

PROCUREMENT DURING THE PERIOD OF COVID-19 PANDEMIC

PRESENTATION TO SCOA

1 September 2020



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

EXPENDITURE ON THE COVID-19 RESPONSE

- The 2020 Supplementary Budget Review proposes R145 billion for the COVID-19 relief package, of which R122.4 billion was allocated
- To date, national and provincial departments have recorded R18 billion in spending against these allocations, within their financial systems
- All spending reports are extracted directly from the financial systems, in order to provide an audit trail and eliminate audit queries
- However, the expenditure report underestimates substantive portions of the allocated resources, these include the following:
 - Social grant payments are not recorded against the appropriate line items in the system and must still be separated through appropriate journals
 - Departments of Defence and Police expenditure data is submitted with a one month lag
 - Higher education payments and support to entities must still be paid and identified within the financial systems
 - Support to municipalities included in equitable share payments, these transactions must still be separated within the system

SPENDING TO DATE: APRIL TO AUGUST

Allocations for COVID Response: 2020/21

R million	2020 Supplementary Budget	National: Expenditure April to August	Provinces: Expenditure April to August	Total expenditure April to August
Support to vulnerable households for 6 months	40 891	4 301		4 301
Health	21 544	639	5 568	6 208
Support to municipalities	20 034	–		–
Other frontline services	13 623	2 788		2 788
Basic and higher education	12 541	43	2 002	2 045
Small and informal business support, and job creation and protection	6 061	1 066		1 066
Support to public entities	5 964	–		–
Other COVID-19 interventions	1 766	256	1 382	1 638
Allocated for COVID-19 fiscal relief package	122 425	9 094	8 953	18 046
Land Bank equity investment	3 000			
Provisional allocations for COVID-19 fiscal relief package	19 575			
Total	145 000			

Source: National Treasury. Drawn from BAS on 30/8/2020

- Transactions for numerous departments not captured correctly in April to July, journals will be passed within the next months

NATIONAL DEPARTMENTS

National departments: Expenditure recorded for 2020/21 for COVID Response

R'000	April	May	June	July	August	Year to date
Support to vulnerable households for 6 months	–	7 938	929 628	3 021 765	341 369	4 300 700
S A Social Security Agency: Social grants	–	7 938	929 628	3 021 765	341 369	4 300 700
Health	648	63 819	13 213	15 714	546 070	639 464
Vote 18: Health	648	63 819	13 213	15 714	546 070	639 464
Support to municipalities	–	–	–	–	–	–
Vote 3: Cooperative Governance and Traditional Affairs	–	–	–	–	–	–
Other frontline services	1 143 326	618 248	460 657	545 361	20 867	2 788 458
Vote 05: Home Affairs	–	10 876	3 072	3 383	1 542	18 874
Vote 22: Correctional Services	21 337	64 783	27 009	33 787	19 325	166 242
Vote 23: Defence and Military Veterans	86 694	233 827	401 352	385 676	–	1 107 549
Vote 28: Police	1 035 295	308 761	29 224	122 514	–	1 495 794
Basic and higher education	–	–	–	32 066	10 930	42 996
Vote 16: Basic Education	–	–	–	30 609	10 929	41 537
Vote 17: Higher Education And Training	–	–	–	1 457	1	1 459
Small and informal business support, and job creation and protection	6 453	418 315	6 073	160 998	474 271	1 066 111
Vote 31: Employment and Labour	6 226	4 556	5 760	1 566	585	18 692
Vote 36: Small Business Development	107	413 737	25	159 425	473 678	1 046 972
Support to public entities	–	–	–	–	–	–
Other COVID-19 interventions	11 885	52 559	51 514	76 253	63 922	256 134
Other national departments	11 885	52 559	51 514	76 253	63 922	256 134
Total	1 162 312	1 160 879	1 461 087	3 852 156	1 457 429	9 093 862

Source: National Treasury. Drawn from BAS on 30/8/2020

PROVINCES

Provinces: Expenditure recorded for 2020/21 for COVID Response

R'000	April	May	June	July	August	Year to date
Health	462 467	859 240	1 327 947	1 987 228	931 478	5 568 359
Eastern Cape	4 875	15 256	78 663	114 402	138 343	351 538
Free State	4 233	2 460	614	1 102	46 850	55 259
Gauteng	92 298	355 993	526 463	969 705	207 688	2 152 146
KwaZulu Natal	121 079	242 762	290 443	370 378	225 306	1 249 969
Limpopo Province	159 168	128 892	150 459	124 776	73 592	636 888
Mpumalanga	15 903	79 966	142 965	168 653	40 943	448 430
North West	455	3 550	13 093	23 857	61 232	102 188
Northern Cape	1 034	255	2 824	3 400	22 842	30 356
Western Cape	63 421	30 106	122 424	210 955	114 680	541 586
Basic education	3 483	70 844	807 945	632 803	487 147	2 002 222
Other COVID-19 interventions (all provinces)	95 328	205 689	262 281	509 959	308 778	1 382 035
Total	561 277	1 135 772	2 398 173	3 129 991	1 727 403	8 952 617

Source: National Treasury. Drawn from BAS on 30/8/2020

NT INSTRUCTION NOTE NO 7 OF 2020/21

MFMA CIRCULAR NO. 103

The National Treasury issued PFMA Instruction 7 and MFMA Circular 103 that deals with Preventative Measures in response to the Covid-19 pandemic.

- These instructions were issued to give **Accounting Officers/Authorities** proactive guidance on how to revisit their control environment in response to COVID-19.
- As requested by FOSAD an emergency procurement working group of large PPE procurers was established under the chairpersonship of DG NT to provide input into this process

PURPOSE

- Provide for preventative measures as a result of COVID 19 emergencies and the need to be responsive and flexible, whilst ensuring value for money and minimising the risk of fraud, corruption, negligence, error and incapacity
- Ensure that internal control systems of a department, constitutional institution and public entity consider, amongst others:
 - the change in operating activities of the existing control environment;
 - risk assessment processes;
 - designing and/or amending control activities to address new or elevated risks;
 - identifying information required to support the effectiveness and efficiency of controls;
 - reassessing internal and external communication; and
 - identifying any additional internal control monitoring activities.
- Reporting remains critical for a transparent control environment and monthly, quarterly and annual reports must be in place.

DRAFT NT INSTRUCTION NOTE NO 11 OF 2020/21

PURPOSE

- Inform institutions of the repeal of Instruction No. 5 of 2020/21 and that they must comply with existing procurement procedures when procuring personal protective equipment (PPE) items and cloth masks;
- Prescribe the maximum prices for the identified PPE items and cloth masks to reflect realistic current market prices; and
- Prescribe the conditions with which suppliers/manufactures must comply in order to provide PPE items and cloth masks to institutions.

REPORTING REQUIREMENT

- National Treasury has issued a reporting guideline and template for COVID-19 related procurement expenditure
- Monthly Reporting as from September 2020
- Information will be analysed and monthly reports will be published in the public domain.

Reporting Period	Deadline of submission	Report to be published by NT in public domain
April 2020 - August 2020	21 September 2020	30 September 2020
September 2020	21 October 2020	31 October 2020
October 2020	21 November 2020	30 November 2020
November 2020	21 December 2020	10 January 2021
December 2020	21 January 2021	31 January 2021
January 2021	21 February 2021	28 February 2021
February 2021	21 March 2021	31 March 2021
March 2021	21 April 2021	30 April 2021

REPORTING SYSTEM

National Treasury will **automate** the process of reading the data from the submitted spreadsheets and consolidate these into one database to enable analysis and reporting. The submitted data will be linked to the CSD and compared against BAS and LOGIS records where applicable.

The reporting fields include:

- Name of Institutions (Dropdown list)
- Type of Institutions (Dropdown list)
- Reporting Period (Mar2020 to Mar 2021 for now)
- Supplier Name
- CSD Registration No
- Is the company a Manufacturer? (Y/N)
- If not, provide the name of the Manufacturer
- Item Description (Standardised as far as possible)
- If item not listed, provide the description
- Order date
- Order number/Contract number
- Order quantity
- Unit of Measure
- Unit Price
- Delivery date
- Payment quantity
- Total payment amount
- Ownership (from CSD)
- Business Age (from CSD)
- Type of service delivery (From CSD)

REPORTS AVAILABLE ON NT WEBSITE

National Departments

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| <ol style="list-style-type: none">1. DEPARTMENT OF ENVIRONMENT, FORESTRY AND FISHERIES (DEFF)2. DEPARTMENT OF INTERNATIONAL RELATIONS AND COOPERATION (DIRCO)3. DEPARTMENT OF WOMEN, YOUTH AND PERSONS WITH DISABILITIES (DWYPD)4. DEPARTMENT OF COOPERATIVE GOVERNANCE5. DEPARTMENT OF PUBLIC WORKS AND INFRASTRUCTURE (DPWI)6. DEPARTMENT OF BASIC EDUCATION (DBE)7. DEPARTMENT OF SOCIAL DEVELOPMENT (DSD)8. DEPARTMENT OF TRANSPORT (DOT)9. DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT (DOJ&CD)10. DEPARTMENT OF PUBLIC ENTERPRISES (DPE)11. DEPARTMENT OF TRADE, INDUSTRY AND COMPETITION (DTIC)12. DEPARTMENT OF HIGHER EDUCATION AND TRAINING (DHET)13. DEPARTMENT OF SCIENCE AND INNOVATION (DSI)14. DEPARTMENT OF AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT (DALRRD)15. DEPARTMENT OF HOME AFFAIRS (DHA)16. DEPARTMENT OF TOURISM (DT) | <ol style="list-style-type: none">17. DEPARTMENT OF PLANNING, MONITORING AND EVALUATION (DPME)18. DEPARTMENT OF SMALL BUSINESS DEVELOPMENT (DSBD)19. DEPARTMENT OF HEALTH (DOH)20. DEPARTMENT OF DEFENCE AND MILITARY VETERANS (DOD&MV)21. DEPARTMENT OF SPORTS, ART AND CULTURE (DSAC)22. DEPARTMENT OF CORRECTIONAL SERVICES (DCS)23. THE PRESIDENCY24. SOUTH AFRICAN POLICE SERVICE (SAPS)25. DEPARTMENT OF EMPLOYMENT AND LABOUR (DEL)26. NATIONAL TREASURY/ DEPARTMENT OF FINANCE27. DEPARTMENT OF TRADITIONAL AFFAIRS (DTA)28. OFFICE OF THE CHIEF JUSTICE29. STATE SECURITY AGENCY (SSA)30. DEPARTMENT OF COMMUNICATIONS AND DIGITAL TECHNOLOGY31. NATIONAL SCHOOL OF GOVERNMENT (NSG)32. DEPARTMENT OF MINERAL RESOURCES AND ENERGY (DMRE) |
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REPORTS AVAILABLE ON NT WEBSITE

Public Entities

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| <ol style="list-style-type: none">1. PUBLIC SERVICE COMMISSION (PSC)2. SOUTH AFRICAN COUNCIL FOR PROPERTY VALUERS PROFESSION3. SANRAL4. PERISHABLE PRODUCTS EXPORT CONTROL BOARD (PPECB)5. NATIONAL AGRICULTURAL MARKETING COUNCIL (NAMC)6. AGRICULTURAL RESEARCH COUNCIL (ARC)7. ONDERSTEOORT BIOLOGICAL PRODUCTS SOC Ltd (OBP)8. NATIONAL PROSECUTION AUTHORITY (NPA)9. LEGAL AID SOUTH AFRICA10. MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)11. SOUTH AFRICAN NATIONAL ACCREDITATION SYSTEM (SANAS)12. COMPANIES AND INTELLECTUAL PROPERTY COMMISSION (CIPC)13. COMPANIES TRIBUNAL (CT)14. COMPETITION COMMISSION15. COMPETITION TRIBUNAL16. EXPORT CREDIT INSURANCE COMPANY (ECIC)17. INDUSTRIAL DEVELOPMENT CORPORATION (IDC)18. THE INTERNATIONAL TRADE ADMINISTRATION COMMISSION (ITAC)19. NATIONAL CONSUMER COMMISSION (NCC)20. THE NATIONAL CREDIT REGULATOR (NCR)21. NATIONAL CONSUMER TRIBUNAL22. NATIONAL EMPOWERMENT FUND (NEF) | <ol style="list-style-type: none">23. NATIONAL GAMBLING BOARD (NGB)24. NATIONAL LOTTERIES COMMISSION (NLC)25. NATIONAL METROLOGY INSTITUTE OF SOUTH AFRICA (NMISA)26. NATIONAL CREDIT REGULATOR FOR COMPULSORY SPECIFICATIONS (NCRS)27. SOUTH AFRICAN BUREAU OF STANDARDS (SABS)28. BROAD BASED BLACK ECONOMIC EMPOWERMENT COMMISSION (B-BBEE)29. STATS SA30. GCIS31. BRAND SOUTH AFRICA32. MEDIA DEVELOPMENT AND DIVERSITY AGENCY (MDDA)33. SPECIAL INVESTIGATION UNIT (SIU)34. CIVIL SECRETARIAT FOR POLICE (CSPS)35. INDEPENDENT POLICE INVESTIGATIVE DIRECTORATE (IPID)36. PRIVATE SECURITY INDUSTRY REGULATORY AUTHORITY (PSIRA)37. ACCOUNTING STANDARDS BOARD38. COOPERATIVE BANKS DEVELOPMENT AGENCY39. DEVELOPMENT BANKS OF SOUTHERN AFRICA40. FINANCIAL AND FISCAL COMMISSION41. FINANCIAL INTELLIGENCE CENTRE42. FINANCIAL SECTOR CONDUCT AUTHORITY43. GOVERNMENT PENSIONS ADMINISTRATION AGENCY44. GOVERNMENT TECHNICAL ADVISORY AGENCY |
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REPORTS AVAILABLE ON NT WEBSITE

Public Entities

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| <ul style="list-style-type: none">45. INDEPENDENT REGULATORY BOARD OF AUDITORS46. LAND AND AGRICULTURAL BANK OF SOUTH AFRICA47. OFFICE OF THE OMBUD FOR FINANCIAL SERVICES PROVIDERS48. OFFICE OF THE PENSION FUND ADJUDICATOR49. OFFICE OF THE TAX OMBUD50. PUBLIC INVESTMENT CORPORATION51. SOUTH AFRICAN REVENUE SERVICES52. ACADEMY OF SCIENCE OF SOUTH AFRICA (ASSAF)53. COUNCIL FOR SCIENTIFIC AND INDUSTRIAL RESEARCH (CSIR)54. HUMAN SCIENCES RESEARCH COUNCIL (HSRC)55. NATIONAL RESEARCH FOUNDATION (NRF)56. SOUTH AFRICAN NATIONAL SPACE AGENCY (SANSA)57. TECHNOLOGY INNOVATION AGENCY (TIA)58. SMALL ENTERPRISE DEVELOPMENT AGENCY (SEDA)59. SMALL ENTERPRISE FINANCE AGENCY (SEFA)60. SOUTH AFRICAN TOURISM61. AIR TRAFFIC AND NAVIGATION SERVICES (ATNS)62. AIRPORTS COMPANY SOUTH AFRICA (ACSA)63. PASSENGER RAIL AGENCY OF SOUTH AFRICA (PRASA)64. PORTS REGULATOR OF SOUTH AFRICA65. RAILWAY SAFETY REGULATOR (RSR)66. ROAD ACCIDENT FUND (RAF) | <ul style="list-style-type: none">67. ROAD TRAFFIC INFRINGEMENT AGENCY (RTIA)68. ROAD TRAFFIC MANAGEMENT CORPORATION (RTMC)69. SOUTH AFRICAN CIVIL AVIATION AUTHORITY (SACAA)70. SOUTH AFRICAN MARITIME SAFETY AUTHORITY (SAMSA)71. COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION (CCMA)72. COMPENSATION FUND73. NATIONAL ECONOMIC DEVELOPMENT AND LABOUR COUNCIL (NEDLAC)74. PRODUCTIVITY SA75. UNEMPLOYMENT INSURANCE FUND (UIF)76. SUPPORTED EMPLOYMENT ENTERPRISES (SEE)77. NATIONAL SKILLS FUND (NSF)78. NATIONAL DEVELOPMENT AGENCY (NDA)79. SOUTH AFRICAN SOCIAL SECURITY AGENCY (SASSA)80. NATIONAL ELECTRONIC MEDIA INSTITUTE OF SA (NEMISA)81. INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA (ICASA)82. CENTRE FOR PUBLIC SERVICE INNOVATION (CPSI)83. FILM AND PUBLICATION BOARD (FPB)84. BROADBAND INFRACO (BBI)85. SOUTH AFRICAN POST OFFICE (SAPO)86. STATE INFORMATION TECHNOLOGY AGENCY (SITA)87. SENTECH |
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REPORTS AVAILABLE ON NT WEBSITE

Provinces

1. MPUMALANGA
2. FREE STATE
3. NORTH WEST
4. GAUTENG
5. WESTERN CAPE
6. NORTHERN CAPE
7. EASTERN CAPE
8. KWA ZULU NATAL
9. LIMPOPO

PREVENTION AND CONSEQUENCE MANAGEMENT

National Treasury works in partnership with the AGSA, SARS and the various law enforcement agencies, whom together, have the mandate to prevent, investigate and prosecute corruption. The standards set, information provided, capacity building delivered and expertise given by NT is central in these collective efforts.

- The South African Revenue Service (Sars) is currently profiling 307 cases, with an estimated tax revenue loss of R300 million for further action using an array of both civil and criminal tools.
- The Presidential proclamation issued on 23 July 2020 assigned investigations in relation to the procurement of goods, works or services in response to the Covid-19 pandemic to the SIU. As at 19 August 2020 the SIU have initiated twenty nine investigations in various national departments, provincial departments, local municipalities and entities.
- Arising out of early engagements with the AGSA, it was agreed that they would commence conducting proactive audits immediately.

AGSA FOCUS AREAS

Intervention	Identified auditees
Healthcare services	National department Provincial departments National Health Laboratory system
Relief of social distress	National department Provincial departments SASSA
Wage protection	UIF Department of Labour
Water supply	Department of Water Affairs, Water trading entity, Rand Water
Relief to financially distressed small scale farmers	Department of Agriculture, Land reform and Rural development, Agricultural land holding account
Occupationally-incurred COVID-19	Compensation fund, Department of Labour
Resettlement of informal settlement	National and provincial departments of Human settlement, Metros, Housing development agency
Assistance by Defence	Department of Defence
Debt relief and SMME funding	Department of Small business development, Small Enterprise development agency, Small enterprise finance agency
EPWP beneficiaries for Covid related activities	Department of Public works, Independent development trust
Loans through the Industrial development corporation	Industrial development corporation
Quarantine sites and other Covid related construction and maintenance	Property management trading entity National and provincial departments of public works
Sports, Arts and culture relief fund	Department of Sports, Arts and Culture
Tourism relief fund	Department of Tourism SA tourism
Education – PPE	National and provincial departments of Education
Local government assistance	Audits to be selected

PUBLIC PROCUREMENT- IN ADDITION

- AGSA with NT will publish Preventative Control Guides on 9 September 2020. Preventative controls assist management to identify the risks of misappropriation, fraud and corruption before a transaction takes place. It provides accounting officers with a toolkit of possible solutions to make preventative controls a reality
- New Procurement Bill process is underway with comments having been received which are currently being considered and for incorporation
- Review of the PFMA and MFMA including and regarding emergency procurement procedures and strengthening the accountability by accounting officers/authorities
- NT process to commence the consideration of modernising of public procurement including automating public procurement system with enhanced due diligence and increased efficiency in processing requests
- Continuous information exchange between prevention, investigation and prosecution so that future preventative measures are informed by investigation lessons learnt and prosecution outcomes so to close gaps

Also

- PEPs participation in public procurement will require a more stringent review including age of business and history of same/similar type of service provision
- Hybrid model of for national procurement and local distribution for listed services to allow for economies of scale and increased anti-corruption measures

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