

National Treasury Standard for Infrastructure Procurement and Delivery Management SIPDM

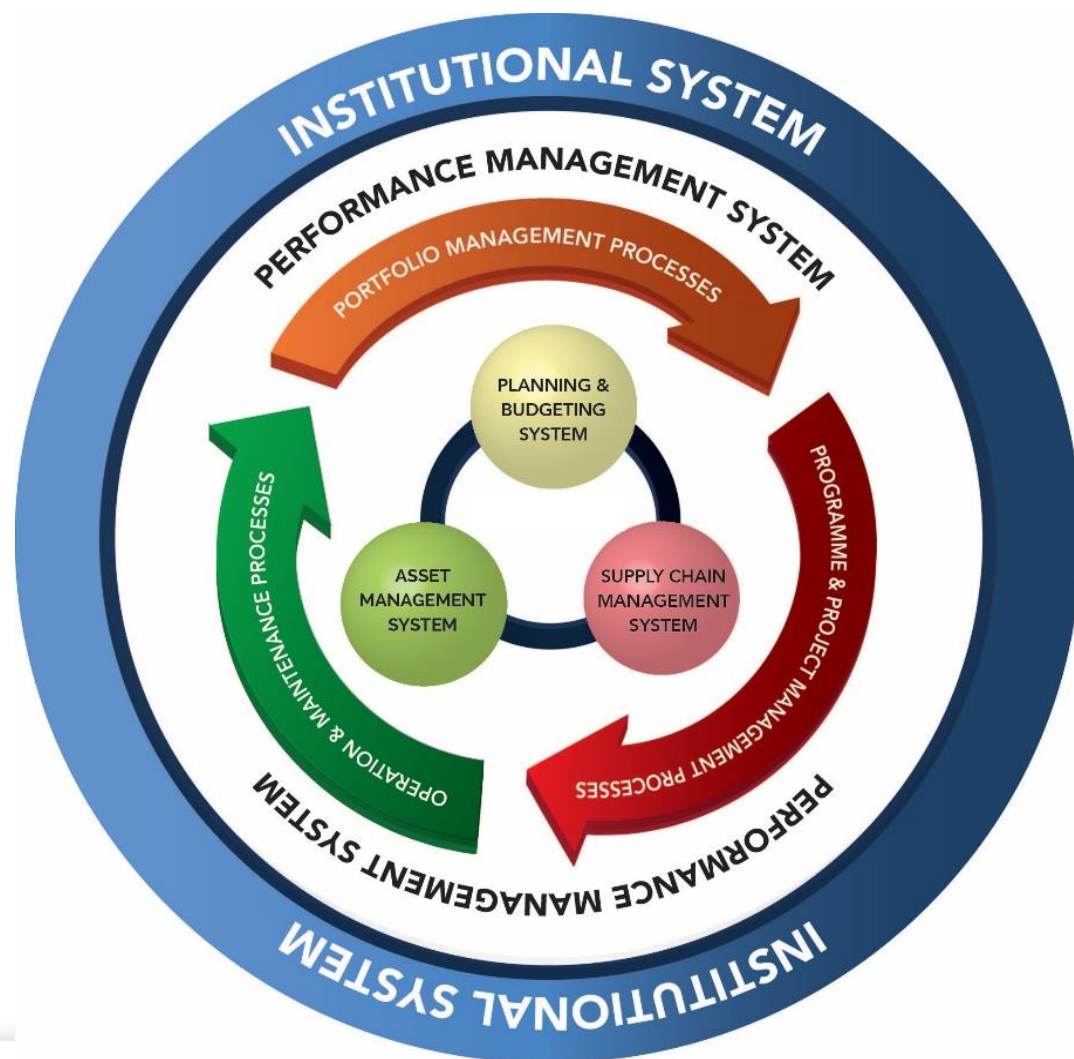
National Treasury -IGR/ OCPO

30 March 2017



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



IDMS comprises three core systems:

- a planning and budgeting system
- a supply chain management system
- an asset management system

Infrastructure procurement and delivery management

These core systems:

- have forward and backward linkages
- are located within portfolio, programme and project management and operation and maintenance processes

Collectively these processes and systems, together with a performance management system, establish the institutional system for infrastructure delivery

Statutory framework for infrastructure planning and budgeting

❑ The Constitution of the Republic of South Africa, Act 108 of 1996.

Section 153 states that *“A municipality must structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community”*

❑ The Municipal Systems Act, Act 32 of 2000.

Sections 23 to 37 spell out the requirements for an Integrated Development Plan (IDP), and that the planning *“must be aligned with, and complement, the development plans and strategies of other affected municipalities and other organs of state so as to give effect to the principles of co-operative government contained in section 41 of the Constitution”*

❑ The Municipal Finance Management Act, Act 56 of 2003.

Section 19 of the MFMA states:

(1) A municipality may spend money on a capital project only if-

- a) the money for the project, excluding the cost of feasibility studies conducted by or on behalf of the municipality, has been appropriated in the capital budget;*
- b) the project, including the total cost, has been approved by the council:*

.....

Section 21 requires the mayor to *“take into account the integrated development plan”* and consult relevant local and district municipalities, provincial treasury and national or provincial organs of state.

Section 24 requires the *annual budget to be approved at least 30 days before the start of the financial year, failure of which will trigger intervention by the relevant provincial executive.*

Section 30 states that the appropriation of funds in an annual budget lapses to the extent that those funds are unspent at the end of the financial year except in the case of an appropriation for expenditure made for a period longer than that financial year.

Section 53 *requires the municipality’s Service Delivery Budget Implementation Programme (SDBIP) to be approved by the mayor within 28 days of the budget being approved, with annual performance agreements linked to the SDBIP.*

Statutory framework for infrastructure asset management

❑ The Municipal Systems Act, Act 32 of 2000.

Sections 4(2) states that a municipal council has the duty to “*strive to ensure that municipal services are provided to the local community in a financially and environmentally sustainable manner*”

Section 74 (2) spells out requirements for a tariff policy which includes “*tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges*” and “*tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned*”

❑ The Municipal Finance Management Act, Act 56 of 2003.

Section 19(2) states that before approving a capital project, the council of a municipality must consider “*the projected cost covering all financial years until the project is operational*” and “*the future operational costs and revenue on the project, including municipal tax and tariff implications*”, all of which are a key part of Asset Management

❑ Section 63 is quite specific and states that the accounting officer is “*responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets*” and must “*maintain a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed*”

❑ The Municipal Budget and Reporting Regulations July 2009

Section 6 states that the annual budget tables must include a table on asset management and that the capital expenditure details (Section 27) must include “*the future financial implications of the capital expenditure on revenue by source and expenditure by vote over the estimated useful life of the item of property, plant and equipment, investment property or intangible asset*”

❑ The Municipal Standard Chart of Accounts (mSCOA) Regulations April 2014

Implementation of SCOA will be mandatory with effect from 1st July 2017. It **makes provision for additional breakdowns on both capital and maintenance expenditure**, and provides a mechanism to assist with life cycle budgeting, thus facilitating infrastructure asset management, and budget reporting.

Standard for Infrastructure Procurement and Delivery Management

4

Constitution of the Republic of South Africa

217. Procurement.-(1) When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.

Public Finance Management Act

38 (1)(a) The accounting officer for a department, trading entity or constitutional institution / 51(1)(a) An accounting authority for a public entity must ensure that

- (iii) an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective;
- (iv) a system for properly evaluating all major capital projects prior to a final decision on the project;

SCM Regulations (Chapter 16)

Issued as an instruction in terms of Section 76(4)(c) of the PFMA and is applicable to:

- a **national or provincial department** as defined in the PFMA
- a **constitutional institution entity** as listed in schedule 1 of the PFMA
- a **public entity** as listed in schedules 2 and 3 of the PFMA
- any organ of state which implements infrastructure delivery projects **on behalf of another organ of state**

Implementation date – 1 July 2016 or before

SIPDM does not require any change in Regulations to be implemented

Where does the SIPDM sit in the legislative framework?

Municipal Finance Management Act

112. (1) The supply chain management policy of a municipality or municipal entity must be fair, equitable, transparent, competitive and cost-effective and comply with a prescribed regulatory framework for municipal supply chain management, which must cover at least the following . .

SCM Regulations 3(2)

The accounting officer may for purposes of subregulation (1)(a) make use of any Treasury guidelines determining standards for municipal supply chain management policies. The accounting officer must report any deviation from the guideline standard to the National Treasury and the relevant provincial treasury.

Standard also forms an integral part of the **Model SCM Policy for Infrastructure Delivery Management** which has been issued as a Treasury guideline determining **a standard for municipal supply chain management policies** in terms of Section 168 of the MFMA in support of Regulation 3(2) of the MFMA Supply Chain Management Regulations

Applies to an **municipality or a municipal entity** whose council or board of directors adopts the guideline standard for SCM policies

Implementation by 1 July 2017

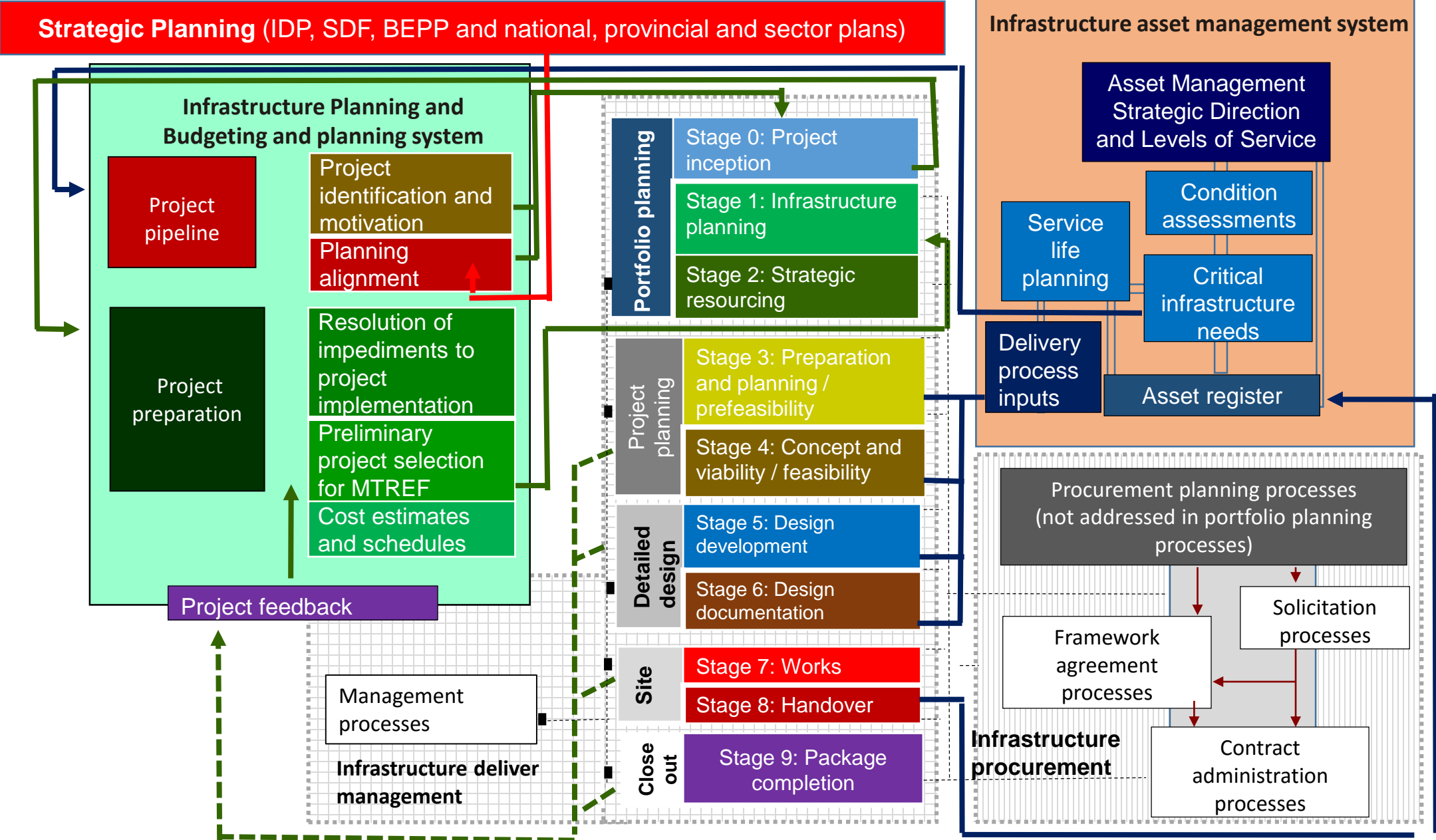
A Model Supply Chain Management (SCM) Policy for Infrastructure Procurement and Delivery Management **has been issued in terms of Section 168 of the MFMA** – see circular 77 which is linked to the SIPDM

Regulation 2(1) of the Municipal SCM Regulations provides that each municipality and each municipal entity must in terms of section 111 of the Act have and implement a supply chain management policy that amongst others **does not undermine the objective for uniformity in SCM systems between organs of state in all spheres**

Regulation 3(1) of the Municipal SCM Regulations requires the accounting officer of a municipality or municipal entity to **at least annually review the implementation of the SCM Policy** and, if necessary, submit proposals for the amendment of the policy to the council or the board of directors

Regulation 3(2) permits the accounting officer to make use of **any Treasury guidelines determining standards for municipal SCM**. Regulation 3(2)(c) requires that **any deviation from the guideline standard be reported to the National Treasury and the relevant provincial treasury**.

The SIPDM has been issued as an instruction in terms of the PFMA resulting **in uniformity in infrastructure supply chain management systems between organs of state in all spheres of government**.



- ❑ **Procurement** is *the process which creates, manages and fulfils contracts*. Procurement deals with activities surrounding contracts
 - **Procurement processes** focus on establishing what is to be procured, developing a procurement strategy, producing procurement documentation, soliciting and evaluating tender offers, awarding of contracts and administering contracts
- ❑ **Supply chain management (SCM)** is *the design, planning, execution, control and monitoring of supply chain activities in the delivery of goods, services or any combination thereof*
 - **Supply chains** comprise all those public and private entities that are involved in delivering the inputs, outputs and outcomes of projects

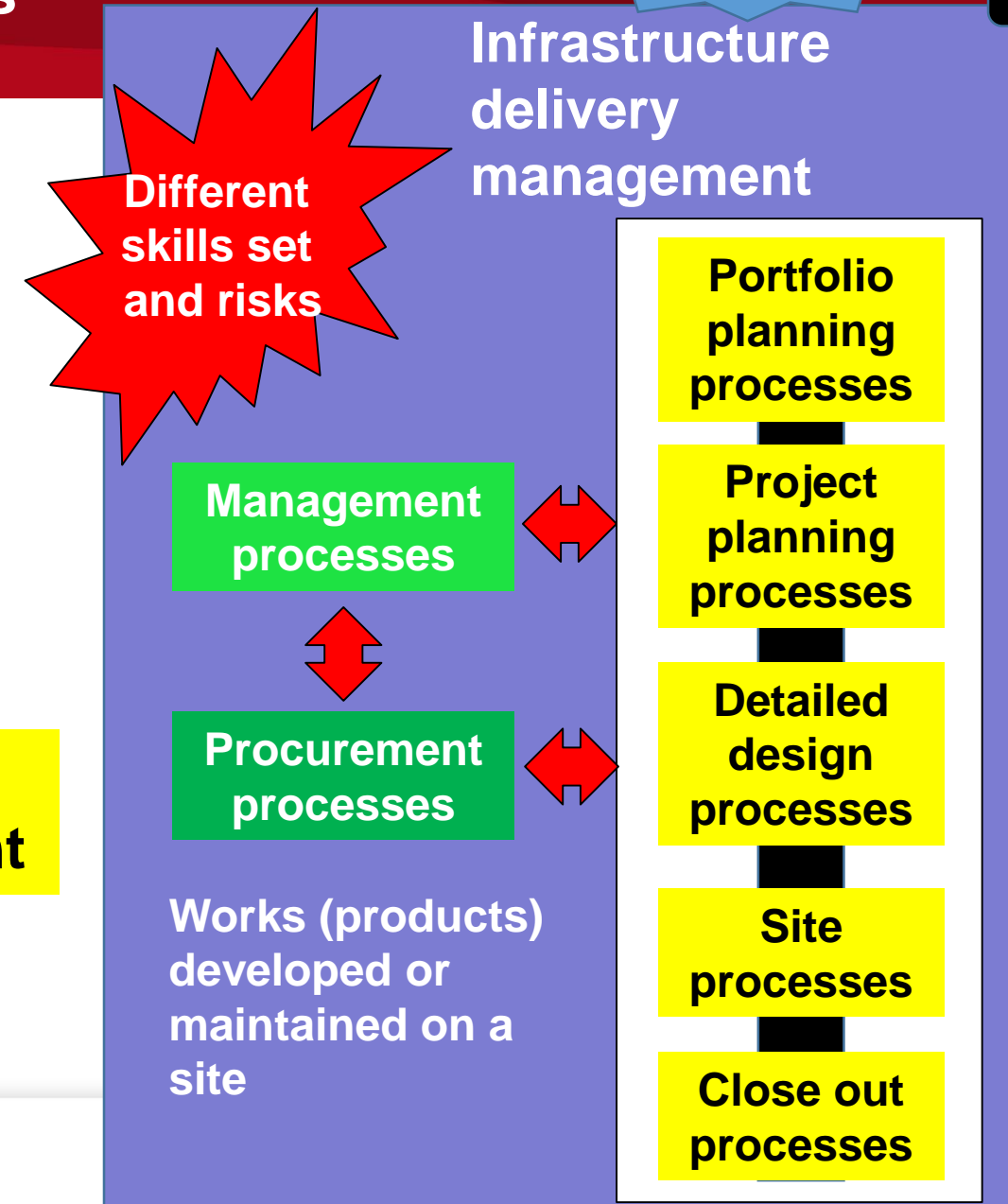
SCM is concerned with the oversight, co-ordination and monitoring of inputs, outputs and outcomes of projects from the various entities within a supply chain

Supply chain management systems

infrastructure delivery: the combination of all planning, technical, administrative and managerial actions associated with the, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure

procurement: the process which creates manages and fulfils contracts

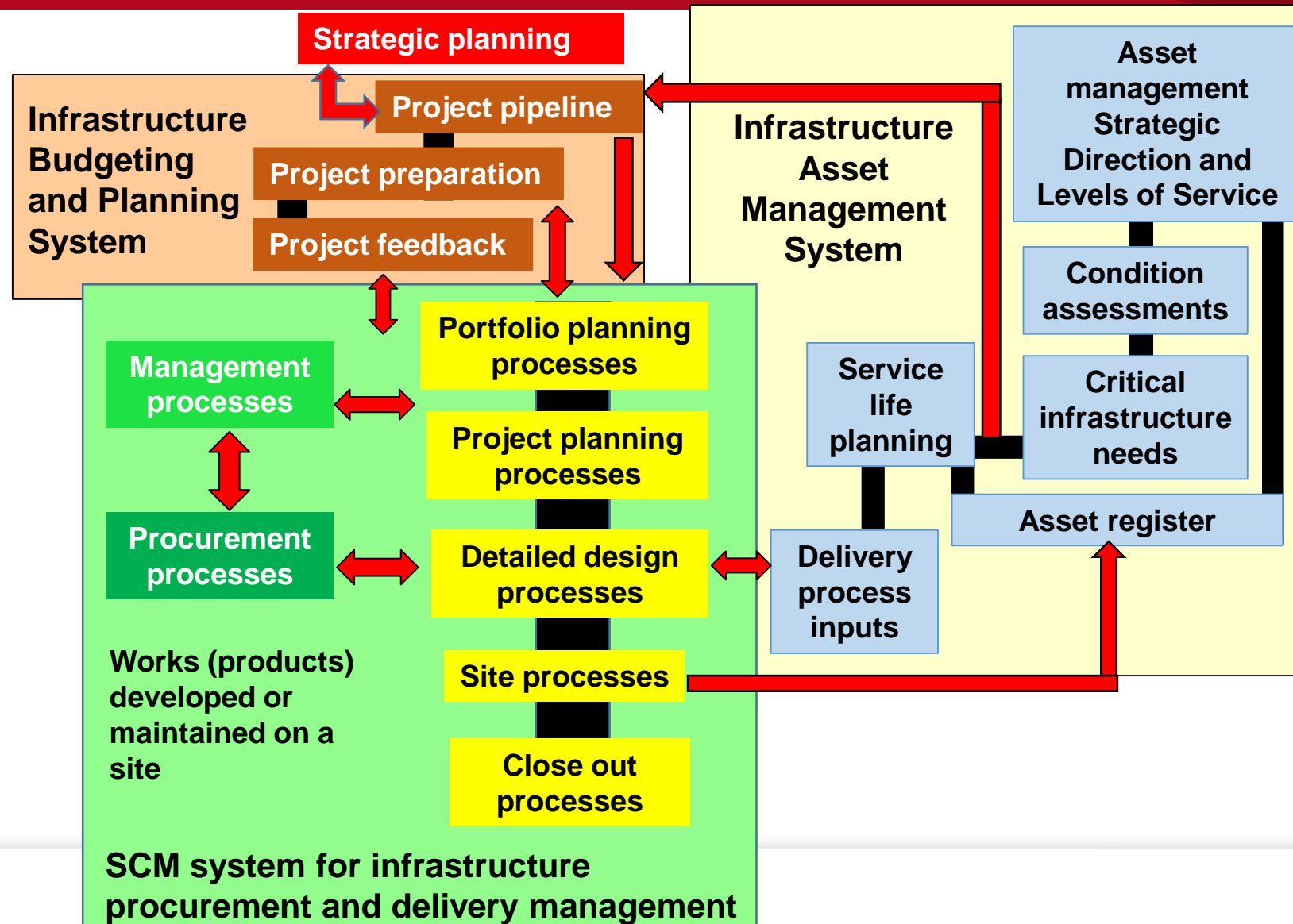
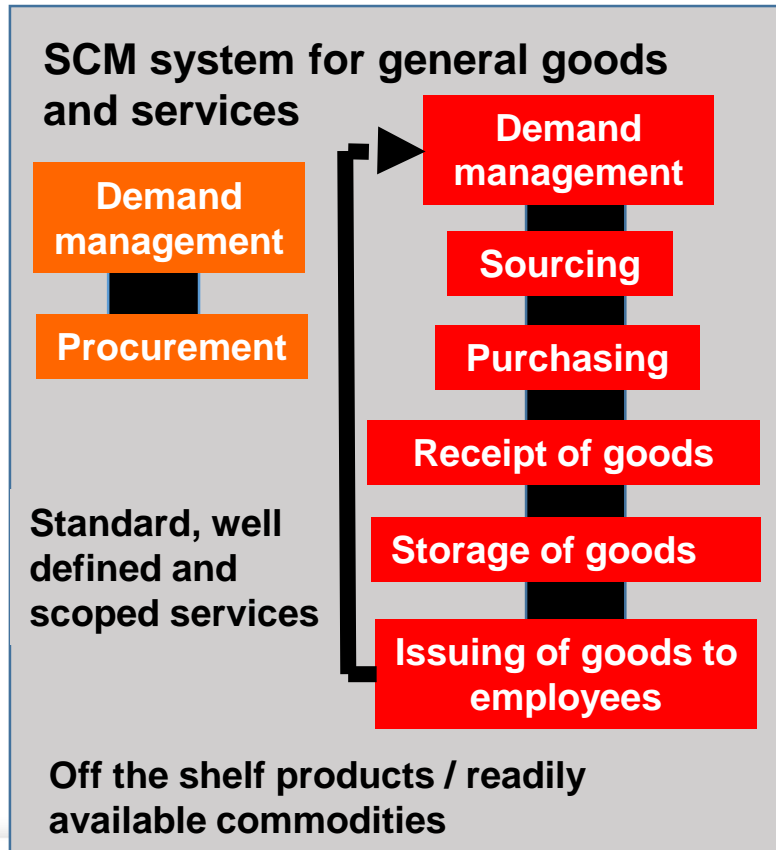
Standard for Infrastructure Procurement and Delivery Management



Recent developments – differentiating between supply chains

9

Different
skills set
and risks



Standard for Infrastructure Procurement and Delivery Management (SIPDM)

10

National Treasury strategic objectives have focussed on designing a procurement system that is better able to **deliver value for money, while minimising the scope for corruption**

Outcome of initiative: Publication of the National Treasury **Standard for Infrastructure Procurement and Delivery Management** (SIPDM)

SIPDM is **a watershed development** into the differentiation between the procurement of general good and services and infrastructure procurement and delivery management

The SIPDM prescribes:

- control frameworks for **the planning, design and execution** of infrastructure projects and **infrastructure procurement**
- requirements for the following :
 - institutional arrangements;
 - demand management;
 - acquisition management;
 - contract management;
 - logistics management;
 - disposal management;
 - reporting of supply chain management information;
 - regular assessment of supply chain management performance; and
 - risk management and internal control
- minimum requirements for **infrastructure procurement**

SIPDM requirement

Organs of state who are responsible for infrastructure delivery shall establish a suitable infrastructure procurement and delivery supply chain management policy to implement this standard. Such a policy shall as a minimum:

- **assign responsibilities** for approving or accepting deliverables associated with a gate in the control framework or authorising a tender process;
- **establish committees** which are required by law or equivalent quality management and governance arrangements;
- **establish delegations** for the awarding of a contract or the issuing of an order; and
- **establish ethical standards** for those involved in the procurement and delivery of infrastructure.

Model SCM Policy for Infrastructure Procurement and Delivery Management

- The model policy not only enables the Standard for Infrastructure Procurement and Delivery Management to be implemented but is also aligned with the principles contained in all relevant National Practice Notes and Instruction Notes.
 - There are unavoidably duplications in supply chain management policies for general goods and services and those for infrastructure delivery management arising from not only regulatory requirements but also an overlap in support functions such as the receipt of bids and advertising of bids.
 - This model policy document may be issued as a stand-alone policy or as a policy which is supplementary to an institution's supply chain management system for general goods and services. Where it is issued as a supplementary policy, text should be replaced with cross references to the overarching policy.
 - In order to distinguish between committees used in the two supply chain management systems, the terms procurement documentation, evaluation and tender committee are used in this document for the corresponding bid specification, bid evaluation and bid adjudication committees referred to in Treasury Regulations.
 - All text in square brackets needs to be populated with the correct data. All footnotes need to be deleted following the completion of the document. Optional clauses need to be completed or deleted
- This policy establishes the *[name of institution]'s* policy for
- Those responsible for putting in place the institution's policy need to review this model policy to ensure that it meets the needs of the institution and adapt it as necessary so that the policies for both supply chain management systems are aligned.

Recent engagements;

- ❑ Workshop at the Saint George Hotel and Conference Centre in Centurion on the **14th of October 2016** and on the **2 March 2017**;
 - the **decision making process associated with procurement and delivery management** (planning design and execution of infrastructure projects) **through control frameworks and policies** associated with the **assigning of responsibilities for approving or accepting deliverable associated with a gate (control point)** or the **authorising of a procurement process or procedure**;
 - aspects of delivery management; and procurement processes, methods and procedures and
 - procurement documents.
- ❑ The full implementation of the SIPDM, which is expected to deliver better value for money within an auditable system, requires that a number of actions be undertaken, more or less in the following sequence
 1. **Action 1:** Establish a suitable SCM policy for Infrastructure Procurement and Delivery Management;
 2. **Action 2:** Establish agency agreements between organs of state if projects are implemented on behalf of another organ of state;
 3. **Action 3:** Apply the prescribed control frameworks and record approval / acceptance at the relevant gates;
 4. **Action 4:** Establish implementation plans;
 5. **Action 5:** Develop procurement documents in accordance with the provisions of the SIPDM;
 6. **Action 6:** Ensure that built environment professionals perform designated functions as provided for in the SIPDM

Action 7: Prepare an annual performance report and issue to relevant treasury within two months of the year end.

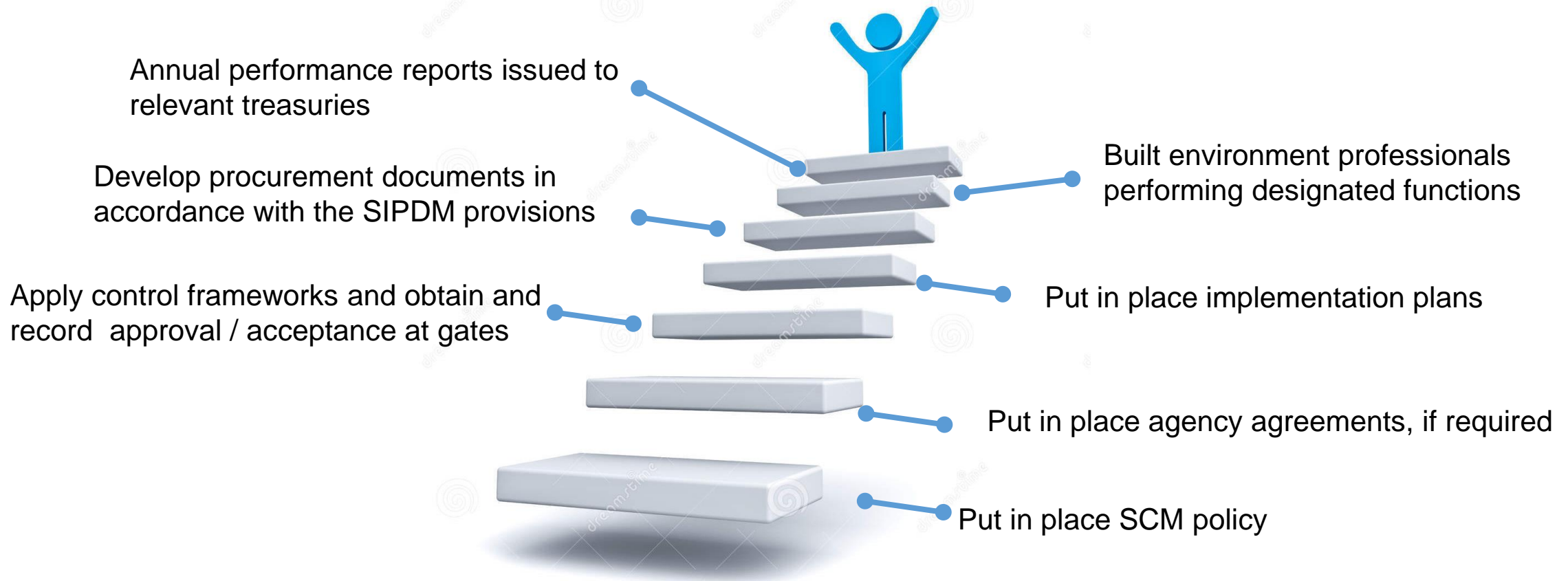


- ❑ The aforementioned workshop acknowledged the need for a phased approach to implementing the standard; and recognised the need for a further and more detailed engagement with subject matter experts in the employ of AG office. **Due Date 2nd Of March 2017**
- ❑ National Treasury (OCPO/IGR) which has been rolling out the SIPDM through a number municipal awareness workshops through the Provincial Treasuries, also identified the need to set target dates for a phased implementation against which municipalities and municipal entities can be audited.
- ❑ In the light of the above, National Treasury recommend to Auditor General that the minimum implementation actions should be as follows:
 - MFMA: Actions **1 to 3** completed **before 1 July 2017** and all remaining actions except **for action 7** be completed before **1 July 2019**.
 - Auditor-General Confirm that they have adjusted their approach to the auditing accordingly and took due cognisance of the phase-in requirements.



Audit approach

Have in place an auditable and compliant system which should deliver value for money!



Target Dates: Implementation-Circular 77

- ❑ The aforementioned workshop acknowledged the need for a phased approach to implementing the standard; and recognised the need for a further and more detailed engagement with subject matter experts in the employ of AG office. **Due Date 2nd Of March 2017**
- ❑ National Treasury (OCPO/IGR) which has been rolling out the SIPDM through a number municipal awareness workshops through the Provincial Treasuries, also identified the need to set target dates for a phased implementation against which municipalities and municipal entities can be audited.
- ❑ In the light of the above, National Treasury recommend to Auditor General that the **minimum implementation actions** should be as follows:
 - MFMA: Actions **1 to 3**;
 1. **SCM Policy**
 2. **Agency agreement**
 3. **Implementation plan** completed **before 1 July 2017** and all remaining actions ;
 4. **Built environment professionals** performing designated functions
 5. **Annual performance reports** issued to relevant treasuries
 6. **Develop procurement documents** in accordance with the SIPDM provisions SANS 10845 ,Part 1-3;Part
 - Part 1: Processes, methods and procedures
 - Part 2: Formatting and compilation of procurement documentation
 - Part 3: Standard conditions of tender
 - Part 4: Standard conditions for the calling for expressions of interest
 7. This except for **action 7 be completed before 1 July 2019.**
- ❑ Auditor-General Confirm that they have adjusted there approach to the auditing accordingly and took to due cognisance of the phase-in requirements.

- ❑ GT- 28 -1 March 2017
- ❑ KZN- Durban 28-29 March 2017
- ❑ WC-Cape Town 25-26 April 2017
- ❑ EC-East London 30-31 May 2017
- ❑ FS- Bloemfontein 27-28 June 2017

Access To SIPDM

MFMA Circular No 77 - Model SCM Policy for Infrastructure
Procurement and Delivery Management -28 October 2015

<http://mfma.treasury.gov.za/Circulars/Pages/default.aspx>

All enquiries directed to CPO

Email:CPO.Treasury.gov.za

