

**NATIONAL COUNCIL OF PROVINCES**

**QUESTION FOR ORAL REPLY**

**QUESTION NUMBER: 132 [CO746E]**

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**★132. Mr F Adams (ANC-WC) to ask the Minister of Finance:**

Whether the National Treasury is considering to set-up a national framework for the awarding of tenders by all (a) government departments, (b) provinces, (c) municipalities and (d) entities that receive public funds to (i) eliminate (aa) elements and (bb) perception of abuse, fraud, corruption and (ii) ensure fairness in the awarding of tenders and contracts; if not, why not; if so, what are the relevant details?

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**REPLY:**

A Supply Chain Management (SCM) Regulatory Framework for the awarding of tenders by all government departments, provinces, municipalities and entities that receive public funds is contained in Chapter 16 A of the Treasury Regulations issued in terms of the Public Finance Management Act and the Municipal SCM Regulations issued in terms of the Municipal Finance Management Act.

We have repeatedly stated that it is a high priority of this government to continue its fight against fraud and corruption. On-going measures are therefore being taken to improve government's SCM processes. To this end, the SCM Regulatory Framework is currently under review where particular emphasis is placed on steps that would reduce the risks of abuse, fraud and corruption and to support fairness in the awarding of tenders and contracts.

Certain measures aimed at enhancing compliance monitoring and improving transparency and accountability in SCM processes have already been implemented over the last number of months. These measures included the following:

- Submission of procurement plans to the relevant treasuries;

- Verification of the names and identity numbers of the directors or members of the preferred bidders in order to determine whether or not any of them are in the employ of the state;
- Verification that budgetary provisions exist for the acquisition of goods, works or services prior to the advertisement and the award of bids in excess of R10 million;
- Internal audit review of SCM processes aimed at identifying fraud risks and designing procedures and indicators that will assist in preventing and detecting potential or actual fraud and corruption;
- That all written contracts or service level agreements entered into are legally sound;
- Publication of details of awards in respect of advertised competitive bids;
- Management of expansions or variations of contracts against original contracts; and
- Payment within 30 days.

Current work focusses on a total review of the SCM Regulatory Framework. This review includes the identification of provisions in all National Treasury's existing practice / instruction notes, circulars and guidelines that are considered regulatory in nature that should be elevated into the Treasury Regulations. These provisions include the following:

- Ensuring accountability and proper delegation of powers by accounting officers / authorities;
- The formal establishment and appointment of the various bid committees and their individual roles and responsibilities;
- Compulsory training for SCM practitioners and bid committee members;
- Codes of Conduct for SCM practitioners and bid committee members;
- Directives on the range of procurement processes for petty cash, price quotations and advertised competitive bids;
- Declaration in respect of any conflict of interest and bid rigging practices;
- Compelling accounting officers / authorities to participate in transversal term contracts that are facilitated by relevant treasuries in order for government to derive benefits from economies of scale through centralized procurements;

- Checking the Register for Tender Defaulters and Database of Restricted Suppliers prior to the award of contracts;
- Procurement of goods, works or services by means other than through competitive bids and reporting of such cases to the relevant treasuries and the Auditor-General; and
- Risk management, internal controls and reporting of SCM information to the relevant treasuries.

In my Budget Speech in February this year, I have announced a number of further steps that will be taken to improve our procurement capacity. These steps included the following:

- Reducing fragmentation and strengthening the national procurement architecture;
- Appointing a Chief Procurement Officer who will have overall responsibility for monitoring procurement across government;
- Reviewing the competencies and capabilities required to perform the procurement function, which includes the vetting of procurement officers to be appointed;
- Developing a national price reference system to detect deviations from acceptable prices;
- Strengthening the tax clearance system to ensure that those who have defrauded the state cannot do business with the state; and
- Introducing measures to improve the ability of departments to set the specifications for tenders.

We are making steady progress in implementing these announced measures.