

DEPARTMENT OF ECONOMIC AFFAIRS



SUPPLY CHAIN MANAGEMENT POLICY

TABLE OF CONTENTS

Chapter 1

1	Introduction	3
2	Adoption and amendment of Departmental Supply Chain (SCM) Policy	4
3	Delegation of Supply Chain Management (SCM) powers and duties	5
4	Sub-delegations	5
5	Oversight role of Provincial Supply Chain Management (SCM), Provincial Treasury	6

Chapter 2

1	Format for Supply Chain Management (SCM)	8
2	Demand Management	8
3	Acquisition Management	8
4	Acquisition Process and threshold values	9
5	General prerequisites for consideration of written quotations or bids	10
6	Lists of accredited suppliers and service providers	10
7	Acquisition of goods and services by means of petty cash purchases	10
8	Verbal or telephonic quotations	10
9	Formal written price quotations	10
10	Competitive bidding process	11
11	Procedures for handling, opening and recording bids	13
12	Committee system for acquisition	13
12.1	Compilation, appointment and functionality of Committees	13
12.2	Bid Specification Committee	14
12.3	Bid Evaluation Committee	14
12.4	Bid Adjudication Committee	15
13	Acquisition of Information Technology (IT) related goods or services	15
14	Acquisition of goods and services under contracts secured by national-and Provincial Treasury.....	16
15	Appointment of Consultants	16
16	Deviation from acquisition processes in an urgent or emergency situation	16
16.1	Other deviations from acquisition processes	16
17	Unsolicited Bids	16
18	Contracts providing for compensation based on turnover	16
19	Combating of abuse of Supply Chain Management (SCM) System	17
20	Non-compliance Mechanism	18
21	Compliance with Ethical Standards	18
22	Reporting of Supply Chain Management (SCM) Information	19
23	Debriefing of unsuccessful Bidders	19
24	Logistics Management	19
25	Disposal Management and letting of State Assets	20
26	Risk Management	21
27	Performance Management	21
28	Sponsorship	22
29	Commencement	22

CHAPTER 1

1 INTRODUCTION

The Northern Cape Provincial Government (NCPG) resolved in terms of Section 76 4(c) of the Public Finance Management Act (PFMA), 1999 and Chapter 16 A of Treasury Regulations, promulgated in Government Gazette Number 27388 on 15 March 2005, to implement a Supply Chain Management (SCM) Policy that gives effect to:

- 1.1 section 217 (1) of the Constitution;
- 1.2 section 38 (a) (iii) of the Public Finance Management Act (PFMA); and
- 1.3 the Preferential Procurement Policy Framework Act (PPPA), 05 of 2000 and its Regulations;

1.3.1 that is fair, equitable, transparent, competitive and cost effective and complies with:

- 1.3.1.1 Prescripts as per Chapter 16A of Treasury Regulations;
 - 1.3.1.1.1 Minimum Norms and Standards prescribed by National Treasury as well as the Northern Cape Provincial Treasury; and
 - 1.3.1.1.2 Regulatory Framework for Supply Chain Management (SCM) in terms of PFMA, 1999.

1.3.1.2 is consistent with other applicable legislation:

- 1.3.1.2.1 Broad Based Black Economic Empowerment Act (BBBEE);
- 1.3.1.2.2 Corruption Act, 1998 – anti-corruption measures and practices;
- 1.3.1.2.3 Competition Law and Regulations;
- 1.3.1.2.4 The National Small Business Act.

1.3.1.3 is also consistent with other Policy objectives;

1.3.1.4 does not undermine the objective of uniformity in Supply Chain Management (SCM).

The Department of Economic Affairs may not act in contravention with the Provincial Supply Chain Management (SCM) Policy when:

- acquisitioning goods or services;
- disposing of redundant, unserviceable or obsolete assets;
- letting of movable state assets;
- appointment of consultants as per prescripts and in line with Department of Public Service Administration (DPSA) rates; or
- professional bodies for construction and related services. Construction services are acquired by the Department of Transport, Roads and Public Works on behalf of the Department of Economic Affairs.

2 ADOPTION AND AMENDMENT OF DEPARTMENTAL SUPPLY CHAIN MANAGEMENT (SCM) POLICY

- 2.1 The Department of Economic Affairs SCM Unit shall review its SCM Policy annually as to ensure that it is aligned with National and Provincial Treasury's prescripts and Provincial SCM Policy.
- 2.2 A copy of the departmental SCM policy shall be submitted to the Provincial SCM Unit for verification.
- 2.3 The Department of Economic Affairs Accounting Officer shall report any departmental deviations from the Provincial Policy to the Provincial SCM Unit.
- 2.4 The Accounting Officer of the Department of Economic Affairs shall (in terms of Chapter 16A – Treasury Regulations paragraph 16A 3.1) take all reasonable steps to ensure that the Department implement its Supply Chain Management (SCM) policy.
- 2.5 Provision must be made for at least the following components in the Department of Economic Affairs SCM Unit:
- Demand Management
 - Acquisition Management
 - Logistics Management
 - Disposal Management
 - Risk Management
 - Regular Assessment of Supply Chain Performance
- 2.6 The Supply Chain Management (SCM) Unit shall be an integral part of the Chief Financial Officer's Office.
- 2.7 Training of Supply Chain Management (SCM) Practitioners in the Department of Economic Affairs SCM Unit shall be provided in accordance with programmes availed by SCM trainers only – in consultation with the Provincial Supply Chain Management (SCM) Unit, Northern Cape Provincial Treasury. This prerequisite is aligned with the framework for Minimum Training and Deployment issued by National Treasury.
- 2.7.1 In order to develop officials in Supply Chain Management, the following minimum types of training shall be presented:
- 2.7.1.1 Introduction to Supply Chain Management for newly appointed SCM practitioners – regardless of the level of appointment.
- 2.7.1.2 Intermediate training focused on intensive training on all elements of Supply Chain Management Practitioners who are involved with day-to-day SCM operations.
- 2.7.1.3 Advance training that includes specialist skills applicable to each element of Supply Chain Management for specialized SCM practitioners such as: Acquisition and Contract management.
- 2.7.1.4 Training for Programme Manager (Chief Directors and Directors) and upwards – in the Department of Economic Affairs pertaining to SCM principles and best practices.

3 DELEGATION OF SUPPLY CHAIN MANAGEMENT (SCM) POWERS AND DUTIES

The Accounting Officer shall delegate appropriate powers and duties to the Chief Financial Officer to enable the latter to re-delegate appropriate powers and duties to the Head of Supply Chain Management (SCM) to: Discharge the Supply Chain Management (SCM) responsibilities conferred to him/her in terms of:

- the PFMA, section 76 4 (c)
- Regulations in terms of the Public Finance Management Act, 1999 and Framework for Supply Chain Management;
- Chapter 16A in terms of Treasury Regulations; Preferential Procurement Policy Framework Act 5 of 2000 and Regulations;
- Practice Notes issued by Provincial Treasury;
- Provincial Supply Chain (SCM) Policy; and
- All other applicable legislation

Maximize administrative and operational efficiency in the implementation and execution of the departmental Supply Chain Management (SCM) Policy.

Enforce cost-effective measures for the prevention of fraud, corruption, favouritism, unfair and irregular practices in implementing and executing of the Supply Chain Management (SCM) Policy.

- Ensure all Supply Chain Management (SCM) practitioners as well as Specification – Evaluation – and Adjudication Committee members agree in writing to adhere to the prescribed Code of Conduct for SCM practitioners in all respects.
- All delegations must be done in writing and revised annually by the Accounting Officer, Chief Financial Office and Head of Supply Chain Management.

NOTE: The Accounting- and Chief Financial Officer shall not delegate or sub-delegate any Supply Chain Management (SCM) Powers or Duties to a person who is not an official of the Department of Economic Affairs; or

To a committee that is not exclusively composed of officials in the employ of the Department of Economic Affairs.

No Supply Chain Management decision-making powers may be delegated to an advisor or consultant unless approved by the Accounting Officer.

NOTE: The only officials who will attend all committee meetings in an advisory capacity are from the Provincial Supply Chain Management (SCM) Unit, Provincial Treasury.

4 SUB - DELEGATIONS

4.1 The power to make a final award for any acquisition exceeding R10 million (VAT included) shall not be sub-delegated by the Accounting Officer.

4.2 Above R500 000.00 (VAT included), but not exceeding R10 million (VAT included), shall be sub-delegated only to the Bid Adjudication Committee of which the Chief Financial Officer (CFO) is the chair person.

4.3 Above R100 000.00 (VAT included), but not exceeding R500 000.00 (VAT included), shall be sub-delegated only to the Programme Manager.

4.4 Above R0. 01 but not exceeding R100 000.00 (VAT included), shall be sub-delegated only to the Responsibility Manager.

4.5 The CFO in his/her capacity as chair person of the Bid Adjudication Committee, to which the power to make final awards has been sub-delegated in accordance with paragraph 4.2 of this Policy must forward minutes of bid Adjudication Committee meetings containing particulars of each final award made during a particular month to the:

4.4.1 Accounting Officer; and

4.4.2 Provincial Supply Chain Management (SCM), Provincial Treasury not later than the 15th of the following month.

4.4.3 Minutes of the Bid Adjudication Committee shall include:

- amount of each award;
- name of the company, person, partnership, close corporation to whom the award was made;
- reason(s) for awarding the contract or quotation was made to particular company, person, partnership, close corporation *etc.*..
- Attendance, quorum, disclosure of interest of committee member(s), if applicable in any bid presented for discussion.

5. OVERSIGHT ROLE OF PROVINCIAL SUPPLY CHAIN MANAGEMENT (SCM) UNIT, PROVINCIAL TREASURY

The Provincial Supply Chain Management (SCM) Unit shall maintain oversight over the implementation of the Provincial SCM Policy in the Northern Cape Province.

For the purpose of Provincial SCM's oversight role of the Department of Economic Affairs, the Accounting Officer shall:

Within 15 days of each month submit a report on progress made with implementation of SCM by the Department of Economic Affairs as well as the monthly questionnaire on all acquisitions awarded that exceeded R100 000.00 per case (VAT included) on prescribed formats (**Annexure C**) as well as reports and minutes of Bid Adjudication Committee meetings referred to in paragraph 4.2.

Supply Chain Management (SCM) mechanisms for dealing with non-compliance by service providers have been established in the Provincial Supply Chain Management (SCM) Unit, Provincial Treasury. This is in accordance with the Framework on Supply Chain Management, section 76(4) (c) of the PFMA

The aim is to:

- (i) receive and consider complaints regarding alleged non-compliance with the present minimum norms and standards;
- (ii) make recommendations for remedial actions to be taken if non-compliance with norms and standards is established – including recommendations of criminal steps to be taken in the case of corruption, fraud or other criminal offences (**Annexure D**).

CHAPTER 2

FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT

1 FORMAT FOR SUPPLY CHAIN MANAGEMENT

The Policy provides for:

- ❖ Demand Management
- ❖ Acquisition Management
- ❖ Logistics Management
- ❖ Disposal Management
- ❖ Risk Management
- ❖ Regular Assessment of Supply Chain Performance

2 DEMAND MANAGEMENT

2.1 The Accounting Officer shall establish, through operational procedures, an effective system of demand management in order to ensure that the resources required to support the strategic and operational commitments are delivered at the correct time, the right price, at the right location, and quality to satisfy the needs.

2.2 Further doing a needs assessment dealing with issues such as:

- Understanding future needs;
- Identifying critical delivery dates;
- Frequency of needs;
- Linking requirements to the budget;
- Doing an expenditure analysis based on past expenditure;
- Determining the specifications;
- Doing a commodity analysis *i.e.* looking at alternatives; and

3 ACQUISITION MANAGEMENT

The Accounting Officer shall establish – through operational procedures – an effective system of acquisition management in order to ensure that:

- goods and services are acquired by the Department of Economic Affairs in accordance with authorized procedures only;
- expenditure on goods and services is incurred in terms of an approved budget;
- threshold values of the different acquisition processes are compiled with;
- only bid documentation as per Provincial SCM prescripts are used;
- point system used is in accordance with Provincial SCM prescripts and Preferential Procurement Policy Framework Act, objectives are identified that could be met through the specific contract;
- general conditions of contract are adhered to in all respect and the bid documents are compiled according to Provincial SCM prescripts;
- ensure evaluation and adjudication criteria are clearly spelled out in bid documents and are in accordance with all applicable legislation and Provincial policies;
- Treasury Guidelines on acquisition management are properly taken into account;
- strategy on how the market is to be approached is determined;
- applicable depreciation rates are determined;

- total cost of ownership (TCO) principle is being applied *i.e.*:
 - Life cycle cost;
 - Inventory carrying cost
- bids are evaluated by Evaluation Committee and recommendations forwarded to Adjudication Committee for finalization;
- contract documents of successful bidder are completed and duly signed;
- contract administration is performed;
- contract information is used to start with the logistics management process; and
- if consultants are appointed the prescripts specified in appended (**Annexure C**) are followed, as well as Department of Public Service and Administration's (DPSA) guidelines on hourly fee structure.

4. ACQUISITION PROCESSES AND THRESHOLD VALUES

The acquisition of goods and services through this Policy is provided by way of different delegation levels.

Telephonic quotations up to R2 000.00 per case inclusive of VAT. At least three (3) quotations must be obtained per case and the accepted quotation is to be confirmed in writing for audit purposes.

Formal written quotations: a minimum of three (3) written quotations shall be obtained for acquisitions of a transaction value over R2 000.00 up to R500 000.00 (VAT included). If three (3) quotations cannot be obtained reasons must be recorded and the Departmental Adjudication Committee is to approve such reasons.

- For all acquisitions exceeding R30 000.00 per case, VAT included an original valid SARS certificate must be submitted by the successful supplier/service provider.
- For all bids (tenders) exceeding R30 000.00 per case, VAT included, the PPPFA prescripts apply *i.e.* points system must be used in adjudication process.

A competitive bidding process for acquisitions exceeding R500 000.00 per case (VAT included) is applicable.

- Bids must at least be advertised in the *Diamond Fields Advertiser* and *Die Volksblad* and where applicable in the other Northern Cape Regional Newspaper.
- Either Provincial Supply Chain Management (SCM) or National Treasury will arrange transversal contracts. The Department of Economic Affairs shall respond to a formal invitation to indicate whether it wants to participate or not.
- Statistics per appended template (**Annexure D**) must be forwarded to Provincial Supply Chain Management (SCM) not later than the 15th of every month for the previous month.
- The Accounting Officer may, in writing lower, *BUT NOT* increase, the different threshold values specified above.
- Goods and services may not be purposely subdivided to ensure a lesser value merely to avoid compliance with the requirements of the Policy. When determining transaction values, a requirement for goods or services consisting of different parts or terms must as far as possible be treated and dealt with as a single transaction.

5 GENERAL PREREQUISITES FOR CONSIDERATION OF WRITTEN QUOTATIONS OR BIDS

A written quotation or bid may not be considered unless the supplier who submitted the quotation or bid provided the following information:

- Company's full name, address, contact details and owners details;
- Company's identification – or registration number;
- Tax reference number or VAT registration number, if any (annual turn over is to exceed R300 000 per annum);
- Original, valid tax clearance certificate; and
- Whether the owner, directors, managers, principals or shareholders are in the service of the state or are a family member or other close relative of any official in the employ of the Department of Economic Affairs.

6 LISTS OF ACCREDITED SUPPLIERS AND SERVICE PROVIDERS

Provincial Supply Chain Management (SCM) will keep a database of all accredited suppliers and service providers. Provincial SCM will update the list on an ongoing basis. The list will be availed to the Department of Economic Affairs and other provincial departments to invite written and telephonic quotations.

- No supplier/service provider appearing on National and/or Provincial Treasury's list as a person or business prohibited/restricted from doing business within the public sector will appear on the database or may be doing business with it.
- National and/or Provincial Treasury's list will be compiled per commodity and type of service.

7 ACQUISITION OF GOODS AND SERVICES BY MEANS OF PETTY CASH

The Accounting- and Chief Financial Officer of the Department of Economic Affairs shall establish conditions for the acquisition of goods and services by means of petty cash purchases *i.e.*:

- terms must be drawn-up for managers to delegate responsibility to an official reporting to the manager;
- limiting the number of petty cash purchases or the maximum amounts per month for each manager; and
- exclude any types of expenditure from petty cash purchases, if considered necessary;

8 VERBAL OR TELEPHONIC QUOTATIONS

The Accounting Officer and Chief Financial Officer of the Department of Economic Affairs shall determine the conditions of the acquisition of goods and service through written and telephonic quotations *i.e.* which must be within threshold values as per paragraph 4 and which must include conditions stating:

- that quotations must be obtained from at least three (3) different suppliers/service providers whose names appear on the list of accredited suppliers and service providers supplied by Provincial Supply Chain Management (SCM).
- if it is impossible to obtain at least three (3) quotations, reasons must be recorded and reported to Provincial Supply Chain Management (SCM) quarterly as well as to the Accounting Officer for information and audit purposes.
- if a quotation was received telephonically/verbally, the order may be placed only once the selected supplier/service provider has furnished written confirmation.

9 FORMAL WRITTEN PRICE QUOTATIONS

The Department of Economic Affairs conditions for acquisition of goods and services by means of formal written price quotations shall include conditions stating:

- 9.1 quotations must be obtained in writing from at least three (3) different suppliers/service providers whose names appear on Provincial Supply Chain Management's (SCM) database for accredited suppliers/service providers
- 9.2 that quotations may be obtained from suppliers/service providers who are not listed, provided that first time suppliers/service providers meet the listing criteria of Provincial Supply Chain Management (SCM).
 - 9.2.1 If it is not possible to obtain at least three (3) quotations, reasons shall be recorded and the Departmental Adjudication Committee must grant approval. A monthly report on all cases referring to the above must be submitted to the Accounting Officer and Provincial Supply Chain Management (SCM) before the 15th of the next month.
 - 9.2.2 For all acquisitions in excess of R30 000.00 (including VAT) per case the accepted written quotation must have a valid original tax clearance certificate.

- 9.2.3 When using the Provincial Data list of accredited suppliers/ service providers, ongoing competition amongst suppliers must be promoted, and the principle of a rotation basis shall be applicable.
- 9.2.4 The Accounting Officer must take steps to ensure that the acquisition of goods and services through written or telephonic quotations is not abused and suppliers/service providers not on the Provincial accredited data list do declare any interest.
- 9.2.5 A list of written and telephonic quotations obtained and the successful supplier/service provider must be issued monthly to the Accounting Officer and Provincial Supply Chain Management (SCM) by the 15th of the month for record purposes and risk management.

10 COMPETITIVE BIDDING PROCESS

Acquisition of goods and services must be within the threshold values as determined by National- and Provincial Treasury.

- 10.1 Departmental Supply Chain Management (SCM) system must provide for:
- The establishment of Bid Specification, Bid Evaluation and Bid Adjudication Committees in accordance with Provincial Supply Chain Management (SCM) practice note 3.
 - Both the Bid Evaluation and Bid Adjudication Committees shall approve bids. Contracts shall be duly signed by the Accounting Officer and successful bidder;
 - Acquisition of goods and services above an estimated transaction value of R500 000.00 per case (VAT included) may not be purposely subdivided into parts or items of lesser value as a means of acquiring goods and services by means of price quotations instead of competitive bidding.
- 10.2 The Accounting Officer must ensure that:
- Bid documents and General Conditions of Contracts are aligned with the instructions of National- and Provincial Treasury.
- 10.3 Competitive bidding includes the following stages:
- Compilation of bid documents;
 - Specifications Committee's inputs on compilation of generic specifications;
 - Inclusion of evaluation and adjudication criteria in bid documents, inclusive of the Preferential Procurement Policy Framework Act 5 of 2000 and Regulations. The Northern Cape Province's approved point system as general guidelines and Broad Based Black Economic Empowerment Act, 53 of 2003.
 - Advertisement of bids in: *Die Volksblad* and *Diamond Fields Advertiser* and if applicable regional newspapers in the Northern Cape Province for a minimum period of 21 days before closure – except in urgent cases when bids may be advertised for 10 days – subject to authorization by the Accounting Officer.
 - Compel bidders to declare any conflict of interest that may have in the transaction for which the bid is submitted.

- 10.4 If the value of the transaction is estimated to exceed R10 million (VAT included), bidders shall be required to furnish:
- annual financial statements for auditing, their audited annual financial statements for the past three (3) years; or
 - since their establishment – if established during the foregoing three (3) years;
 - a certificate signed by the bidder certifying that the bidder has no undisputed commitments towards other service providers in respect of which payment is over due for more than 30 days;
 - particulars of any contracts awarded to the bidder by any other organ of state during the foregoing five (5) years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
 - a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic and, if so, what portion of the payment is expected to be transferred out of the RSA – informing the Department of Trade and Industry.
- 10.5 Such disputes shall be settled by means of mutual consultation, mediation (with or without legal representation) or, when unsuccessful, in a South African Court of Law.
- 10.6 Contacts relating to Information Technology (IT) are prepared in accordance with the State Information Technology Act, (Act 88 of 1998) and any regulations made in terms of that Act.
- 10.7 Treasury Regulations 16 is complied with when goods or services are acquired through public private partnership or as part of public private partnerships.
- 10.8 Instructions issued by National and Provincial Treasury in respect of the appointment of consultants shall be complied with as well as remuneration norms and standards set out in the Department of Public Service Administration's (DPSA) guidelines.
- 10.9 In the event of a particular case where it is impractical to invite competitive bids, the Accounting Officer may acquire the required goods and services by other means. Reasons for deviating from inviting competitive bids must be recorded for audit purposes.**
- 10.10 The Accounting Officer may participate in transversal term contracts facilitated by National or Provincial Treasury. Provincial Treasury will manage such contracts. When participating such contracts the Accounting Officer of the Department of Economic Affairs may not solicit bids for the same or similar product or service during the tenure of the transversal term contract.
- 10.11 The Accounting Officer of the Department of Economic Affairs may participate in any contract arranged by means of a competitive bidding process by any other organ of state, subject to the written approval of such organ of state and the relevant contractors.
- 10.12 All bids must be deposited at closing date and time in a bid box availed and accessible to the public. Bids must be submitted in a sealed envelope with the bid number and –description on the envelope. Bids received after closing time will be handled as late. Time for closure will be aligned with official Telkom time.

11. PROCEDURES FOR HANDLING, OPENING AND RECORDING OF BIDS

- Bids must be opened simultaneously in public directly after closing time on the closing date.
- Names of all bidders shall be read out. Only for construction and related bids the price shall be read out as well. For other commodities/ services the price shall not be read out.
- All bid documents must be stamped, recorded in a register with date and time. The register may be availed for public scrutiny upon a written request.
- General Conditions of bid are applicable to all bids.
- Negotiations with preferred bidders may only be done *via* the Accounting Officer, provided that such negotiations do not allow the preferred bidder a second or unfair opportunity that may be detrimental to any other bidder, does not lead to a higher price than the bid submitted or any other preference. Minutes must be kept of such negotiations and forwarded to Provincial Supply Chain Management (SCM) by the 15th of each month.

12 COMMITTEE SYSTEM FOR ACQUISITION

Bid committees shall be appointed in writing by the Accounting Officer for a two (2) year period and thereafter on a rotating basis:

- ❖ Specifications Committee (standing with co-opted members according to goods/services required).
- ❖ Evaluation Committee (standing)
- ❖ Adjudication Committee (standing)

12.1 COMPILATION, APPOINTMENT AND FUNCTIONALITY OF COMMITTEES

- Members may be co-opted for specific purposes.
- Committee members are subject to the Code of Conduct of Supply Chain Management (SCM) Practitioners and must sign the Code, disclose business- as well as financial interest (**Annexure F**), sign a clause of confidentiality, and obtain security clearance from NIA (copies of signed Code of Conducts are to be forwarded to Provincial Supply Chain Management (SCM) for information purposes).
- Quorum: 50 % plus one (1) of appointed standing members (excluding co-opted members).
- Minutes must be kept of each meeting according to guidelines (**Annexure G**) and copies thereof furnished to Provincial Supply Chain Management (SCM) monthly.

- A member of the Provincial Supply Chain Management (SCM) office shall attend all Committee meetings as an independent observer as part of their oversight role.

12.2 BID SPECIFICATION COMMITTEE

Compilation and functionality

- Two (2) permanent members.
- Co-opt three (3) to five (5) members depending on goods/services required.
- The Specifications Committee shall compile specifications for goods/services required. Specifications must be generic *i.e.* no brand name, trademark or exclusive design may be used (SABS specifications are to be utilized when available or another accredited recognized South African Institute's specifications).
- For consultancy services, technical specifications and functionality must be taken into account.
- Performance requirements are to be set.
- Specific goals for which points may be awarded in terms of the point system of Preferential Procurement Regulations of 2001 aligned with Provincial Policy Guidelines shall be set out in bid documents. If a different preferential point system that the approved is used the Accounting Officer shall approve it as well as the final specifications. Alternatively the Accounting Officer could delegate the power to approve an alternative point system to the Department's Adjudication Committee.
- External specialist advisors' services may be used. In such an event external specialist advisors' and their companies shall be prohibited from bidding.
- Minutes of each meeting according to format (**Annexure G**) must be kept and a copy thereof forwarded to Provincial Supply Chain Management (SCM) monthly.

12.3 BID EVALUATION COMMITTEE

Compilation and functionality

- Five (5) permanent members (**who may not be members of the specification committee as well**). One (1) Supply Chain Practitioner, a Finance Practitioner and three (3) knowledgeable members involved in the Department of Economic Affairs core business.
- Members may be co-opted *i.e.* technical personnel per requirement.
- All permanent members shall be well versed with Supply Chain Management (SCM) procedures, policy guidelines and practice note.
- Minutes are to be kept according to template (**Annexure G**) and copies forwarded to Provincial Supply Chain Management (SCM) monthly, not later than the 15th of the month. Members must declare interest in any bid to be evaluated before discussion of bid and excuse themselves from discussions in the event of possible conflict of interest.
- Evaluation shall be done in accordance with specifications and evaluation criteria (points and other) set out in bid documents.
- Evaluate bidders' ability to execute the contract and ensure all forms are duly completed, declaration of interest completed and valid original SARS certificate attached.

A report with recommendations properly motivated must be compiled, signed by all members and forwarded to the secretariat of the Adjudication Committee.

- Any dispute shall be referred to the Accounting Officer.

12.4 BID ADJUDICATION COMMITTEE

Compilation and functionality

- Five (5) permanent members inclusive of the Head of Supply Chain Management (SCM) and the Chief Financial Officer. The Chief Financial Officer shall be the Chairperson of the Bid Adjudication Committee.
- Members may be co-opted (only government officials) e.g. technical personnel to clarify technical or other related matters only.
- All permanent members shall be well versed with Supply Chain Management (SCM) procedures, policies, guidelines and practice notes.
- Minutes of Adjudication Committee meetings shall be kept according to the template (Annexure G). A copy of the minutes is to be forwarded to Provincial Supply Chain Management (SCM) monthly, not later than the 15th of the month.
- Members must declare interest in any bid to be evaluated before discussion of the bid. Members shall excuse themselves from discussions in the event of the possibility of conflict of interest. This must be recorded in the minutes.
- If the chairperson is absent from a meeting, the members of the Committee present must elect a chairperson to preside at the particular meeting.

NOTE:

Neither a member of a bid evaluation committee, nor a consultant or advisor or a person assisting the evaluation committee, may be a member of a bid adjudication committee. Only government officials may serve on any of the three (3) committees.

- ❖ If the Adjudication Committee deviates from the recommendations of the Evaluation Committee within their delegated authority to directly award bids, it must be fully motivated and the Accounting Officer notified to ratify the Adjudication Committee's decision.
- ❖ The Accounting Officer may not at any stage of the bidding process refer any recommendation by either the Evaluation or Adjudication Committee back to the evaluation Committee for reconsideration.

13 ACQUISITION OF INFORMATION TECHNOLOGY (IT) RELATED GOODS OR SERVICES

- The Accounting Officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.
- Both parties must enter into a written agreement to regulate the services rendered by and payments to SITA.
- The Accounting Officer must notify together with a motivation of the IT requirements if:
 - transaction value of IT related goods and services required in any financial year will exceed R50 million (VAT included); or
 - transaction value of a contract to be acquired (whether for one or more years) exceeds R50 million (VAT included).

If SITA comments on departmental submissions and Department of Economic Affairs disagree with SITA's comments, the comments and reasons for rejecting or not following such comments must be submitted to the Accounting Officer, Provincial Supply Chain Management, Provincial Treasury and the Auditor-General.

14. ACQUISITION OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY NATIONAL AND PROVINCIAL TREASURY

- The Accounting Officer may participate in Transversal Contracts concluded by National or Provincial Treasury.
- Written requests to participate in Transversal Contracts must be submitted to Provincial Supply Chain Management (SCM) and no other contract may be concluded during the period for the acquisition of the same or similar goods or services.

15. APPOINTMENT OF CONSULTANTS

- The Accounting Officer must adhere to National- and Provincial Treasury guidelines (Practice note 2 of 2004 and updates) without exception. Same applies to Department of Public Service Administration's (DPSA) guidelines on hourly tariffs.
- Consultancy services must be acquired through competitive bidding. If the value of the contract is estimated to exceed R500 000.00 (VAT included) or the duration period of the contract exceeds one (1) year.
- In addition to any requirements by this Policy for competitive bids, bidders must furnish particulars of:
 - All consultancy service provided to an Organ of State. An Organ of State is defined as: (*National, Provincial and Local Government as well as Public Entities*) in the last five (5) years and any similar consultancy services provided to an Organ of State in the last five (5) years.
 - Copy right of any document produced, also working papers e.g. questionnaires used, research, compile statistics etc., patent rights or ownership in any plant, machinery, system or processes designed or devised by a consultant in the course of the consultancy services is vested in the Department of Economic Affairs.

16. DEVIATION FROM ACQUISITION PROCESSES IN AN URGENT OR EMERGENCY SITUATION

- The Accounting Officer may dispense with the official acquisition processes established by this Policy and acquire any required goods/services through any convenient process, which may include direct negotiations in an extremely urgent or emergency situation.
- Price quotations may be invited verbally, telephonically or per facsimile. The relevant parties in case of a verbal or telephonic quotation must confirm their offers in writing as soon as possible. The Accounting Officer must approve all relevant acquisitions and record reasons for audit purposes. All reasonable steps must be taken to ensure market related prices are obtained.

16.1 Other deviations from acquisitions processes

- If goods and services are produced or available from a sole supplier only, the Accounting Officer must request the profit margin of the sole supplier to determine the reasonability of price quoted and compare the retail price of the goods as well to the quoted price.
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- Reasons for deviations shall be recorded for audit purposes.
- A quarterly report must be supplied to Provincial Supply Chain Management (SCM) on all deviations from acquisitions processes as per the policy.

17. UNSOLICITED BIDS

The Accounting Officer should refrain from considering unsolicited bids received outside normal bidding processes as it eliminates transparent, competitive acquisition processes.

- If an unsolicited bid is considered due to an exceptional product benefit, or cost advantages or a person or company is the sole provider of a product or service, the following procedure must be followed:
- The Adjudication Committee must consider the unsolicited bid. The Committee must take into account any comments submitted by the public and have to acquire written inputs from Provincial Supply Chain Management (SCM) prior to making a recommendation to the Accounting Office.
 - If any recommendations of the Provincial Supply Chain Management (SCM) Unit are not followed, the Accounting Officer must submit to the Auditor-General and the Provincial Supply Chain Management (SCM) Unit the reasons for rejecting or not following these recommendations. Such submissions must be made **before** any commitment is made or contract concluded. The Auditor-General and Provincial Supply Chain Management (SCM) Unit will have 30 days from receiving the submission to provide inputs to the Accounting Officer, during which period no contract may be concluded

18 CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURNOVER

- If a service provider acts on behalf of the Department of Economic Affairs in providing any service or act as a collector of fees, services charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or amount collected, the contract between the service provider and Department must stipulate:
 - a cap on the compensation payable to the service provider; and
 - that such compensation must be performance based.

19 COMBATING OF ABUSE OF SUPPLY CHAIN MANAGEMENT (SCM) SYSTEM

The Accounting Officer must establish measures for the combating of abuse of the Supply Chain Management (SCM) system:

- Take all reasonable steps to prevent abuse of the Supply Chain Management (SCM) system;
- Investigate any allegations against an official or other role player of corruption, favouritism, unfair or irregular practices, improper conduct or failure to comply with the Supply Chain Management (SCM) system, and when justified:
 - take steps against such official or other role player and inform Provincial Supply Chain Management (SCM) of such steps; and
 - report any alleged criminal conduct that may constitute an offence to the South African Police Service (SAPS).
- Check National Treasury's Supplier's Database, available at Provincial Supply Chain Management (SCM) prior to awarding any bids as to ensure that no recommended bidder, nor any of its directors, is listed as companies or persons prohibited from doing business with the Public Sector.
- Reject a proposal for the award of a bid if the recommended bidder or any of its directors have committed a corrupt or fraudulent act in competing for the particular contract.
- Reject any bid from a bidder who during the last five (5) years has failed to perform satisfactorily on a previous contract with the NCPG or any other Organ of State after written Notice was given to that bidder that performance was unsatisfactory.
- Reject the bid of any bidder or any of its directors, if it has abused the Supply Chain Management (SCM) system, of the NCPG or has committed any improper conduct in relation to the system and has been convicted of fraudulent or corrupted activities during the foregoing five (5) years.
- Cancel a contract awarded to a supplier of goods or services if the supplier committed any corrupt or fraudulent act during the bidding process or the execution of the contract.
- Or if an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person
- Reject any bid from a supplier who fails to provide a valid original SARS tax clearance certificate as per requirement or proof from the South African Revenue Service that the supplier is registered for tax purposes and has no outstanding tax obligations or has made arrangements to meet outstanding tax obligations.
- The Accounting Officer shall inform Provincial Supply Chain Management (SCM) of any actions taken.

20 NON-COMPLIANCE MECHANISM

Provincial Supply Chain Management (SCM) established an institutional mechanism to receive grievances regarding non-compliance with prescribed Supply Chain processes, procedures and policies. Inquiries will be conducted and recommendations made for remedial actions. Departmental grievances as well as suppliers' grievances will be addressed refer **Annexure H** for framework of the non-compliance mechanism.

21 COMPLIANCE WITH ETHICAL STANDARDS

- 21.1 All officials and other role players in the Supply Chain Management (SCM) system must comply with the highest ethical standards in order to promote:
- mutual trust and respect; and
 - an environment where business can be conducted with integrity and in a fair and reasonable manner.
- 21.2 The National Treasury's Code of Conduct for Supply Chain Management (SCM) Practitioners must be adhered to by all officials, Specifications-, Evaluation- and Adjudication Committee members and all other role players involved in Supply Chain Management (SCM) (**Annexure F**). All officials must sign a copy of the Code of Conduct and copies thereof must be furnished to Provincial Supply Chain Management (SCM) for record purposes.
- 21.3 If changes to the SCM organogram or any of the Committees are effected copies of alterations must be forwarded to Provincial Supply Chain Management (SCM).
- 21.4 Supply Chain Management (SCM) practitioners, Bid Committee members and other role player shall:
- recognize and disclose any conflict of interest that may arise;
 - treat all suppliers/service providers and potential suppliers/service providers equitably;
 - not use their position for private gain or to improperly benefit another person;
 - ensure that they do not compromise the credibility or integrity of the supply chain management system through the acceptance of gifts or hospitality or any other act;
 - be scrupulous in their use of public property; and
 - assist Accounting Officers in combating corruption and fraud in the Supply Chain Management System.
- 21.5 If a Supply Chain Management (SCM) practitioner, Bid Committee member or other role player, or any close family member, partner or associate of such official, has any private or business interest in any contract to be awarded, that official, Committee member or other role player must:
- disclose that interest; and
 - Withdraw from participating in any manner whatsoever in the process relating to that contract.
- 21.6 An official in the Supply Chain Management (SCM) Unit who becomes aware of a breach of or failure to comply with any aspect of the Supply Chain Management (SCM) system must immediately report the breach or failure to the Accounting Officer in writing.

22 REPORTING OF SUPPLY CHAIN MANAGEMENT

The Accounting Officer must submit to Provincial Supply Chain Management (SCM) such information as indicated in the Policy within the timeframes indicated and in the required format.

23 DEBRIEFING OF UNSUCCESSFUL BIDDERS

After notification of award to the successful bidder a non-compulsory session with unsuccessful bidders may be arranged and broadly reasons for awarding the contract discussed.

24 LOGISTICS MANAGEMENT

The Accounting Officer shall establish an effective system of logistics management in accordance with Provincial Supply Chain Management (SCM) prescripts to provide for:

- placing of orders;
- receiving and distribution of goods;
- ensuring goods/services received comply with quality and quantity and other specifications;
- expediting orders;
- transport management;
- vendor performance; maintenance; and
- contract administration

From the logistics management process, the financial system is activated to generate payments.

24 DISPOSAL MANAGEMENT AND LETTING OF STATE ASSETS

The Accounting Officer shall establish an effective system of disposal management for the disposal of unserviceable, redundant obsolete state assets.

- Obsolescence planning or depreciation rates per item are to be calculated.
- A database of all redundant material and items are to be kept.
- Assets are to be inspected for potential re-use.
- Determine a disposal strategy for obsolete items.
- Disposal of movable assets must be at market-related value utilizing price quotations, competitive bids or auction, whichever is most advantageous to the department, unless determined otherwise by Provincial Treasury in collaboration with Provincial Supply Chain Management.
- The Accounting Officer may also transfer assets to other organs of state at market-related value free of charge by means of formal vouchers.
- The Accounting Officer must, when disposing of computer equipment, firstly approach a state institution or Non Governmental Organisation (NGO) involved in education and/or training to determine whether such an institution requires IT equipment – if so, IT equipment shall be transferred free of charge to the identified institution.
- The Department of Economic Affairs shall not let any of its immovable property free of charge without the prior approval by Provincial Treasury.
 - A register of all properties let must be kept, rental per month, method of collecting rental and rental agreement with occupant, all relevant expenses incurred on the property e.g. rates and taxes and maintenance. Property must be valued every five (5) years by a valuator that is a registered member of South African Valuers Association.
- The Accounting Officer shall review, at least annually, when finalizing the budget, all fees, charges, rates or scales of fees or other charges relating to the letting of state property as to ensure sound financial planning and management.
- Ensure that when assets are traded in for assets (e.g. MEC's vehicle), approaching at least three (3) dealerships and negotiate the highest possible trade-in price. If an acceptable trade-in value can't be negotiated the vehicle may be sold per bid or auction, whichever will be most advantageous to the Northern Cape Provincial Government.

26 RISK MANAGEMENT

The Accounting Officer must establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the Supply Chain Management System.

Risk Management shall include:

- Identification of risks on a case-by-case basis;
- allocation of risks to the party best suited to manage such risks;
- acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
- management of risks in a pro-active manner and the provision of adequate cover for residual risks;
- assignment of relative risks to the contracting parties through clear and unambiguous contract documentation; and
- risk management must form part of the business plan for the acquisition of all goods and services.

27 PERFORMANCE MANAGEMENT: SUPPLIERS & SERVICE PROVIDERS

The Accounting Officer shall establish an effective internal monitoring system in order to determine, on the basis of retrospective analysis, whether the prescribed and authorized Supply Chain Management (SCM) process were followed and whether the objectives were achieved.

- ❖ Some of the issues that must be reviewed are:
 - achievement of goals;
 - compliance with norms and standards;
 - savings generated;
 - cost variance per item acquired over a financial year;
 - contract breach;
 - vendor performance;
 - cost efficiency of acquisition process (*i.e.* the cost of the process itself);
 - whether departmental supply chain objectives are consistent with government's broader policy focus;
 - material construction standards become increasingly aligned with those standards that support international best practice;
 - the principle of co-operative governance as expounded in the Constitution is observed;

28 SPONSORSHIPS

The Accounting Officer must promptly disclose to Provincial Treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, or by any person who is:

- a supplier or prospective supplier/provider of goods or services; or
- a recipient or prospective recipient of goods already disposed or stand to be disposed

29 COMMENCEMENT

This Policy takes effect on the date on which it is adopted by the Accounting Officer of the Department of Economic Affairs.

APPROVED/NOT APPROVED

Mr Patrick Seboko
Head of Department

Date