



treasury

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**TO: ACCOUNTING OFFICERS OF PROVINCIAL DEPARTMENTS
ACCOUNTING AUTHORITIES OF SCHEDULE 3C AND 3D PROVINCIAL
PUBLIC ENTITIES
CHIEF FINANCIAL OFFICERS
HEADS OF SCM**

**PROVINCIAL INSTRUCTION NOTE 2 OF 2016/17: IMPLEMENTATION OF
THE PROVINCIAL CONTRACT MANAGEMENT SYSTEM**

1. Purpose

The purpose of this provincial instruction is to provide a framework and a procedure manual for the management of contracts for KwaZulu-Natal provincial departments and public entities.

2. Background

The foundation of fiscal prudence in the public sector lies in the ability of organs of state to manage and control levers of public expenditure. Failure to manage contracts among other things, has led to billions of rand in unauthorized, irregular and fruitless and wasteful expenditure. Findings by the Auditor General and provincial treasury assessments over the years have consistently pointed to weak control measures in the management of contracts across the province. In 2011, provincial treasury commissioned a study in 3 departments to determine current practices and gaps in the various contract management systems. The study found that there was no uniformity on how contracts are managed and how departments are structured to manage contracts. It further found gaps in

record keeping, storage and filing of contracts. During the roll out, it also became evident that some institutions that do not even have contract registers.

To this end, provincial treasury developed and implemented a contract management system to address some of these deficiencies in departmental processes. The system was developed using a phased approach wherein the first phase dealt with the establishment of internal systems for the management of contracts including, the creation of contract registers and a provincial contract filing and storage system. The second phase dealt with the review of existing contracts to determine financial and legal risks and to provide departments with a clear strategy on how to mitigate risks associated with same. The third and final phase of the project borrowed from findings in phases 1 and 2 to develop a contract management framework and a procedure manual for the most prudent management of contracts.

3. Implementation of the KwaZulu-Natal Contract Management Policy Framework and Procedure Manual

Accounting officers of departments and accounting authorities of public entities must ensure the implementation of the Contract Management Policy Framework and that in their respective institutions as prescribed and implemented by KZN Provincial Treasury; the Procedure Manual is customized for individual institutional structures and efficiencies.

4. Support

The Provincial Supply Chain Management Unit has established a Contract Management directorate for the implementation and support of contract management for provincial organs of state. These organs of state may contact this office through the contact information supplied in paragraph 8 of this Instruction.

5. Applicability

This Instruction Note applies to all KwaZulu-Natal provincial departments and provincial public entities listed in terms of Schedule 3C and 3D of the Public Finance Management Act (Act 1 of 1999).

6. Effective Date

The transitional period for the implementation of the Instruction is 01 October 2016 – 31 March 2017, during which accounting officers and accounting authorities must prepare their respective institutions for implementation. The effective date for this Instruction Note is 01 April 2017.

7. Authority for this Instruction

This Instruction Note is issued in terms of Section 18 (2) (a) and Section 18 (2) (e) of the Public Finance Management Act (Act 1 of 1999)

8. Contact Information

Enquiries related to this Instructions may be directed to:

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