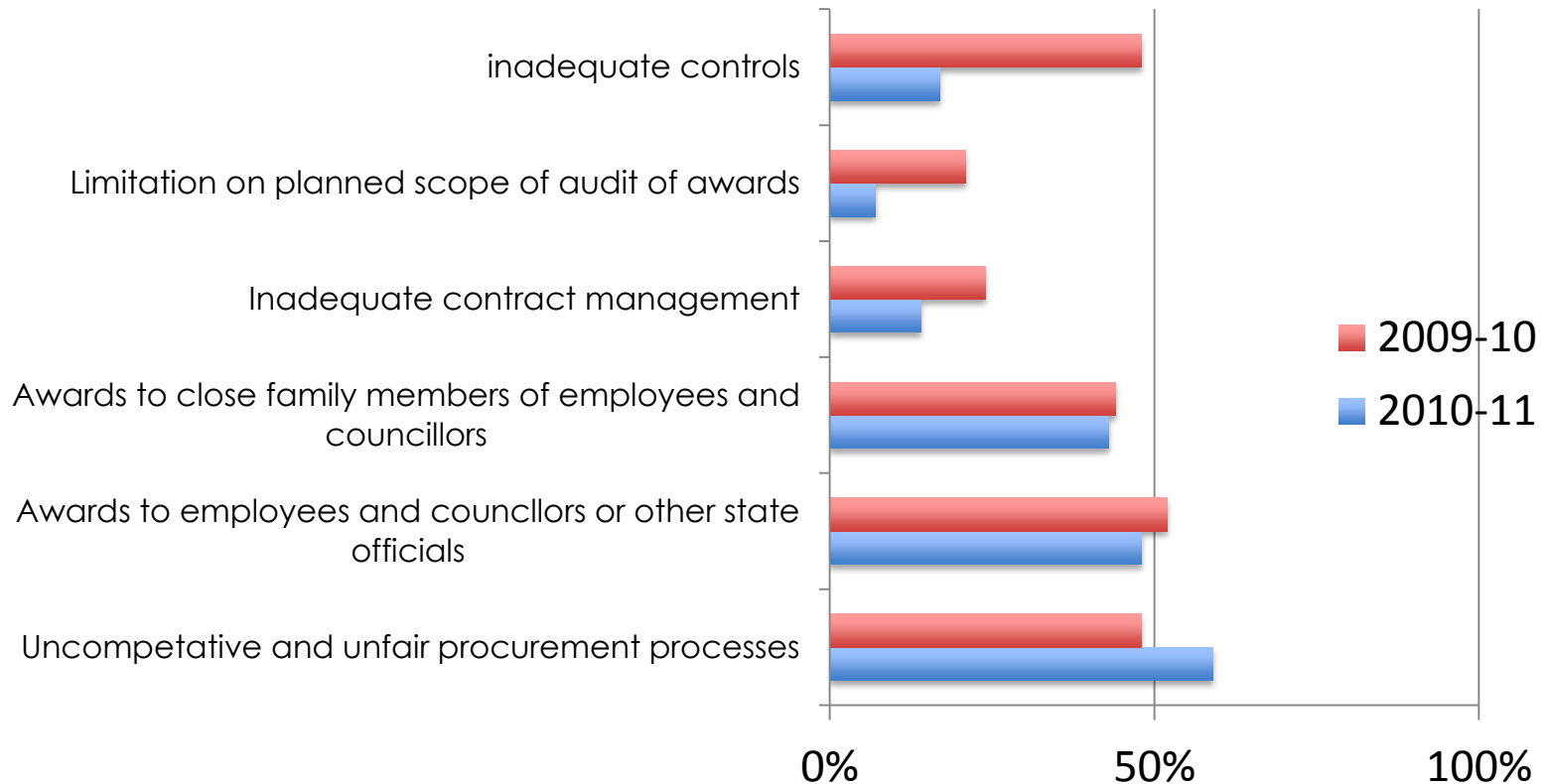
Supply Chain Management

PROVINCIAL GOVERNMENT'S OBJECTIVE AND GOALS

- Based on the Provincial Strategic Objectives (PSO), specifically focusing on PSO 12, which indicates that we are striving to be the best run regional government in the world.
- To achieve this short-to medium and long-term objectives have been established
Short – to medium term objective is for municipalities operate a level three plus (3+) of the financial capability by 2015,
Long-term objective, by 2024 all municipalities operating at a level 6 of the financial capability model
- In simple terms this means that the Provincial Government is striving to assist the municipalities to achieve good governance and thereby receiving clean audits.
- Through the MGRO process additional assistance is needed to update the municipal GAP.

2010/11 AUDIT OUTCOMES

FINDINGS ARISING FROM THE AUDIT OF SUPPLY CHAIN MANAGEMENT:



2010/11 AUDIT OUTCOMES

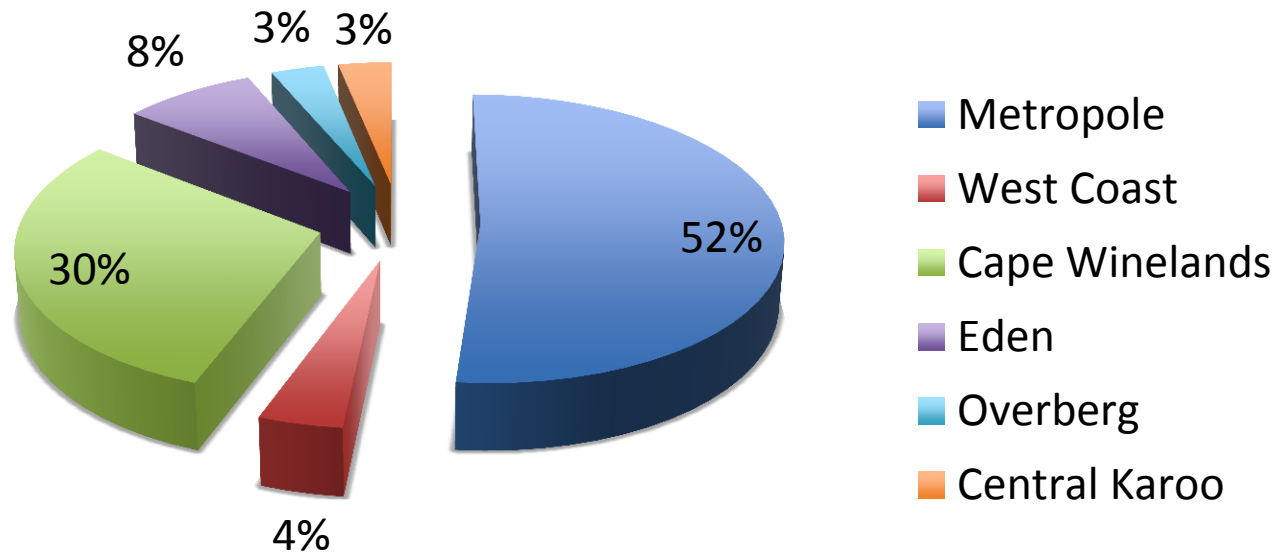
FINDINGS ARISING FROM THE AUDIT OF SUPPLY CHAIN MANAGEMENT (cont..)

- The AGSA has noted that there has been a steady improvement in audits and specifically to incurrence of irregular expenditure, which is attributed by improved internal controls.
- Notwithstanding the above, AG further noted that there was a slight regression in terms SCM non-compliance, owing to the lack of monitoring of implementation of policies and procedures.
- Areas of great concern emanating from the recent audits are, regression in uncompetitive or unfair procurement, awards to persons in the service of the state (own employees) and lack of adequate internal controls. .

2010/11 AUDIT OUTCOMES

Awards to state officials per district

Section 44 awards



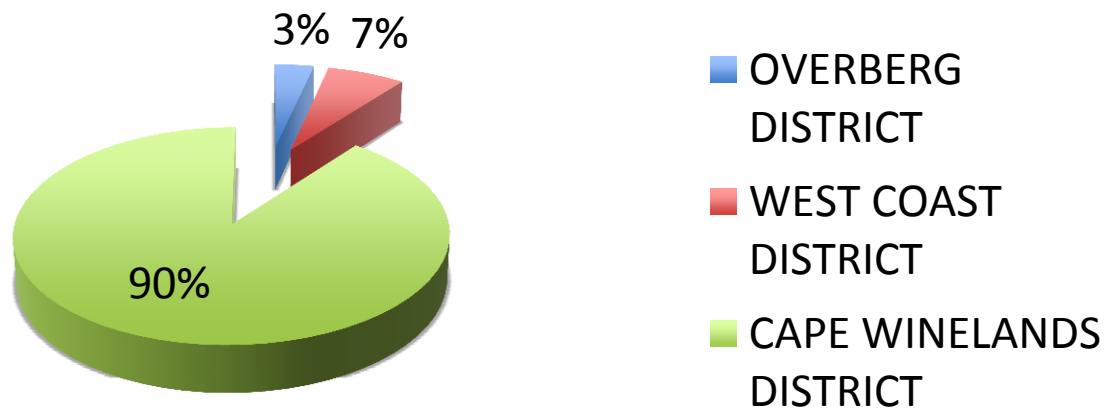
2010/11 AUDIT OUTCOMES

AWARDS TO PERSONS IN SERVICE OF THE STATE (NARRATIVE)

- From the 2010-11 audits, AG indicated that a total number of 129 contracts, amounting to R 87,863,000 were awarded to companies owned or partly owned by persons who are in the service of the state.
- Of the 129 awards, 21 contracts were awarded by municipalities to own employees, and amounted to R 1,836,000
- Furthermore AG noted most of the awards made to municipalities own employees, no declarations could be obtained for the awards. Therefore a serious concern regarding internal controls was highlighted .

2010/11 AUDIT OUTCOMES

AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN SERVICE OF THE STATE



- Awards to close family members which were not disclosed in the annual financial statements were found in municipalities under the abovementioned districts.
- A total of 29 awards were made, and amounting to R 3,488,000.

MFMA CIRCULAR 62: MBD4

Verifying the names and ID numbers of directors, trustees, shareholders of companies, against the relevant staff structure

- [MBD 4 “Declaration of interest”](#) to be used - Augmented to require bidders to submit personal details of their directors / trustees / shareholders who are in the service of the state.
- Compels bidders to submit the names, individual ID numbers, personal tax reference numbers and employee numbers of those in the service of the state.
- Accounting officers required to utilize details on **MBD4** including to determine whether anyone are employees of the municipality during the evaluation process.
- Further guidance on this evaluation process is contained in the circular.

MFMA CIRCULAR 62: SCM Regulation 44 and 45

- In the event that the Auditor-General detects irregular expenditure during the audit process as a result of possible false declarations and subsequent awards based on those declarations, the municipality or municipal entity will be informed of such irregular expenditure.
- **The municipality or municipal entity will be required to rectify this matter by instituting the necessary remedial measures:**
 - by investigating the matter,
 - recovering the funds spent,
 - instituting disciplinary proceedings against those liable for such actions and possible criminal prosecution as may be appropriate.
- The accounting officer must also apply the remedial measures contained under “Termination for Default” in the General Conditions of Contract. The expenditure at this stage will **not** be classified as irregular expenditure.
- In the event that the same expenditure is detected in the following year’s audit and the remedial measures referred to above were not instituted, the expenditure will then be classified as irregular expenditure.
- The measures contained in **MFMA Circular 43** relating to the restriction of suppliers in terms of the Preferential Procurement Regulations are still relevant.
- The revised MBD 4 attached to **MFMA Circular 62** dated 20 August 2012 replaces the MBD 4 issued in terms of MFMA Circular 25 dated 30 October 2005.

PROVINCIAL TREASURY INTERVENTION: REGULATION 44

- Intervened at the NT Joint Meeting in March 2012
- Compiled a list of audit findings with regard to this regulation and made it available to NT.
- Provided written response to NT in addressing this matter.
- Intervened at the NT Joint Meeting in September 2012.
- Convened discussions with Western Cape AG with regard to Regulation 44/45.
- Issuance of NT Circular No 62 that set out the agreement between NT and National AG.
- PT in the process of compiling comments to NT with regard to Circular No 62.
- Different solutions have been researched and presented at the SCM Forum Meeting, for example Trans Union and Search Works solutions

PROVINCIAL TREASURY INTERVENTION: REGULATION 44

- Additional solutions will be researched and will be introduced via the SCM Forum Meetings
- A pilot project has also been established between PT and the COCT to run the City's Supplier Database against the NT PERSAL System.
- If the pilot is successful the service will be rolled-out to all other municipalities in the Western Cape.
- The benefit of this process is that we are demonstrating that municipalities are moving towards compliance.
- AG at the latest PCF confirmed that it will adhere to stipulations in NT Circular 62.
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- Follow-up sessions will be arranged with provincial AG to address this matter further.



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Thank you