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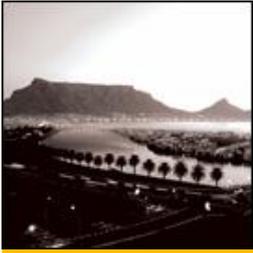
City of Cape Town

Supply Chain Management

Due Diligence Processes and Procedures

**Stellenbosch Council Chambers
Stellenbosch Municipality
13 June 2013**

Presented by: Danie W Steyn



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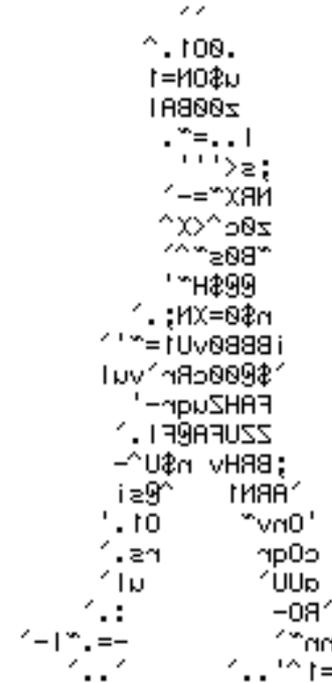
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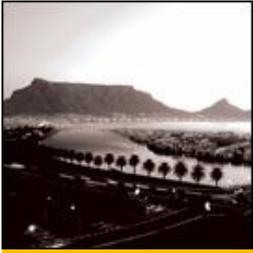
A Walk Through

➤ Introduction

➤ Legal Framework

➤ Processes and Procedures





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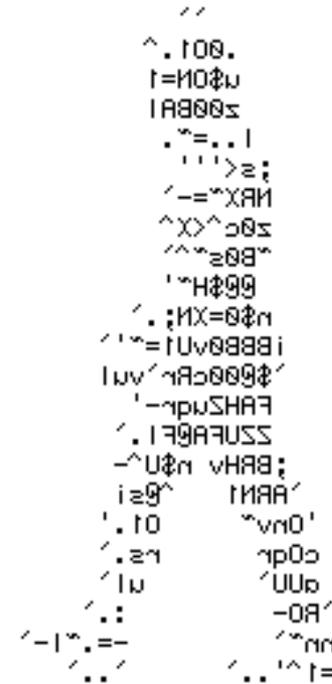
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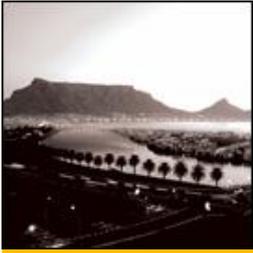
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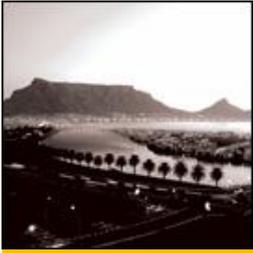
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INTRODUCTION: Due Diligence

- *Presentation by City of Cape Town on the compliance issues relating to Municipal SCM Regulation 44 that will assist with Due Diligence processes.*



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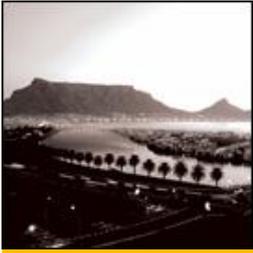


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INTRODUCTION: Due Diligence

Due Diligence?

Processes and procedures to enable compliance processes that align vendor database information to all prescribed legislative requirements.



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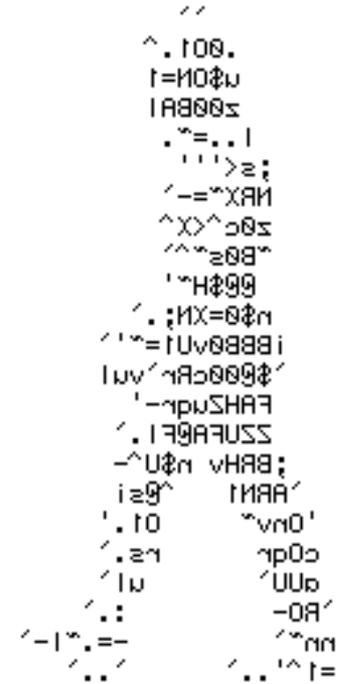
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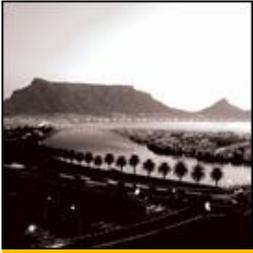
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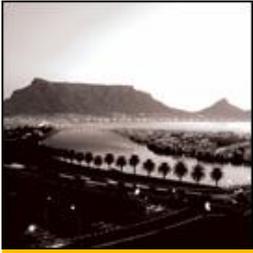
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Legal Framework

- Municipal Supply Chain Management Regulations
- SCM Abuse Policy (City of Cape Town)



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Legal Framework

Municipal SCM Regulations

➤ Regulation 43

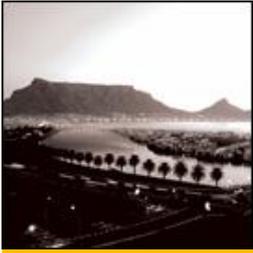
- Prohibition on awards to persons whose tax matters are not in order

➤ Regulation 44

- Prohibition on awards to persons in the service of the state

➤ Regulation 45.

- Award to close family members of persons in the service of the state (Reporting)



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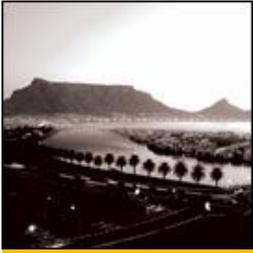


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Legal Framework

CoCT SCM Abuse Policy

- **“Improper conduct”** means conduct that tantamount to:
 - **fraud; corruption;** favoritism; unfair, irregular and unlawful practices; **misrepresentation on information** submitted in tender documents for the purposes of procuring a contract with the City;
 - misrepresentation regarding the contractor’s expertise and capacity to perform in terms of a contract procured via the Supply Chain Managing System; breach of a contract procured via the Supply Chain Managing System and failure to comply with the Supply Chain Management System.



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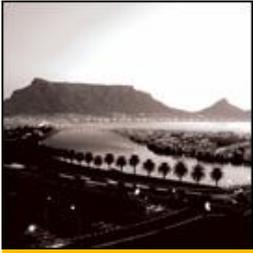


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Legal Framework

CoCT SCM Abuse Policy

- **“Fronting (Also referred to as Tokenism or Window dressing) i.e.,**
- where Historically Disadvantaged People are signed up as fictitious shareholders or members in essentially Juristic Entities where some or none of the **shareholding or membership**, as the case may be, is held by persons other than Historically Disadvantaged People, and
- which Juristic Entities tender for contracts in terms of which substantial financial benefits and proceeds generated by virtue of such contracts are channeled to shareholders or members of such Juristic Entities, as the case may be, or to an alternative Juristic Entity or Entities where some or none of the shareholding or membership, as the case may be, is held by persons other than Historically Disadvantaged People who otherwise would not have obtained any financial benefits or proceeds but for such fictitious shareholders or members of the entity to whom the contract was awarded;



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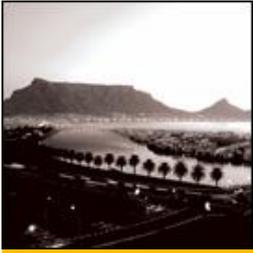


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Legal Framework

CoCT SCM Abuse Policy

- **"City's Register of Tender and Contract Defaulters"**
- means any list compiled by the City for purposes of the combating of Abuse of the Supply Chain Management System in terms of which the persons reflected on the list are prohibited from being awarded any contract by the City for the specified period reflected on the list.
- Vendor blocked/suspended – controlled by Supplier Management



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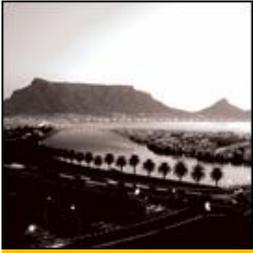


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Legal Framework

CoCT SCM Abuse Policy

- **“Influencing the Tender Process”**
- directly, **indirectly or tacitly influencing or interfering** with the work of relevant City Officials involved in the tender process in order to influence the process in order to inter alia:
 - a) influence the process and/or outcome of a tender;
 - b) incite breach of confidentiality and/or the offering of bribes
 - c) cause over and under invoicing;
 - d) influence the choice of procurement method or technical standards;
 - e) influence any City Official in any way which may secure an unfair advantage during or at any stage of the procurement process.



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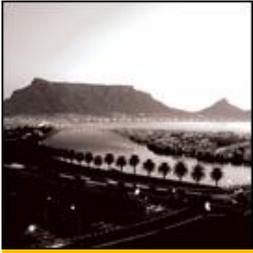


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Legal Framework

CoCT SCM Abuse Policy: *Legal Processes*

- **Adequate notice** of manner of abuse of supply chain management system
- Right to access to information
- Administration of hearings
- Right to be heard
- Oral hearings / onus of proof
- Right to request reasons
- Criminal proceedings
- Informing Provincial Treasury



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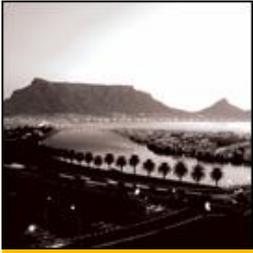
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A Walk Through

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- Legal Framework

➤ Processes and Procedures





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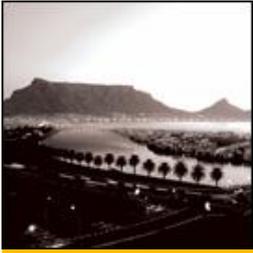


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Due Diligence Processes and Procedures

➤ Data cleansing and preparation

- Identification Number (ID) used as the common denominator
 - Verify all ID numbers on database
 - CoCT did a bulk download from CIPC
 - Vendor Number/Vendor Name/Company Registration Number
 - CIPC supplied ID Numbers of all members and their status per vendor
 - Upload in database
 - CoCT continuously update database information by requesting vendors to update their data by sending them their data list as per the database.
 - Return of updated information \pm 60%



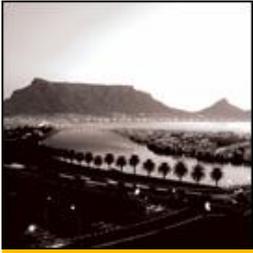
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Due Diligence Processes and Procedures

- **Data cleansing and preparation**
- Although we constantly inform vendors that the onus is on them to update their data and the response is poor.
- Accurate data is one of the biggest challenges in every database management process.
- Various processes can and must be in place to ensure data validity with specific mention of the Identification Numbers.



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Due Diligence Processes and Procedures

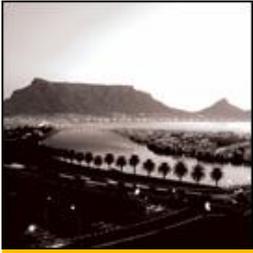
CoCT Supplier Database

Vendors on SAP

32715

Active
Vendors On SAP

15068



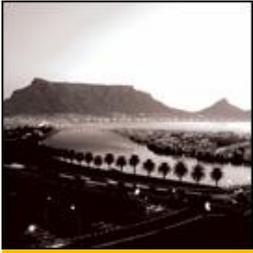
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Due Diligence Processes and Procedures

- **Regulation 43**
Prohibition on awards to persons whose tax matters are not in order
- Tax Clearance Certificate (TCC) expired
CoCT inform vendors 1 month in advance & up at to six months after
 - BLOCK vendor for ALL new transactions (Daily)
 - Allow payment for awarded transactions
 - Only accept ORIGINAL TCC
- **Fraudulent TCC**
 - Link with SARS to verify suspicious TCC
 - If fraudulent –
 - Start the Abuse of the SCM Policy processes
 - Report to National treasury based on the legal ruling.



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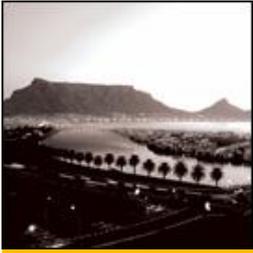
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Due Diligence Processes and Procedures

➤ Regulation 44

Prohibition on awards to persons in the service of the state/ **CoCT**

- CoCT devised a SAP comparison report that identifies possible correlations between the ID Numbers on the vendor database and that of the HR/Personnel database. (Dependants)
- Once detected, HR/Personnel will request a “Declaration of Interest” from the identified incumbent.
- All “Declaration of Interest” are verified by SCM
 - CIPC report to determine shareholding of the implicated company
- **Staff member – with shares**
 - Start the Abuse of the SCM Policy processes
 - Vendor suspended for ALL new transactions
 - Report to National treasury based on the legal ruling



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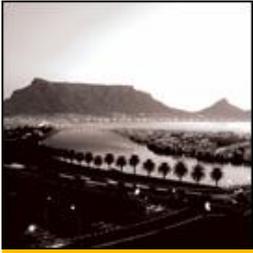
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Due Diligence Processes and Procedures

➤ Regulation 45.

Award to close family members of persons in the service of the state (Financial year-end reporting)

- CoCT devised a SAP comparison report that identify possible correlations between the ID Numbers on the vendor database and that of the HR/Personnel database. (Dependants)
- Once detected, HR/Personnel will request a “Declaration of Interest” from the identified incumbent.
- “Declaration of Interest” are verified by SCM through
 - CIPC report to determine shareholding of the implicated company
- Staff member with **close family members of persons in the service of the state**
 - Regulation 45 indicator linked to the vendor on the database to ease the year-end reporting as per legislation



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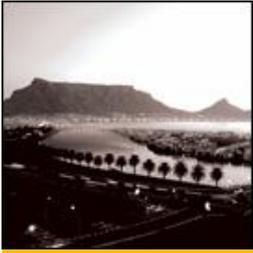


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Due Diligence Processes and Procedures

➤ Regulation 44

- **Prohibition on awards to persons in the service of the state**
- CoCT, in conjunction with Provincial Treasury, devised a process to identify possible correlations between the ID Numbers on the vendor database and that of the **PERSAL** database.
- CoCT forward the required data to Provincial Treasury in the following format:
 - **ID Number**
 - **Municipal Identifier**
 - Vendor Number
 - Vendor Name
 - Company Registration Number
 - Block indicator



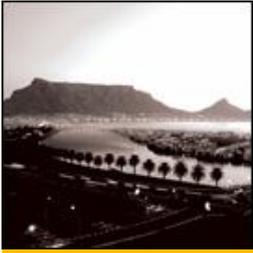
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Due Diligence Processes and Procedures

- **Regulation 44**
 - **Prohibition on awards to persons in the service of the state**
 - **CoCT Comparison Report**
 - [XX9722CAPETOWN01FEEDBACK - 18 March 2013.xlsx](#)



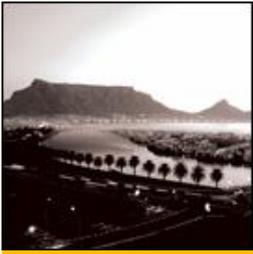
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Due Diligence Processes and Procedures

ID Number	Municipal Identifier	Vendor no	vendor name	Company Registration no	blocks
5305280671080	1	482	AOC GEOMATICS (PTY) LTD	1969/008161/07	95
5105045583087	1	769	BARLOWORLD TOYOTA (KUILS RIVER)	1946/021661/07	91
5105045583087	1	770	BARLOWORLD TOYOTA (TYGERVALLEY)	1946/021661/07	
6003035070086	1	775	<i>BARNO</i>	1993/004616/07	
5105045583087	1	780	<i>BARONS BELLVILLE</i>	1946/021661/07	
5105045583087	1	782	<i>BARONS CULEMBORG</i>	1946/021661/07	
5105045583087	1	783	BARONS N1 CITY	1946/021661/07	91
5603185810088	1	895	ROYALSERVE CLEANING (PTY) LTD	2000/011155/07	95
5609010758087	1	1011	NEDBANK LIMITED	0	
6907050320084	1	1011	NEDBANK LIMITED	0	
7405270435088	1	1189	BUSINESS CONNEXION (PTY) LTD	1993/003683/07	95
5606065083080	1	1673	CLIFFE DEKKER HOFMEYR INCORPORATED	2008/018923/21	
6712050097082	1	2018	DATA AIRCONDITIONING CC	2000/026819/23	95
6712050097082	1	2018	DATA AIRCONDITIONING CC	2000/026819/23	95
6903245277081	1	2080	DE KLERK & VAN GEND ATTORNEYS	1997/016509/21	95
7309285542088	1	2351	DUXBURYS PLANNERS INC	1998/002886/21	95
4709115053086	1	2603	ESKOM HOLDINGS	2002/015527/06	
4709115053086	1	2604	ESKOM (BILLING)	2002/015527/06	91
4709115053086	1	2605	ESKOM (BULK ELEC)	2002/015527/06	



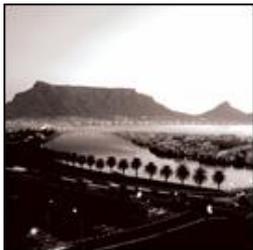
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Due Diligence Processes and Procedures

- **Regulation 44**
 - **Prohibition on awards to persons in the service of the state**
 - **Information supplied by Provincial Treasury**
 - Today (Date of report)
 - ORG
 - ORG Description
 - ID Number
 - Full Names
 - Surname
 - General Remarks
 - Service Remarks
 - [XX9722CAPETOWN01FEEDBACK - 18 March 2013.xlsx](#)



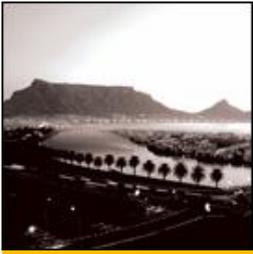
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Due Diligence Processes and Procedures

TODAY	ORG	ORG DESCRIPTION	ID NUMBER	FULL NAMES	SURNAME	GENERAL REMARKS	SERVICE REMARKS
20130315	S8	PUBLIC ADMIN LEADERSHIP AND MANAGEMENT ACADEMY	5305280671080	TM	CHAANE		OTHER PROVINCE IN-SERVICE
20130315	12	NAT DEPT JUSTICE CONSTITUTIONAL DEVELOPMENT	5105045583087	SAM	BAQWA		OTHER PROVINCE IN-SERVICE
20130315	12	NAT DEPT JUSTICE CONSTITUTIONAL DEVELOPMENT	5105045583087	SAM	BAQWA		OTHER PROVINCE IN-SERVICE
20130315	U3	WEST CAPE DEPARTMENT OF HEALTH	6003035070083	HERMAN HENRY	JAFTHA		WESTERN CAPE IN-SERVICE
20130315	12	NAT DEPT JUSTICE CONSTITUTIONAL DEVELOPMENT	5105045583087	SAM	BAQWA		OTHER PROVINCE IN-SERVICE
20130315	12	NAT DEPT JUSTICE CONSTITUTIONAL DEVELOPMENT	5105045583087	SAM	BAQWA		OTHER PROVINCE IN-SERVICE
20130315	12	NAT DEPT JUSTICE CONSTITUTIONAL DEVELOPMENT	5105045583087	SAM	BAQWA		OTHER PROVINCE IN-SERVICE
20130315	14	NATIONAL DEPARTMENT OF HUMAN SETTLEMENTS	5603185810088	DM	MOISI		OTHER PROVINCE IN-SERVICE
20130315	25	NATIONAL DEPARTMENT OF TRANSPORT	5609010758087	NP	MNXASANA		OTHER PROVINCE IN-SERVICE
20130315	M4	THE PRESIDENCY	6907050320084	RK	MORATHI		OTHER PROVINCE IN-SERVICE
20130315	53	GOVERNMENT PENSIONS ADMINISTRATION AGENCY	7405270435088	M	LEHOBYE		OTHER PROVINCE IN-SERVICE
20130315	29	NATIONAL DEPARTMENT OF TRADE AND INDUSTRY	5606065083015	AJ	JEFTHA		OTHER PROVINCE IN-SERVICE



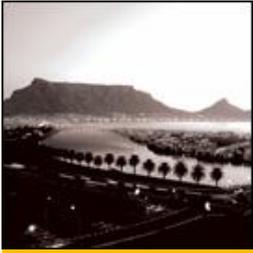
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Due Diligence Processes and Procedures

- **Provincial Treasury data manipulation and verification**
 - Select only IN-SERVICE records
 - Check ID Numbers (PT only check on first 10 digit- last three may differ)
 - Remove duplicate and invalid ID Numbers
 - Confirm via CIPC if the identified incumbent is still listed as “active” with the company
 - Once verified as a Regulation 44 case, follow legal processes



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Due Diligence Processes and Procedures

Checking of Suppliers Data Information against PERSAL System



**Western Cape
Government**

Provincial Treasury

LG: Supply Chain Management
Claudia.Paulse@westerncape.gov.za
+27 21 483 0938; +27 21 483 4671
09 Riebeeck Street, Cape Town, 8011
www.westerncape.gov.za

Reference: 16/4/R

Enquiries: Claudia Paulse

TO ALL: CHIEF FINANCIAL OFFICERS

CC: SCM HEADS/ MANAGERS

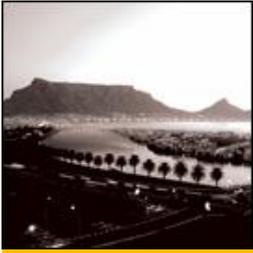
RE: CHECKING OF SUPPLIER DATA INFORMATION AGAINST THE NATIONAL PERSAL SYSTEM

1. **Purpose**

1.1. The Provincial Treasury hereby issues a standardised *Municipal Supplier Information Form* for the purpose of checking respective suppliers against the National Persal System.

1.2. Due to the non-compliance of SCM Regulation 44 (Prohibition on awards to Persons in the Service of the State) of various municipalities, Provincial Treasury has created a platform whereby municipalities can submit identity numbers of the directors of a company involved

[SCM Regulation 44 Cover Letter.pdf](#)



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Due Diligence Processes and Procedures

➤ Regulation 44

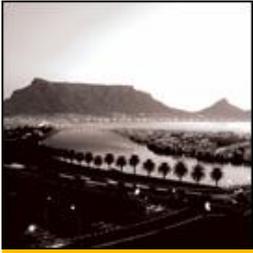
➤ Prohibition on awards to persons in the service of the state

➤ Municipal Identifiers

[Annexure A.xlsx](#)

MUNICIPAL IDENTIFIER CODES	
MUNICIPALITY	CODE
METRO	
The City of Cape Town	01
CAPE WINELANDS DISTRICT	
Breede Valley	02
Cape Winelands District	03
Drakenstein	04
Langeberg	05
Stellenbosch	06
Witzenberg	07
WEST COAST DISTRICT	
Bergrivier	08
Cederberg	09
Matzikama	10
Saldanha	11
Swartland	12
West Coast District	13

OVERBERG DISTRICT	
Cape Agulhas	14
Overberg District	15
Overstrand	16
Swellendam	17
Theewaterskloof	18
CENTRAL KAROO DISTRICT	
Beaufort-West	19
Central Karoo District	20
Laingsburg	21
Prince Albert	22
EDEN DISTRICT	
Bitou	23
Eden District	24
George	25
Hessequa	26
Kannaland	27
Knysna	28
Mossel Bay	29
Oudtshoorn	30



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Due Diligence Processes and Procedures

➤ Frequency of processes

➤ Regulation 43: Daily

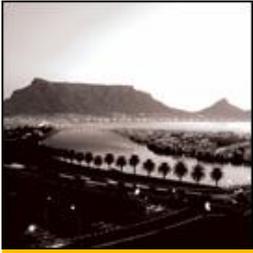
- Prohibition on awards to persons whose tax matters are not in order

➤ Regulation 44: Monthly

- Prohibition on awards to persons in the service of the state

➤ Regulation 45. Monthly

- Award to close family members of persons in the service of the state



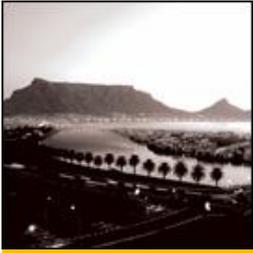
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Due Diligence Processes and Procedures

- **Future requirements**
- **Access to HR database of all municipalities**
- **Direct access to CIPC**
- **Direct access to SARS**
- **Centralised database for verification processes**
 - Provincial Treasury
 - National Treasury



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Questions

THANKING ALL

