national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEMORANDUM

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To: Director-General

From: Shabeer Khan
Division: Office of the Accountant-General
Doc ref: Transversal Systems Contracts
Date: 24 May 2026

EXTENSION OF TRANSVERSAL FINANCIAL MANAGEMENT SYSTEMS CONTRACTS

1. PURPOSE

1.1 To seek approval from the Director-General for;

1.1.1 A five-year extension of the current transversal financial management systems contracts (Accenture and Business Connexion (BCX)) to ensure continuity of support for these systems, covering the period 1 July 2026 to 30 June 2031.

1.1.2 Approval of the modernisation work to be undertaken during the existing and extension period, including re-platforming and architectural services, considering the advice provided by NT Legal Services regarding the validity of the current contracts in permitting such modernisation work.

1.1.3 Annual CPI increase on all related agreements from 1 July 2026 at a maximum rate of 5,0%.

1.1.4 The Accountant-General to reassess and adjust the scope of the related Service Level Agreements, noting that SLAs remain operational instruments subject to what the underlying contracts permit.

2. BACKGROUND

2.1 The current legacy financial systems provide essential support to the South African Government's financial and human-resource operations. PERSAL processes monthly salary payments for approximately 1.5 million officials, while BAS and LOGIS enable core functions such as supply chain management, asset and inventory control, financial accounting, payment processing, and annual financial reporting. In addition, the Vulindlela Management Information System plays a critical role in budgeting, institutional oversight, and broader management reporting across government.

2.2 These systems have not undergone significant upgrades since the planned implementation of the Integrated Financial Management System (IFMS). Only essential maintenance and policy-driven updates have been implemented, resulting in technological and functional lag. It is therefore imperative that these systems be modernised to align with current technological standards and best practices.

2.3 The existing contracts are currently in a five-year extension period that concludes on 30 June 2026. This extension was authorised by the Director-General of the National Treasury in 2021, in anticipation of the implementation of the IFMS. The primary contracts in effect with the respective service providers are as follows:

i) RT 710 SA BAS & RT 1159 KA LOGIS – Accenture

ii) RT 1160 KA PERSAL & VULINDLELA – Business Connexion

2.4 Historically, these agreements were concluded through separate tender processes, each governed by distinct contractual terms, expiry dates, and inflation-linked tariff adjustments. During the 2001/02 financial year, the contracts were renegotiated and aligned to establish a single expiry date of 30 June 2003, together with standardised annual tariff adjustments.

2.5 Efforts to issue new tenders during this period were unsuccessful, primarily due to the State's dependence on the institutional knowledge of the incumbent service providers and the proprietary nature of the underlying software. Consequently, at the time, a further two-year extension, from 1 July 2003 to 30 June 2005, was approved, subject to the establishment of Service Level Agreements to ensure continued system support and maintenance. In addition, CPI-linked annual increases were capped in alignment with the government's standard SMS salary adjustment.

2.6 The agreements have since been renewed for the following periods:

i) 1 July 2005 – 30 June 2010

ii) 1 July 2010 – 30 June 2013

iii) 1 July 2013 – 30 June 2016

iv) 1 July 2016 – 30 June 2021

v) 1 July 2021 – 30 June 2026

2.7 The agreements have subsequently been renewed for multiple periods, as detailed above. While the delayed implementation of the IFMS has contributed to these continued extensions, the primary justification remains unchanged: there are no alternative service providers with the requisite specialised expertise to ensure stable, secure, and uninterrupted operation of these critical systems.

2.8 The legacy platforms continue to provide essential functionality across government (as set out in paragraph 2.1 above).

2.9 Although the State retains full ownership of the source code, the continuity of operations increasingly depends on decades of accumulated institutional and functional expertise. The broader industry shift toward Commercial-Off-the-Shelf (COTS) solutions, with limited opportunities for customisation, has significantly reduced the pool of specialists capable of maintaining ageing bespoke systems. Academic institutions have similarly refocused their curricula on modern technologies, further diminishing the availability of professionals with the skills required to support these legacy environments.

2.10 In 2024, the IFMS programme adopted a revised implementation strategy, shifting away from the pursuit of a single, centralised ERP solution sourced from one vendor. Instead, it moved toward a phased, modular, and pragmatic approach. This model departs from the traditional "big-bang" replacement methodology and focuses on incremental delivery, interoperability, and user-centred design. The revised approach enables departments to adopt new functionality progressively, ensuring continuity of operations while reducing implementation risk.

2.11 This more adaptive strategy enhances flexibility, strengthens risk mitigation, and supports continuous learning, particularly important in an environment characterised by diverse levels of digital maturity, entrenched legacy dependencies, and ongoing service-delivery demands. It avoids vendor lock-in and supports an open, best-of-breed architecture aligned with international trends in Digital Public Infrastructure (DPI).

2.12 Central to this renewed direction is the development of a digital platform "DigiGovSA", a secure, scalable platform developed using open-source technologies. The platform represents a fundamental shift in government's management of transversal systems, replacing the constraints of a monolithic ERP solution with a modular architecture that evolves in line with institutional requirements and national priorities.

2.13 In parallel, the Presidency's Delivery Support Unit (DSU) has been collaborating with the Office of the Accountant-General (OAG) to develop a comprehensive roadmap for sequencing the replacement of transversal systems. This roadmap provides overarching strategic and implementation guidance. In addition, the OAG is exploring the development of a PERSAL modernisation prototype using a "strangler-fig" pattern to validate modularisation concepts ahead of full-scale deployment.

2.14 PERSAL is an integrated public service Human Resource, Personnel and Salary system with over 40000 users who access the system via linked main frames across South Africa. Some 55 million transactions are processed each year and approximately 1,5 million government employees are paid via the system each month. BCX currently maintains the system on the basis of a contractual arrangement with National Treasury built around Tender RTS 1160 KA.

2.15 The purpose of Tender RTS 1160 KA was to acquire the services of a consulting firm for the maintenance of PERSAL which is developed in NATURAL/ADABAS and is running on six mainframes utilising MVS as the operating system.

2.16 PERSAL is a mission-critical system for the South African Government. The policy for the functional operation of PERSAL is derived from the Public Service Staff Code, Treasury Regulations, Personnel Administration Standards and rules and regulations as determined by the Department of Public Service and Administration, National Treasury, Department of Education, and the South African Revenue Service. Successful delivery stands supportive to the vision and goals of Government / National Treasury which is, broadly speaking to:

i) Improve the quality of management within the Public Sector

ii) Achieve uniform reporting

iii) Promote social progress

iv) Enhance good governance / accountable management

2.17 To deliver the required services, the appointed service providers must be structured and resourced to meet their contractual obligations and to support the planned change and modernisation activities. The related SLA is an operational instrument that sets out service levels, governance arrangements and delivery responsibilities between National Treasury and the service provider, and aims to:

i) Define fixed costs associated with delivery

ii) Support joint planning processes that will help deliver an integrated governance/operations model and

iii) Define the delivery support requirements underpinned by clear rules of business acceptable to National Treasury and the appointed service providers.

2.18 The contractual context for the above sits within the current transversal financial management systems contracts, namely Tender RT 710 SA (BAS) and RT 1159 KA (LOGIS) with Accenture, and Tender RTS 1160 KA (PERSAL and Vulindlela) with BCX. It should be noted that each agreement is governed by its own contractual terms and scope, and the modernisation route may differ by system (for example, BAS may follow an alternative approach to PERSAL). The clauses referenced below are cited from the relevant SLAs as potential mechanisms to plan, govern and resource modernisation or transition work; however, SLAs do not expand contractual scope and any such work remains subject to what the underlying contracts permit and/or an approved contract amendment/deviation following legal confirmation.

i) Section 2 – Scope.

The SLA explicitly provides for adaptation and alteration in line with changing circumstances and operational requirements. This flexibility enables the inclusion of re-platforming activities within the existing contractual framework.

ii) Section 4.1 – PERSAL System Management: Coordinate and Control

Point 2: Emphasises effective risk control, noting that an aging workforce and outdated technologies pose significant risks. The re-platforming initiative directly mitigates these risks.

iii) Point 10: Provides for product improvement, including integration and interface approvals. Re platforming aligns with this mandate as it enhances system capability, modernisation, and compatibility with related platforms.

iv) Section 5 – Exclusions / Boundaries.

(Reference supports that re platforming activities may be positioned appropriately within or outside current exclusions, depending on alignment with approved project categories.)

v) Section 6.2 – Approved New Projects

6.2.3: Allows for costing of new projects, which includes the assessment and financial modelling required for a re platforming initiative.

6.2.4: Covers Technology Risk Management, reinforcing the need to address risks associated with obsolete technologies, one of the key drivers for re-platforming.

vi) Certain functionalities may overlap with services provided under the Vulindlela project. Accordingly, it is deemed appropriate to proceed with filling the current vacancies under the existing Service Level Agreement RTS 1160 KA, which covers both PERSAL and Vulindlela. The following clause in the Vulindlela SLA applies.

2.19 In addition, given the cross-cutting nature of integration and data/architecture across the transversal environment, certain Vulindlela modernisation or enhancement requirements may necessitate architectural services aligned to the broader transversal target architecture. Where such services are required from Accenture (in support of BAS/LOGIS integration and enterprise architecture), this will be managed through the appropriate contractual arrangements and approvals, subject to Legal confirming permissibility and the applicable approach.

2.20 The modernisation programme will be implemented incrementally across government departments, including those within the security cluster, with an initial focus on system assessment, stabilisation and establishing the required integration foundations (including API capabilities). Early delivery is expected to prioritise high-impact user-facing improvements and a phased rollout approach to reduce operational risk.

2.21 The PERSAL re-platforming initiative is expected to adopt a strangler-fig development approach, enabling the gradual replacement of system functionality through phased delivery rather than a single large-scale implementation. Resourcing requirements will vary by phase, and the OAG will review and update the relevant SLAs and/or contractual arrangements as necessary to align to the project's evolving requirements, subject to the scope permitted by the underlying contracts and legal confirmation.

2.22 In relation to BAS, a decision on whether to replace or modernise the platform has not yet been finalised. NT is assessing options that may include cost recovery from Oracle and the potential adoption of selected ERP modules (for example, a General Ledger module), noting that the applicability of other modules is still under consideration. During the extension period, BAS will therefore follow a fit-for-purpose path that prioritises stabilisation, security remediation, integration enablement and targeted enhancements to support continuity and alignment to the broader modular architecture, subject to the scope permitted by the underlying contract and legal confirmation.

2.23 In relation to Vulindlela, modernisation and enhancement requirements are expected to focus on improved data and reporting capabilities, interoperability with the broader transversal environment, and secure integration with upstream and downstream systems. Given Vulindlela's cross-cutting reporting role, architectural and design services may be required to ensure alignment to the transversal target architecture; any such services will be confirmed through the appropriate contractual arrangements and approvals, subject to legal confirmation of permissible scope.

2.24 In relation to LOGIS, the Office of Chief Procurement Officer (OCPO) has initiated an eGovernment Procurement (eGP) project and it is anticipated that LOGIS functionality will progressively be taken over by the eGP over time. During the transition period, additional support may be required for stabilisation, integration, data migration, and decommissioning planning. The specific approach and resourcing model will be confirmed as the procurement programme design is finalised and as transition plans are agreed.

3. PROPOSAL

3.1 The PERSAL modernisation initiative, and the work done with the digital platform, offers a model and enabling capabilities (e.g., modularisation, interoperability and API-based integration) that can be applied, where appropriate, to supporting the future stability of BAS and LOGIS. In the case of BAS, this may include a hybrid approach that combines targeted modernisation with the adoption of selected COTS/ERP modules (subject to feasibility and approvals). This model aims to ensure the government retains full intellectual property rights and ownership of the source code for custom components, while reducing total cost of ownership by minimising unnecessary licensing fees and legacy system maintenance.

3.2 The extension is intended to enable the current service providers (Accenture for BAS/LOGIS and BCX for PERSAL/Vulindlela) not only to maintain and support the legacy platforms, but also to provide approved modernisation and transition services where required. This may include (i) phased re-platforming activities for PERSAL, (ii) architectural and design services to guide modularisation, interoperability and secure integration across the transversal environment (including Vulindlela requirements), and (iii) for BAS and LOGIS, a fit-for-purpose approach that may include stabilisation, integration enablement, targeted technology uplift, and the possible consideration of modern off-the-shelf modules such as for General Ledger capability.

3.3 In parallel to the above, LOGIS is expected to be phased out over time as functionality is taken over by the eGP and related digital procurement reforms. The extension period must therefore allow for stabilisation, risk mitigation, integration support, and transition planning/implementation services to enable orderly migration and decommissioning, rather than maintenance-only activities.

3.4 The approach should maintain uninterrupted payroll and other systems operations throughout the transition, preserve critical business logic and institutional knowledge embedded in existing natural programs, and deliver incremental business value throughout the migration process. Furthermore, it will enable a shift to an open, modular architecture that supports future scalability.

3.5 It is anticipated that the legacy systems will remain in operation until the modernisation programme has been fully implemented across all targeted institutions. Although the rollout will be accelerated, migration from the legacy platforms may still occur within the proposed extension period. Should this occur, the existing contractual termination clause, requiring three months' written notice, will apply.

3.6 Failure to adequately support and maintain these systems would expose the State to substantial operational and financial-management risks and could undermine the successful transition to modernised systems. Extending the support, maintenance, and optimisation services for an additional five years is therefore critical to ensuring continuity, stability, and a well-governed transition process. Engagements with service providers will focus on cost optimisation, strengthened service levels, and structured knowledge-transfer measures to mitigate the potential loss of scarce technical skills as the legacy systems move toward decommissioning.

3.7 Modernising transversal financial systems involves updating technology, processes, and strategies to improve efficiency, security, compliance, and customer satisfaction. The extension of the contracts with Accenture and BCX through limited bidding satisfies these conditions for the reasons set out as follows.

3.8 Continuity of critical architecture and design oversight.

i) Accenture and BCX have played a central role in the development of the legacy systems from their inception, including the design of their reference architecture, security framework, and integration standards. Given the critical role these systems play within government, and their expanding use across departments, any attempt to interrupt current support and maintenance would disrupt continuity, weaken interoperability, and risk the loss of essential institutional knowledge.

ii) Given the transversal nature of legacy systems, and its growing cross-government application, replacing Accenture and BCX at this stage would disrupt architectural continuity, compromise interoperability, and risk the loss of critical institutional knowledge. The extension of the related contracts through limited bidding is therefore essential to preserve design integrity, maintain secure integration standards, and ensure continued alignment across transversal systems and partner institutions.

3.9 Specialised and scarce technical expertise

i) The current service providers possess advanced, highly specialised expertise in enterprise architecture, secure systems integration, and user-management capabilities that are not available within the existing capacity of the OAG and are exceptionally scarce in the local market.

ii) Both providers have consistently demonstrated deep mastery of these domains, supported by extensive institutional knowledge of the underlying technology platforms, integration standards, and architectural design decisions. No alternative provider would be able to replicate this level of proficiency within the required timeframes without incurring substantial duplication of effort, increased costs, and elevated operational risk.

3.10 Avoidance of duplication and re-procurement delays

i) Initiating a new competitive procurement process to appoint an alternative service provider would introduce significant delays to the modernisation programme. A new provider would require several months to reconstruct the existing platform environment, security configurations, and integration artefacts, resulting in higher project risk, increased costs, and a halt in progress on critical shared services currently under development.

3.11 Public interest and alignment with national priorities

i) The continued provision of specialised technical design and systems-integration services is critical to protecting the integrity of the public financial management environment and advancing the government's broader digital-transformation objectives. Continuation of current services should ensure that transversal systems remain stable, secure, interoperable, and capable of supporting improved efficiency, transparency, and service delivery across the public sector.

3.12 The circumstances outlined above satisfy the prescribed requirements for proceeding through limited bidding (single-source procurement). The engagement will be governed by a formal Service Level Agreement (SLA) that defines the deliverables, timelines, reporting obligations, and knowledge-transfer requirements necessary to ensure full transparency and accountability.

3.13 Failure to maintain and support the State's financial management systems poses significant operational and governance risks for both the South African Government and continued systems maintenance, support, and optimisation of these transversal systems under the existing contracts for an additional five-year period is therefore essential. This extension will ensure service continuity, safeguard critical capabilities, and provide the necessary stability to enable a successful and orderly transition into modernised systems.

3.14 A joint venture of retaining the dwindling scarce skills and the knowledge of complex systems within the current transversal financial management systems in symbioses with the new offering of the modernised systems should ensure success in the future. This will also strategically ensure data integrity, interfaces, seamless conversions, knowledge retention/transfer and subsequently successful implementation and support of new systems.

3.15 A decision on whether to replace or modernise BAS has not yet been finalised. In the interim, the BAS team's deep understanding of government structures and operational requirements will continue to inform the high-level architecture, integration requirements and stabilisation priorities for BAS and the broader transversal environment.

3.16 Appointing Accenture and BCX through a limited-bidding process is therefore justified, as it preserves architectural integrity, ensures secure and consistent integration standards, and maintains alignment across transversal systems and partner institutions.

4. LEGISLATIVE BACKGROUND

4.1 Sub-paragraph 5.1 of Instruction No. 3 of 2021/22 ("Instruction") authorises the accounting officer to expand a contract by increasing the scope of work or vary a contract by changing the scope of work. If an expansion or variation in the scope of work requires an extension of a contract, sub-paragraph 5.2 of Instruction states that motivation must distinguish between the changes in the scope of work and the period for which the contract is extended.

4.2 The proposed extensions of the service level agreements are not because of an expansion or variation in the scope of work. The extensions are simply to ensure uninterrupted provision of maintenance and enhancement of transversal financial management systems. Should the Director General approve the memo to allow the Accountant-General to reassess and adjust the scope of the relevant SLAs, such reassessment or adjustment of the scope of work may lead to an expansion or variation in the scope of work. In which case the National Treasury must comply with sub-paragraphs 5.4 and 5.5 by applying the relevant expansion or variation threshold and submitting a monthly report including reasons to the relevant treasury and the AGSA, and record such expansion or variation in the annual report."

5. FINANCIAL IMPLICATIONS

5.1 According to the Approved Financial Delegation issued in terms of Section 44 of the PFMA, Item 99 states that "The reasons for deviating from inviting quotations or competitive bids must be properly recorded and be in line with the supply chain management practice notes issued from time to time.

5.2 All deviations above R1 million must be submitted to the Director-General for approval.

5.3 The current year budget available to the Chief Directorate for the related services is R336M, which should be noted as a baseline required for appropriate support and maintenance of the legacy systems.

5.4 The summary below presents details of the budgeted financial impact as per the current MTEF cycle up to the 2028/29 Financial Year, which will guide the boundaries of the proposed renewal of agreements with the current service providers. Provision of Consulting services for year 5 has been calculated at a 5% increase from the year 4 budget.

5.5 Budgeted Financial Impact

Item	2026/27	2027/28	2028/29	2029/30	2030/31
Basic Accounting System (BAS)	130 810	137 905	147 921	155 317	163 082
Logistical Information System (Logis)	95 512	104 879	108 080	113 484	119 158
Personnel and Salary System (Persal)	147 073	155 211	167 595	175 975	184 773
Management Information (Vulindlela)	31 986	34 900	35 930	37 727	39 613
Total	**373 395**	**432 895**	**459 526**	**482 502**	**506 627**

6. RECOMMENDATION

6.1 It is hereby recommended that the Director-General approve the following:

6.1.1 A five-year extension of the current transversal financial management systems contracts (Accenture and Business Connexion (BCX)) to ensure continuity of support for these systems, covering the period 1 July 2026 to 30 June 2031.

6.1.2 The modernisation work during the existing and extension period (including re-platforming and architectural services), considering the advice provided by NT Legal Services regarding the validity of the current contracts in permitting such modernisation work.

6.1.3 Annual CPI increase on all related agreements from 1 July 2026 at a maximum rate of 5,0%.

6.1.4 The Accountant-General to reassess and adjust the scope of the related Service Level Agreements, noting that SLAs remain operational instruments subject to what the underlying contracts permit

Compiled by Marius Klue

(●) Recommended ◯ Not recommended ◯ Recommended with comments

Or SignHub Signature

Signed by:Lebogang Daly
Signed at:2026-05-28 09:16:45 +02:00
Reason:Witnessing Lebogang Daly

Signature
LEBOGANG DALY
Acting CD: Financial Management Systems
Date:

(●) Recommended ◯ Not recommended ◯ Recommended with comments

Or SignHub Signature

Signed by:SHABEER HAMID KHAN
Signed at:2026-05-29 09:13:02 +02:00
Reason:Witnessing SHABEER HAMID K

Shabeer Khan

Signature
SHABEER KHAN
Accountant-General
Date:

(●) Recommended ◯ Not recommended ◯ Recommended with comments

Or SignHub Signature

Signed by:Susanna Magdalena Krull
Signed at:2026-05-29 09:15:44 +02:00
Reason:Witnessing Susanna Magdalena

Signature
EMPIE VAN SCHOOR (Married surname: Krull)
Deputy Director-General: Office of the General Counsel
Date:

The memorandum should be divided into two parts corresponding to the two distinct contracts, RT 70 and RT 1160, each of which must be addressed as a separate contractual arrangement. For both contracts, all extensions granted to date should be documented comprehensively, illustrating the cumulative values from inception to the current extension, together with the proportional percentages represented by each extension. In addition, any expansion of scope is to be treated as a discrete matter and excluded from this extension-analysis process.

Recommended	Not recommended (selected)	Recommended with comments

Or SignHub Signature

Signed by:Koena Jeffrey Mapotse
Signed at:2026-06-10 21:07:28 +02:00
Reason:Witnessing Koena Jeffrey Mapots

Signature
KOENA MAPOTSE
Director: Supply Chain Management
Date:

Recommended	Not recommended	Recommended with comments (selected)

The memo presents the extension as time-only with no scope change but simultaneously introduces modernisation, re-platforming and architectural work. There's an audit risk if these activities are not explicitly in the original contract, AGSA may conclude this as de facto expansion/variation. On the financial implications - please request a top up for the shortfall during the 2027 MTEF.

Or SignHub Signature

Signed by:Unathi Ngwenya
Signed at:2026-06-12 13:28:32 +02:00
Reason:Witnessing Unathi Ngwenya

Signature
UNATHI NGWENYA
Chief Financial Officer
Date:

☐ Approved	☐ Not approved	☑ Approved with comments

All modernisation work to commence only upon receipt of written permission by the DG following advice by OGC

Or SignHub Signature

Signed by:Duncan Ettienne Pieterse
Signed at:2026-06-15 17:56:47 +02:00
Reason:Witnessing Duncan Ettienne Piet

Signature
DUNCAN PIETERSE
Director-General
Date: 15/06/26