

PROVINCE OF THE WESTERN CAPE

PROVINCIAL TREASURY

ISSUING OF PROVINCIAL TREASURY INSTRUCTIONS IN TERMS OF SECTION 18(2) (a) OF THE PUBLIC FINANCE MANAGEMENT ACT, 1999 (ACT 1 OF 1999) [AS AMENDED]

Under the powers vested in the Provincial Treasury by section 18(2)(a) of the Public Finance Management Act, 1999 (Act 1 of 1999) (as amended) – [the Act], I, Alan Winde, Provincial Minister (Member of the Executive Council) of the Province of the Western Cape responsible for financial matters and as the Head of Treasury amend the Provincial Treasury Instructions dated 2 November 2009 as follows:

- (a) Chapter 10: Moveable Asset Management of Part 5: Asset and Liability Management and Chapter 16A: Supply Chain Management of Part 6: Frameworks is replaced with Chapter 16A: Supply Chain Management (Goods and Services) issued herewith;
- (b) Chapter 16B: Supply Chain Management for the delivery and maintenance of infrastructure is inserted as new instructions; and
- (c) Replace in its entirety supplementary interim Provincial Treasury Instructions issued 07 December 2011.

These Provincial Treasury Instructions is effective from 1 April 2012, except for those paragraphs cited in the attached Annexure, where the effective date/s of enforceability has been delayed, as indicated.

Signed at CAPE TOWN this.....28th.....day ofMARCH.....2012.


MEC for Finance, Economic Development and Tourism

PROVINCIAL TREASURY INSTRUCTIONS FOR SUPPLY CHAIN MANAGEMENT: PROVISIONS TO TAKE EFFECT ON A DATE LATER THAN 1 APRIL 2012

CHAPTER 16A

Paragraph	Instruction	Effective Date
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. (AOS)	31 March 2013
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.	31 March 2013
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.	31 March 2013
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.	31 March 2013
5.2.1.2 (a)	Quotations must be obtained from at least three different providers whose names appear on the supplier database.	1 July 2012
5.2.1.3 (a)	Quotations must be obtained through the integrated procurement solution from service providers who are duly registered on the supplier database.	1 July 2012
5.2.1.6 (c)	The accounting officer or accounting authority should preferably make use of the supplier database to obtain quotations.	1 July 2012
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.	1 July 2012
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.	1 August 2012
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.	1 August 2012

Paragraph	Instruction	Effective Date
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.	1 August 2012
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.	1 October 2012
8.2.1	<p>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:</p> <ul style="list-style-type: none"> (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 reconciliation of asset records with financial accounts. 	31 March 2013
8.3.1	<p>The logistics management system of an institution must provide for the following policies and standard operating procedures in relation to inventory management:</p> <p>Policies</p> <ul style="list-style-type: none"> (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. 	31 March 2013

	<p>Standard operating procedures</p> <p>(a) demand forecasting and resource planning for stock items;</p> <p>(b) calculation of stock levels, safety stock, reorder quantities and reorder points;</p> <p>(c) stocktake;</p> <p>(d) restricted access areas;</p> <p>(e) disposal of damaged, spoiled or obsolete items;</p> <p>(f) losses and misuse of inventory items;</p> <p>(g) safe operation of storage facilities, plant and equipment;</p> <p>(h) recording of orders, receipts, issues and returns;</p> <p>(i) production of inventory management reports; and</p> <p>(j) reconciliation of inventory records with financial accounts.</p>	
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.	31 March 2013
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.	1 October 2012
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.	1 October 2012



CHAPTER 16B

Paragraph	Instruction	Effective Date
3.1	<p>Accounting officer and accounting authorities must:</p> <ul style="list-style-type: none"> a) establish and implement an infrastructure delivery management system in accordance with the relevant provisions of the Provincial Treasury's Standard for an Infrastructure Delivery Management System and assume responsibility for the functionalities as set out in Table 1; and b) assume responsibility for the different types of maintenance as set out in Table 2. 	1 January 2013
3.4	<p>Accounting officers and accounting authorities must:</p> <ul style="list-style-type: none"> a) delegate responsibility for the performance of duties assigned to a client, implementer or custodian in terms of the standard referred to in 3.1 (a) to suitable units within their institution; b) delegate responsibility for the different type of maintenance to suitable units within their institution; and c) where alternative arrangements for routine and day to day maintenance are provided for a Table 2, allocate responsibilities for such maintenance in terms of a Service Delivery Agreement with the Department of Transport and Public Works. 	1 January 2013
3.5	<p>All major capital projects must be subjected to an independent gateway review prior to the acceptance of the concept report at the end of stage 4 in accordance with the provisions of the standard referred to in 3.1 (a).</p>	1 January 2013
4.1	<p>Accounting officers and accounting authorities must in order to serve their construction procurement needs either:</p> <ul style="list-style-type: none"> a) establish and implement a construction procurement system in accordance with the relevant provisions of the Provincial Treasury Standard for a Construction Procurement System; or b) make use of a framework contract put in place by the Department of Transport and Public Works. 	1 October 2012

Paragraph	Instruction	Effective Date
4.3	a) Accounting officers and accounting authorities must designate persons to undertake actions and perform activities in accordance with Annexure B of the Provincial Treasury Standard for a Construction Procurement System.	1 October 2012
5.2	<p>The supply chain management unit must:</p> <ul style="list-style-type: none"> (a) execute certain activities relating to the construction procurement process in accordance with the provisions of the standard referred to in paragraph 4.1(a); (b) render assistance and, where appropriate, administrative support to the line function managers and other officials in the performance of their supply chain management responsibilities; (c) measure the performance of the supply chain in terms of areas such as effectiveness, potential efficiency gains, weaknesses in performance, quality and value for money and identify corrective actions or interventions to improve performance; (d) co-ordinate and manage the interface between the institution and provincial treasury in the implementation of these instructions; (e) collate and compile reports to the accounting officer or accounting authority and provincial treasury; (f) ensure that management, control and accountability is maintained through comprehensive objective assessments; (g) enforce the regulatory framework for supply chain management within the institution; (h) perform internal controls function for the supply chain; and (i) identify, treat and report occurrences of fraud, corruption, collusion and abuse of the supply chain system. 	1 October 2012