

# MPUMALANGA PROVINCIAL GOVERNMENT

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## Department of Finance

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### PROVINCIAL TREASURY CIRCULAR 6 OF 2012

**TO:** THE ACCOUNTING OFFICER: VOTE 1: OFFICE OF THE PREMIER (MR JM RABODILA)  
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL LEGISLATURE (MR LB SHABALALA)  
THE ACCOUNTING OFFICER (ACTING): VOTE 3: FINANCE (MR JB MBATHA)  
THE ACCOUNTING OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR D MAHLOBO)  
THE ACCOUNTING OFFICER: VOTE 5: AGRICULTURE, RURAL DEVELOPMENT AND LAND ADMINISTRATION (MS NL SITHOLE)  
THE ACCOUNTING OFFICER: VOTE 6: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM (DR DV DLAMINI)  
THE ACCOUNTING OFFICER: VOTE 7: EDUCATION (MS MOC MHLABANE)  
THE ACCOUNTING OFFICER: VOTE 8: PUBLIC WORKS, ROADS & TRANSPORT (MR KM MOHLASEDI)  
THE ACCOUNTING OFFICER: VOTE 9: SAFETY, SECURITY & LIAISON (MR ST SIBUYI)  
THE ACCOUNTING OFFICER (ACTING): VOTE 10: HEALTH (MR R. MNISI)  
THE ACCOUNTING OFFICER: VOTE 11: CULTURE SPORTS AND RECREATION (MS SP MJWARA)  
THE ACCOUNTING OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MS NL MLANGENI)  
THE ACCOUNTING OFFICER: VOTE 13: HUMAN SETTLEMENTS (MR D DUBE)

THE CHIEF FINANCIAL OFFICER: VOTE 1: OFFICE OF THE PREMIER (MR T NKOJOANA)  
THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL LEGISLATURE (MR S SANYANE)  
THE CHIEF FINANCIAL OFFICER: VOTE 3: FINANCE (MS P SEMENYA)  
THE CHIEF FINANCIAL OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR MD SHIPALANA)  
THE CHIEF FINANCIAL OFFICER (ACTING): VOTE 5: AGRICULTURE, RURAL DEVELOPMENT AND LAND ADMINISTRATION  
THE CHIEF FINANCIAL OFFICER: VOTE 6: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM (MS JP HLATSHWAYO)  
THE CHIEF FINANCIAL OFFICER: VOTE 7: EDUCATION (MR CB MNISI)  
THE CHIEF FINANCIAL OFFICER (ACTING): VOTE 8: PUBLIC WORKS, ROADS & TRANSPORT (MR SS SHONGWE)  
THE CHIEF FINANCIAL OFFICER: VOTE 9: SAFETY, SECURITY & LIAISON (MR BH NGOMA)  
THE CHIEF FINANCIAL OFFICER: VOTE 10: HEALTH (MS G MILAZI)  
THE CHIEF FINANCIAL OFFICER: VOTE 11: CULTURE SPORTS AND RECREATION (MR M KHOZA)  
THE CHIEF FINANCIAL OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MS P MORGAN)  
THE CHIEF FINANCIAL OFFICER (ACTING): VOTE 13: HUMAN SETTLEMENT (MS BM MOJAPELO)

THE GENERAL MANAGER: SUSTAINABLE RESOURCE MANAGEMENT (PT) (MS N NKAMBA)  
THE GENERAL MANAGER (ACTING): ASSETS AND LIABILITIES MANAGEMENT (PT) (MR R MASAMBO)  
THE GENERAL MANAGER: FINANCIAL GOVERNANCE (PT) (MS J BEZUIDENHOUT)

## PROCUREMENT AND CONTRACT MANAGEMENT BY DEPARTMENTS

### 1. PURPOSE

The purpose of the circular is to inform the Accounting officers and Accounting Authorities about the weakness identified in the procurement and contract management by the Auditor-General in some Departments and Public Entities.

### 2. BACKGROUND

The Public Finance Management Act (PFMA) provides a financial management framework that is comparable to the world's best and requires the highest level of discipline in the management of public funds by Public Institutions. In terms of section 76(4)(c) of the Act, The National Treasury may make regulations or issue Instructions applicable to all institutions to which this act applies concerning – the determination of a framework for an appropriate Procurement and Provisioning System which is fair, equitable, transparent, and cost-effective.

The Auditor-General's (AG) reports have exposed weaknesses in the Procurement and Contract Management in many institutions of Government, which implies that they are failing to meet the standards set out in the PFMA and other legislations. Whilst audit reports focus on root causes and audit opinions, some Departments and Public Entities are experiencing difficulties in rectifying problems in procurement and contract management.

### 3. DECLARATION OF INTEREST

The AG in most of the reports of Departments and Entities stated that-

- 1) "Awards were made to bidders who did not submit an SBD4, declaring whether the bidder or any person connected with the bidder has a relationship with the persons involved in the evaluation of the awards or are employed by the State, as per the requirements of Practice Note 7, of 2009/2010 issued in terms of section 76(4)(c) of the Public Finance Management Act (PFMA), 1 of 1999 (As amended by Act 29 of 1999).
- 2) "Awards were made to suppliers who did not declare their employment by the state, their connection with the persons employed by the State or their relationship with persons involved in the evaluation and/or adjudication of bids, as per the requirements of Practice Note 7 of 2009/2010. See attached Annexure A.

National Treasury Practice Note 7 of 2009/2010, paragraph 2.3, states that the National Treasury issued a standard bidding document (SBD 4) "*Declaration of Interest*" on 5 December 2003 as part of Supply Chain Management (SCM) Practice Note Number SCM 1 of 2003. In terms of this document, accounting officers and accounting authorities are required to customize and utilize the form as part of their bidding documents so that bidders or their authorized representatives could declare their position in relation to any person employed by the principal institution.

Paragraph 3.2.1 of the above Practice Note, states that - The scope of the declaration of interest in the SBD 4 issued on 5 December 2003 is limited only to a declaration if the bidder has a relationship with a person employed by the principal. The principal refers to the institution that invited the bid. In other words, if an employee of an institution is a director, shareholder or member of a company or close corporation and that company or close corporation conducts business with an institution other than the one at which he or she is employed, there is no obligation to disclose his or her own or his or her spouse's interest in the company or close corporation. The word "principal" should, therefore, be replaced with the word "state" so that declaration of any interest is broadened to all state institutions.

It should be emphasized however, that the Head of a Department, as Accounting Officer, is ultimately accountable for the effective and efficient management of a Department. In terms of Section 38(1)(a) of the Public Finance Management Act, No. 1 of 1999, the Accounting Officer for a Department must ensure that the Department maintains effective, efficient and transparent systems of financial and risk management and internal control.

#### **4. CONTRACT MANAGEMENT AND ETHICS/GOOD GOVERNANCE IN PROCUREMENT**

Procurement of Goods and Services takes most of the budgets in the Public Sector Institutions and are mostly blamed for cost overruns, delays and disputes, while often the problem lies deeper in bad organization and management of procurement by the institutions.

If all parties in Government comply with ethical standards they can deal with each other on the basis of mutual trust and respect. They can conduct their business in a fair and reasonable manner and with integrity. All Government staff associated with procurement, particularly those dealing direct with suppliers or potential suppliers, are required to recognize and deal with conflicts of interest or the potential thereof. They are further required to deal with suppliers even-handedly, and to ensure they do not compromise the standing of the State through poor administration of the procurement system.

It will be appreciated if the content of this Circular could be distributed to the relevant role-players in your Departments and Public Entities.

Regards



**MR. JB MBATHA**  
**ACTING HEAD OF DEPARTMENT**  
DATE: 10/4/2012