

Reference number: RCS/C.5

Private Bag X9165
CAPE TOWN
8000

SYSTEM CIRCULAR NO. 2 of 2020

THE PREMIER

THE MINISTER OF AGRICULTURE
THE MINISTER OF COMMUNITY SAFETY
THE MINISTER OF CULTURAL AFFAIRS AND SPORT
THE MINISTER OF EDUCATION
THE MINISTER OF FINANCE AND ECONOMIC OPPORTUNITIES
THE MINISTER OF HEALTH
THE MINISTER OF HUMAN SETTLEMENTS
THE MINISTER OF LOCAL GOVERNMENT, ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING
THE MINISTER OF SOCIAL DEVELOPMENT
THE MINISTER OF TRANSPORT AND PUBLIC WORKS

THE SPEAKER: PROVINCIAL PARLIAMENT
THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

THE EXECUTIVE AUTHORITY: WESTERN CAPE GAMBLING AND RACING BOARD (MINISTER D MAYNIER)
THE EXECUTIVE AUTHORITY: WESTERN CAPE NATURE CONSERVATION BOARD (MINISTER A BREDELL)
THE EXECUTIVE AUTHORITY: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MINISTER D MAYNIER)
THE EXECUTIVE AUTHORITY: SALDANHA BAY IDZ LICENCING COMPANY (MINISTER D MAYNIER)
THE EXECUTIVE AUTHORITY: WESTERN CAPE CULTURAL COMMISSION (MINISTER A MARAIS)
THE EXECUTIVE AUTHORITY: WESTERN CAPE LANGUAGE COMMITTEE (MINISTER A MARAIS)
THE EXECUTIVE AUTHORITY: WESTERN CAPE HERITAGE (MINISTER A MARAIS)
THE EXECUTIVE AUTHORITY: CASIDRA (MINISTER IH MEYER)
THE EXECUTIVE AUTHORITY: WESTERN CAPE LIQUOR AUTHORITY (MINISTER A FRITZ)

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (DR H MALILA)
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR R ADAMS)
THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (MR D SAVAGE)
THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (ADV. Y PILLAY)
THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MR BK SCHREUDER)
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (DR K CLOETE)
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (DR R MACDONALD)
THE ACCOUNTING OFFICER: VOTE 8: HUMAN SETTLEMENTS (MS J SAMSON)
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR P VAN ZYL)
THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MS J GOOCH)
THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (DR M SEBOPETSA)
THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR S FOURIE)
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS)
THE ACCOUNTING OFFICER: VOTE 14: LOCAL GOVERNMENT (MR G PAULSE)

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THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS N PETERSEN)
THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MS A SMIT)
THE CHIEF FINANCIAL OFFICER: VOTE 4: COMMUNITY SAFETY (MR M FRIZLAR)
THE CHIEF FINANCIAL OFFICER: VOTE 5: EDUCATION (MR L ELY)
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THE CHIEF FINANCIAL OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MR JO SMITH)
THE CHIEF FINANCIAL OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR F DE WET)
THE CHIEF FINANCIAL OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MS O SAMUELS)
THE CHIEF FINANCIAL OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (ADV. C SMITH)
THE CHIEF FINANCIAL OFFICER: VOTE 11: AGRICULTURE (MR F HUYSAMER)
THE CHIEF FINANCIAL OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MS M ABRAHAMS)
THE CHIEF FINANCIAL OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MS BG RUTGERS)
THE CHIEF FINANCIAL OFFICER: VOTE 14: LOCAL GOVERNMENT (MS B SEWLALL-SINGH)

For information

THE ACCOUNTING AUTHORITY: WESTERN CAPE GAMBLING AND RACING BOARD (MR D LAKAY)
 THE ACCOUNTING AUTHORITY: WESTERN CAPE NATURE CONSERVATION BOARD (PROF. G MANEVELDT)
 THE ACCOUNTING AUTHORITY: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MR B FIGAJI)
 THE ACCOUNTING AUTHORITY: SALDANHA BAY IDZ LICENCING COMPANY (DR J STEGMANN)
 THE ACCOUNTING AUTHORITY: WESTERN CAPE CULTURAL COMMISSION (MS J MOLELEKI)
 THE ACCOUNTING AUTHORITY: WESTERN CAPE LANGUAGE COMMITTEE (MS J MOLELEKI)
 THE ACCOUNTING AUTHORITY: WESTERN CAPE HERITAGE (MR M DLAMUKA)
 THE ACCOUNTING AUTHORITY: CASIDRA (MR A MOOS)
 THE ACCOUNTING AUTHORITY: WESTERN CAPE LIQUOR AUTHORITY (ADV. T SIDAKI)
 THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE GAMBLING AND RACING BOARD (MR P ABRAHAMS)
 THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE NATURE CONSERVATION BOARD (DR R OMAR)
 THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MR T HARRIS)
 THE CHIEF EXECUTIVE OFFICER: SALDANHA BAY IDZ LICENCING COMPANY (MS K BEUKES)
 THE CHIEF EXECUTIVE OFFICER: CASIDRA (MR A SEYMOUR)
 THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE LIQUOR AUTHORITY (ADV. L PETERSEN) (ACTING)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE GAMBLING AND RACING BOARD (MS Z SIWA)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE NATURE CONSERVATION BOARD (MR M BHAYAT)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MS K ZAMA)
 THE CHIEF FINANCIAL OFFICER: SALDANHA BAY IDZ LICENCING COMPANY (MR H BONESCHANS)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE CULTURAL COMMISSION (MS B RUTGERS)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE LANGUAGE COMMITTEE (MS B RUTGERS)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE HERITAGE (MS B RUTGERS)
 THE CHIEF FINANCIAL OFFICER: CASIDRA (MR F VAN ZYL)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE LIQUOR AUTHORITY (MR S GCWABE)
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 THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (MR C MAPEYI)
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 THE DIRECTOR: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS T VAN DE RHEEDE) (ACTING)
 THE DIRECTOR: PROVINCIAL GOVERNMENT FINANCE (EXPENDITURE MANAGEMENT) (MS A PICK) (PRO TEM)
 THE DIRECTOR: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS N EBRAHIM)
 THE DIRECTOR: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (MS N ISMAIL)
 THE DIRECTOR: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A MAZOMBA)
 THE PROVINCIAL AUDITOR
 MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT
 THE HEAD OF DEPARTMENT: LOCAL GOVERNMENT
 THE CHIEF DIRECTOR: LOCAL GOVERNMENT BUDGET ANALYSIS – NATIONAL TREASURY (MR J HATTINGH)
 THE CHIEF DIRECTOR: MFMA IMPLEMENTATION – NATIONAL TREASURY (MR TV PILLAY)

MEASURES TO CONTROL THE USE OF THE SUNDRY PAYMENT METHOD ON THE BASIC ACCOUNTING SYSTEM

1. PURPOSE

- 1.1 The purpose of this circular is to inform all WCG departments about the correct use of the BAS sundry payment method thereby ensuring the payments made to creditors are executed in the prescribed manner and that internal control measures are in place for payment approval and processing.

1.2 Furthermore, the intention of this circular is to communicate measures that ought to be put in place to enable proper control or use of the Sundry payment function in order avoid abuse or misuse of this function on the Basic Accounting system (BAS).

2. BACKGROUND

2.1 This Circular should be read in context with System Circular No. 4/2009 as reference and further background.

2.2 In terms of the PFMA No. 1 of 1999 section 38(1)(a)(i), (b):

2.2.1 The accounting officer for a department, trading entity or constitutional institution - (a) must ensure that that department, trading entity or constitutional institution has and maintains - (i) effective, efficient and transparent systems of financial and risk management and internal control, (section 38(1)(a)(i)); and

2.2.2 is responsible for the effective, efficient, economical and transparent use of the resources of the department, trading entity or constitutional institution, (section 38(1)(b)).

2.3 It is in support of the above PFMA that all WCG departments should procure and order goods and services through the Logistical Information system (LOGIS) or other authorised financial systems that have the ability to create orders for goods and services.

2.4 There are however exceptional cases/ instances where it is impractical to create such orders on the LOGIS system, which necessitate the use of the Sundry payment method to create the order on the BAS system.

2.5 Provincial Treasury has done an analysis over a period on expenditure made through Sundry payments and in particular also considered the expenditure since the beginning of 2020/21 financial year and it has been established that there is a growing tendency by departments to use this Sundry payments method as opposed to the acceptable transacting process of ordering through LOGIS or other authorised financial systems, prior to effecting payments on BAS.

3. RISKS ASSOCIATED WITH THE SUNDRY PAYMENT FUNCTION

3.1 Departments should take note that the Sundry payment method is not the ideal method of ordering and making payments to creditors as it has been catered for to use in exceptional cases and has the following weaknesses:

3.1.1 An elected creditor can easily be paid double either through the BAS as sundry payment and then be paid again via the LOGIS system resulting in duplicate payment;

3.1.2 The beneficiary's banking details can easily be altered/changed when capturing Sundry payment, this is the very challenge that the Central Supplier Database (CSD) aims to address, however, the Sundry payment process overrides the CSD in this regard;

3.1.3 If orders are created via the LOGIS system, these usually undergo a number of internal control checks aimed at ensuring validity and accuracy of such transactions, however, in the process of Sundry payment only two officials are involved to process such orders and payments;

3.1.4 Not using LOGIS, in the provisioning process fails to provide the necessary transactional controls and risk mitigation required in the provisioning process; and

3.1.5 The details required for further insight as it relates to financial management and insight into transactions that provide deeper information to support compliance needs, value for money consideration and predictive improvements analysis is lost.

3.2 In keeping with the purpose for this circular and in terms of the National Treasury Regulations issued in terms of section 76 of the PFMA, paragraph 8.1.1 indicates that:

“The accounting officer of an institution must ensure that internal procedures and internal control measures are in place for payment approval and processing.”

3.3 Therefore, uncontrolled use of the Sundry payment method could breed a culture where departments follow incorrect and un-auditable processes in effecting payments to creditors and will face the risk of being noncompliant to the National Treasury regulations as mentioned above.

3.4 Departments are reminded that in prior years there has been this practice which has resulted in negative audit outcomes as it relates to BAS/LOGIS reconciliations which PT Systems Circular No. 4 of 2009 aimed to remedy and succeeded in eliminating this practice, which we see a recurrence of during the current pandemic.

4. EXCEPTIONAL CIRCUMSTANCE FOR USING SUNDRY PAYMENT FUNCTION ON BAS

4.1 The following can be deemed as exceptional cases where the sundry payment method can be used by departments in cases where:

4.1.1 The re-issue to PERSAL, BAS and LOGIS payment is necessitated. This normally occurs as an example when Salaries/Bond payments have been rejected for one reason or the other by receiving bank. Departments would need to have proof of rejection and confirmation that such funds have been returned to the Departmental account;

4.1.2 Departments make advance payments to employees;

4.1.3 Departments pay over the departmental revenue/unspent funds to the Provincial Revenue fund; and

4.1.4 Departments wish to make payments for:

4.1.4.1 Reimbursement for travel and subsistence for external candidates attending interviews;

4.1.4.2 Inter-departmental claims; and

4.1.4.3 Any other claim against the state that cannot be paid through the normal ordering of goods & services.

4.1.5 A written motivation sighting the clearly reason for deviation should be submitted to the relevant accounting officer of the department before such payment is made. A report of all approved deviations must be submitted to the Provincial Treasury on a monthly, on the last day of the month for the attention of the Directorate Supporting Interlinked Financial Systems.

5. OTHER PAYMENTS

5.1 All other payments other than those mentioned in paragraph 4 above should be committed by using the available financial systems LOGIS, PERSAL or any other authorised financial system.

6. ROLES AND RESPONSIBILITIES

6.1 It is the role of the departments to:

6.1.1 Ensure that the sundry payments are affected only in circumstances as indicated in par. 4 above;

6.1.2 All leave gratuity payments should be paid through PERSAL and where PERSAL has already archived the ex-official's file and payment not effected, it is the responsibility of the department provide written request to consider approval of such payment to the relevant accounting officer who will treat the matter as provided for in par.4.1.2.4.3 above; and

6.1.3 It is the role of Provincial Treasury to:

6.1.3.1 Monitor and ensure compliance with this circular and escalate non- compliance to the accounting officer of the relevant department for the purpose of promoting accountability and transparency.

7. APPLICABILITY

7.1 This circular is applicable to all Western Cape Government Departments; and

7.2 This circular will become in effect on date of signature and replace all Provincial Circulars and/or practise notes that govern the sundry payments method in WCG.

Should there be any further queries to this Circular kindly contact our helpdesk on Logistreas.LogisTreasury@westerncape.gov.za.

A handwritten signature in black ink, appearing to read 'A. Mazomba', with a stylized flourish above the name.

MR A MAZOMBA
DIRECTOR: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS
DATE: 5 August 2020