

KWAZULU NATAL PROVINCIAL TREASURY



SUPPLY CHAIN MANAGEMENT POLICY

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DEFINITIONS

In this policy, unless the context indicates otherwise:-

- (a) an expression, which denotes any gender, includes the other genders, a natural person includes a judicial person, and the singular includes the plural and vice versa;
- (b) clause headings are for convenience only and will not be used in its interpretation, and the following terminologies will bear the meaning assigned to them and similar expressions will bear corresponding meanings

"bid" means a written offer submitted in a prescribed or stipulated form, in response to an invitation by the Department for a procurement or disposal, as part of the competitive bidding process of the Department;

"CFO" means the person who is appointed by the Head of department or the Accounting Officer as the Chief Financial Officer for the Department and his delegates;

"comparative price" means the price after the factors of a non-firm price and all unconditional discounts that can be utilised have been taken into consideration;

"consortium or joint venture" means an association of persons for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract;

"consultant" means a professional service provider which is a partnership, sole trader or legal entity which provides on a fiduciary basis, labour and knowledge-based expertise which is applied with reasonable skill, care and diligence, and adheres to statutory labour practices;

"contract" means the written agreement that results from the acceptance of a bid or quotation by the Department;

"contractor" means any natural or legal person whose bid or quotation has been accepted by the Department for the execution of work for the Department;

"delegation" means the issuing of a written authorisation by a delegating authority to a delegated body to act in his stead, and in relation to a duty, includes an instruction or request to perform or to assist in performing the duty, and 'delegate' and 'sub-delegate' has a corresponding meaning;

"delegated body" in relation to the delegation of a power means the person to whom a power has been delegated by the delegating authority in writing;

"disability" means a permanent impairment of a physical, intellectual, or sensory function, which results in restricted, or lack of ability to perform an activity in the manner or in the range considered normal for a human being;

"disposal" means a process of preparing, negotiating and concluding a written contract which involve the alienation of a capital asset, including a capital asset no longer needed by the Department or rights in respect thereof, by means of a sale, a lease or a donation;

and **"dispose"** has a similar meaning;

"equity ownership" means the percentage of an enterprise or business owned by individuals or, in respect of a private company, the percentage of a company's shares that are owned by individuals, who are actively involved in the management of the enterprise or business and exercise control over the enterprise or business, commensurate with their degree of ownership at the closing date of the bid;

"firm price" is the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy, or tax, which, in terms of a law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract;

"functionality" means the suitability of a proposal, design or product for the use for which it is intended;

"goods" means those raw materials or commodities which are available for general sale;

"HDI" means a Historically Disadvantaged Individual that is a South African citizen:

who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 110 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act No 200 of 1993) ("the Interim Constitution"); and/or

who is female; and/or

who has a disability;

"local business" means service providers with active offices in Province, which shall be interpreted on the basis of whether the offices are utilized for the goods or services to be procured, and whether the majority shareholders are local or KwaZulu-Natal people;

"long term contract" means a contract with a duration period exceeding one year but not exceeding five years;

"management" refers to the membership of any board or similar governing body which is charged with the day-to-day management control of the enterprise / business. This entails the power to determine policies and direction of economic activities and resources;

"procurement" means a process of preparing, negotiating and concluding a contract, whether in writing or verbally, which involves the acquiring of goods & services.

"quotation" means a written offer which is not submitted in the form of a bid document prescribed by the Department but is based on the delegated limits for quotations. A quotation is never-the-less subject to a specification, conditions of purchase and any schedules and annexures such as drawings or plans, as applicable and is legal and binding;

"rand value" means the total estimated value of a contract in rand denomination which is calculated at the time of quotation and bid invitations and includes all applicable taxes and excise duties;

"SCM Unit" means the Supply Chain Management Unit which is under the management and control of the Chief Financial Officer, and that is responsible for the implementation and management of the SCM Policy;

"services" means the provision of labour and work carried out by hand, or with the assistance of plant and equipment, including the input, as necessary, of knowledge based expertise;

"service provider" means a current or potential supplier, manufacturer, contractor, vendor, agent or consultant;

1. INTRODUCTION

The previous approach of acquiring goods and services in government was highly prescriptive and had, amongst others, the following deficiencies:

- ♦ inconsistency in policy application,
- ♦ lack of accountability,
- ♦ lack of supportive structures,
- ♦ fragmented processes, etc.

Section 217 (1) of the Constitution of the Republic of South Africa stipulates that when an organ of the state in the National, Provincial or Local sphere of government, or any other institution identified in the national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.

National Treasury developed regulatory framework for Supply Chain Management within the context of the Constitution and subsequent enabling legislation. This regulatory framework determines the underlying support structure that sets the parameters for the execution of past deficiencies in the interpretation of the legislation and reform their Supply Chain Management functions in a uniform to manner to achieve the greater policy objectives as prescribed by National & Provincial legislation.

2. PURPOSE

This policy document is aimed at providing the framework and context for the KwaZulu-Natal Provincial Treasury's supply chain management. It is intended to provide and highlight a detailed synopsis of KZN Provincial Treasury's SCM process so that all departmental officials may fully appreciate the requirements related the purchasing processes.

3. SCOPE OF APPLICATION

This policy is applicable to all officials who are responsible for Supply Chain Management and related functions within the Department.

4. GOVERNING LEGISLATION

This policy must be read in conjunction with:

The KwaZulu-Natal Supply Chain Management Policy Framework,
Section 217 of the Constitution,
The PFMA and its Regulations in general,
The Preferential Procurement Policy Framework Act,
National Treasury guidelines, and
Provincial Treasury Supply Chain Management Practice Notes and guidelines

5. OBJECTIVE

The objectives of this policy include the following:

- ◆ To ensure that goods and services needs are aligned to both the strategic plan and budget of the KwaZulu-Natal Provincial Treasury;
- ◆ To ensure that effective controls are communicated to management and staff through clear and comprehensive written documentation;
- ◆ To ensure that the procurement of goods and services is in-line with Government's broader policy objectives; and
- ◆ To ensure compliance with the appropriate supply chain management guidelines and the Public Finance Management Act (PFMA).
- ◆ To outline the processes for dealing with quotations, competitive bidding and the awarding of contracts to the Department.
- ◆ To ensure that Treasury Guidelines on procurement are properly taken into account and adhered to.

6. ROLES & RESPONSIBILITIES

6.1 Role of the Accounting Officer

- ◆ Implementation of the SCM Policy.
- ◆ Appoint the members of the bid committees.
- ◆ Promote effective and sound financial management

6.2 Role of the Chief Financial Officer

- ◆ The CFO is the custodian of the SCM Policy and must report on progress regarding its implementation to the AO
- ◆ Promotes a corporate approach by encouraging standardization of items purchased within the Department to realize economies of scale.
- ◆ Responsible for managing procurement and disposal and to ensure that the supply chain management system of the Department is adhered to.
- ◆ Responsible for ensuring that all employees involved in the supply chain management process receive the necessary training to support implementation of the SCM Policy.

6.3 Role of Supply Chain Management

Supply Chain Management falls within the CFO component, and is responsible for;

- ◆ Providing and maintaining purchasing and sourcing systems
- ◆ Implementing, applying and managing this Policy and other SCM related prescripts.
- ◆ Compilation and issuing of quotations and bidding documents on behalf of the Department.
- ◆ Facilitating the invitation, closing and evaluation of quotations and bids.

- ◆ Providing and maintaining a sound asset management system
- ◆ Overall management of the quotation and competitive bidding process from solicitation to processing of invoice payment.

7. THE SUPPLY CHAIN MANAGEMENT SYSTEM

It should be noted that over and above this policy, the Department will adhere to the policy frameworks as issued by National & Provincial Treasury as well as other pieces of legislation applicable to the SCM environment.

7.1. Demand Management

The objective of demand management is to ensure that goods and services needs are identified at the beginning of the financial year and aligned to both the strategic plan and the spending plan of the KwaZulu-Natal Provincial Treasury. As demand management is the first phase of the SCM cycle, resources required have to be identified at the beginning of the financial year. This will ensure that needs are delivered at the right time, place and that the quality of goods and services satisfies end-user's requirements.

The SCM Unit shall, consult with responsibility managers and compile a procurement plan for all the Departmental projects in respect of each financial year. During consultations between the SCM Unit and responsibility managers, all reasonable efforts shall be made to determine:

- ◆ The anticipated date and time at which a specific contract must be awarded;
- ◆ The anticipated date and time when specific goods must be delivered, services rendered or work executed; and
- ◆ Any other relevant matters.

7.2 Acquisition Management

Acquisition Management is charged with the sole responsibility of conducting all activities relating to procuring of all goods and services (excluding human resources) to be utilized by the KwaZulu-Natal Provincial Treasury. Therefore, it must be the first point of contact for all new bids and all issues relating to bid administration.

The activities include, but are not limited to:

- ◆ Implementation procurement legislation and regulations;
- ◆ Decide on the manner in which the market will be approached (a sourcing strategy);
- ◆ Manage the KwaZulu-Natal Provincial Treasury bidding process to achieve the highest professional standards in the awarding of contracts, so as to maximize value for money while adhering to international standards;
- ◆ Manage the bidding process so that genuine competition is preserved and discrimination is avoided;
- ◆ Supporting the Bid Evaluation Committee in making sound recommendations;
- ◆ Co-ordinate and/ or support the Bid Adjudication Committee approval process;

- ◆ Ensure that effective control mechanisms are in place within all procurement areas to meet audit requirements;
- ◆ Implement government's preferential procurement policy objectives.

7.3 Methods of Acquisition (Thresholds)

7.3.1 Petty cash for values up to R 2 000 (VAT included)

This is utilized when procuring goods and services with values not exceeding R 2 000 (including VAT) and must be used in line with the internal petty cash procedures. The Department's petty cash policy as approved by the Accounting Officer must be considered and applied to all petty cash purchases and or payments. The petty cash policy may include the following conditions:-

- ◆ Determining terms on which a Responsibility Manager may determine a transaction to qualify for petty cash.
- ◆ Limiting values per case, for items that may be purchased with petty cash.
- ◆ Exclude any type of expenditure from petty cash purchases, where this is considered necessary.

Certain purchases may be within the petty cash threshold but may however, be excluded from petty cash purchases in terms of the petty cash exclusions. Such cases are to be procured using the ordering system with one written quotation.

7.3.2 Written quotations for values of R 2 000 but not exceeding R 10 000 (VAT included)

In this method, goods and services may be procured by obtaining at least three (3) written quotations from, where applicable, a list of prospective suppliers (Provincial Suppliers Database).

7.3.3 Written quotation for values of R 2 000 but not exceeding R 500 000 (VAT included)

As many suppliers (preferable from the database) as possible are invited to submit written quotations. Where no suitable suppliers are available from the database, written quotations may be obtained from other possible suppliers. If it is not possible to obtain at least three (3) written quotations, the reasons should be recorded and approved by the accounting officer / authority or his /her delegate.

7.3.3.1 General Conditions for Quotations

- ◆ For the procurement of goods and services above R2000 to a maximum of R 500 000 (VAT included):
- ◆ Written quotations must be obtained from at least three different service providers preferably from providers whose names appear on the Suppliers Database.
- ◆ Service providers must be requested to submit quotations in writing;
- ◆ In the event that it is not feasible to obtain at least three quotations, the reasons must be recorded and approved by the Accounting Officer or an official designated by him or her;

- ♦ The SCM unit must record the names of the prospective service providers requested to provide quotations, and their quoted prices;

7.3.3.2 Specifications for quotations

Quotation documents shall clearly indicate the specification criteria for evaluation and procedures to be followed where applicable.

The specifications and evaluation criteria shall not be aimed at limiting competition, but rather to ensure a fair, equitable, transparent, competitive and cost-effective process.

The specifications shall (where practical) not mention trade/brand names unless these are the only acceptable products, however, where the use of trade names, trade marks or origin is the only known way of accurately describing the products required, the words "or other equal and approved" shall be included in the specifications mentioned in the quotation document.

Where the specifications are based on standard documents (i.e SABS or CKS standards) available to bidders, a reference to those documents is sufficient.

7.3.3.3 Issuing & submission of quotation documents

All documents pertaining to the procurement of goods or services by means of written price quotations will be issued and received by the SCM Unit.

Quotation documents shall clearly state the place or fax number where such documents must be submitted and a date by when they must be returned.

All prices submitted shall remain confidential until all invited quotations have been received.

7.3.3.4 Advertisements for Audience driven purchases

Advertising is a vehicle for publicizing and marketing the department and its intentions. Through effective advertising, the department must endeavour to ensure that all persons (targeted audience) are effectively reached using a communication medium which is understandable / accessible to the targeted communities.

There are cases whereby the Department will request only one quotation to place an advert aimed at particular targeted audience. These instances occur when the department is communicating special messages or is hosting an Imbizo in a specific area or region. It is only rational that the communiqué regarding such, be placed in relevant pre-identified medium of communication which includes but is not limited to (Community newspapers, Local newspapers, radio stations etc).

7.3.3.5 Catering during special events

During special events (Imbizo's & Road shows), the Department in conjunction with local leaders shall identify potential service providers, who are registered on the Provincial Suppliers Database, to provide catering services to the community members

attending the Imbizo. Where catering service is required, this will be proportionally divided among suppliers using the number of community members expected to attend the event as an indicator.

7.3.4 Competitive Bids for values above R 500 000 (VAT included)

Competitive bids are invited for all procurement above R 500 000. Competitive bids should be advertised in the Government Tender Bulletin and in other appropriate media, should the accounting officer deem it necessary to ensure greater exposure to potential bidders. Preferential Procurement Policy Framework Act, Act 5 of 2000 and its associated Regulations for all procurement equal to or above R 30 000 (VAT included).

7.3.4.1 General Conditions for Bids

) Goods or services above a transaction value of R500 000 (VAT included) must be procured through a competitive bidding process, except in the case of an emergency as provided for in the Departmental Delegations of Authority.

No requirement for goods or services above an estimated transaction value of R500 000 (VAT included) may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through competitive bidding.

A case is regarded as the consolidated requirement of related items (items of a common commodity group, for example the grouping together of all stationary items), that exist at a given point in time. It should cover the total quantities and estimated value (VAT included) of all items concerned for the complete service or supply. Items appearing on the procurement plan for the complete service or supply, should not be split in order to reduce the value such that it becomes less than the threshold value for the invitation of competitive bids.

) The SCM Unit shall, by notice published in the press (Tender Bulletin & or in newspapers) circulating locally, and or on the Department's website.

The Accounting Officer/ Head of Department must ensure that the applicable regulations dealing with public-private partnerships have been adhered to before entering into any public-private partnership or part thereof.

The CFO may, on behalf of the Department, participate in any transversal contract arranged by means of a competitive bidding process by National Treasury, Provincial Treasury or any other organ of state, subject to the written approval of such organ of state.

7.3.4.2 Inviting bids

Bids shall be invited by the Supply Chain Management Unit for all goods and services exceeding R 500 000 (including VAT). These bids are advertised at least 21 days before closure in at least the Government Tender Bulletin and in other appropriate media if necessary to ensure greater exposure to potential bidders. In urgent cases subject to the

Accounting Officer's approval, shorter periods can be used. Bidding procedures should be easy, transparent and free of corruption.

- ◆ The advert in the press shall specify :
- ◆ the nature of the proposed contract;
- ◆ such particulars of the contract as the Department may deem fit;
- ◆ that all bids for such contract shall be submitted in a sealed envelope which on the outside clearly states that such envelope contains a bid and the contract for which such bid is being submitted;
- ◆ a day not less than 21 or more than 28 days being the closure date for submission of bids on which such bids must be received;
- ◆ The Accounting Officer may determine a closing date for the submission of bids which is less than the 28 days required, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the normal procurement process.
- ◆ the place where such bids must be submitted and when such bids will be opened;
- ◆ a statement that bids may only be submitted on the bid documentation provided by the Department;
- ◆ Bid documentation shall be available for collection by prospective bidders during normal office hours, until the closing date of bids.
- ◆ Where site inspections or briefing sessions are to be held, details thereof shall be included in the bid notice.
- ◆ All correspondence in regard to bid documents shall be addressed to the CFO.

7.3.4.3 Bid documents

Bid documents must contain specifications which promote the broadest possible competition. They must adequately cover the information needs of the suppliers, enabling them to offer exact requirements. The bid will also spell out the criteria that will be used to select the successful bidder. The bid will stipulate the bid number, a closing time and date for responses.

Specifications, Evaluation Criteria & Procedures for Bids

- ◆ Bid documents shall clearly indicate the terms and conditions of contract, specification criteria for evaluation and procedures to be followed where applicable, including the criteria prescribed in terms of the Preferential Procurement Legislation.
- ◆ The bid documentation must compel all bidders to declare any conflict of interest that bidders may have in a specific bid, and must prescribe that bidders must furnish their tax clearance certificates.
- ◆ The specifications and evaluation criteria shall not be aimed at hampering competition, but rather to ensure fair, equitable, transparent, competitive and cost effective bidding.
- ◆ The specifications shall not mention trade names or particular processes of manufacture unless these are the only acceptable products. However, where the

use of trade names, trade marks or origin is the only known way of accurately describing the products required, the words "similar, equivalent or other equal and approved" shall be included in the specifications mentioned in the bid document.

- ◆ Where the specifications are based on standard documents available to bidders, a reference to those documents is sufficient.

Issuing of bid documents

Details of all prospective bidders who have been issued with bid documents shall be recorded by the SCM Unit. Such a register shall include the following fields:

- ◆ the legal and full name of the person/company/closed corporation/firm drawing documents;
- ◆ a contact person;
- ◆ a contact telephone number;
- ◆ a contact fax number;
- ◆ a postal address;
- ◆ an e-mail address;
- ◆ Details recorded as required above shall remain confidential for the duration of the bid period.

Validity Period

The period for which bids are to remain valid and binding shall be indicated in the bid documents. The period is calculated from the closing time and bids shall remain in force and binding until the end of the final day of the set period.

This period of validity may be extended by mutual consent in writing between the Department and the bidder, provided that the original validity period has not expired, and that all bidders shall have an opportunity to extend such period.

Samples

When samples are called for in the bid documents, samples (marked with the bid and item number as well as the bidder's name and address) shall be delivered to the addressee mentioned in the bid documents by no later than the closing time of the bid.

Bids shall not be included in parcels containing samples.

If samples are not submitted as requested, the bid concerned may be declared non responsive.

Samples shall be supplied by a bidder at his own expense and risk. The Department shall not be obliged to pay for such samples or compensate for the loss thereof, unless otherwise specified in the bid documents, and reserves the right not to return such samples and to dispose of them at its own discretion.

Where a bid is accepted for the supply of goods according to a sample submitted by the bidder, such sample shall become the contract sample. All goods/materials supplied shall comply in all respects to the contract sample.

Closing of bids

Bids shall close on the date and at the time stipulated in the bid advert. The bid closing date may be extended if circumstances justify this action. The closing date may only be extended if there is sufficient time to publish amendments or extension. The extension shall be published in the same media where the bid was originally advertised.

Submission of bids

Bids shall be submitted before the closing time, at the address and in accordance with the directives in the bid documents.

Each bid shall be in writing using non-erasable ink and shall be submitted on the official Form of Bid issued with the bid documents. The bid shall be submitted in a separate sealed envelope with the name and address of the bidder, the bid number and title, the bid box number (where applicable), and the closing date indicated on the envelope. The envelope shall not contain documents relating to any bid other than that shown on the envelope.

The onus shall be on the bidder to place the sealed envelope in the official marked locked bid box provided for this purpose, at the designated venue, not later than the closing date and time specified in the bid notice.

Bids forwarded by telegram, facsimile, e-mail or similar process will not be considered.

Late Bids

Bids are late if they are received after closing time.

A late bid shall not be admitted for consideration and where feasible shall be returned unopened to the bidder.

Opening of Bids

At the specified closing time on the closing date, at least two representatives of the SCM Unit will be present and responsible for the process of receiving and recording the bids. The applicable bid box shall be closed by them.

They shall thereafter open the bid box in public after the closing time, and the contents thereof shall be checked for compliance.

Immediately after the opening of the bid box by the representatives of the SCM Unit, all bids shall be opened in public, and they shall in each case read out the name of the bidder and where practical, the price of the bid.

As soon as a bid has been opened, the bid document shall be stamped with the official stamps, and endorsed with the opening official's signatures. The name of the bidder shall be recorded in a bid opening record kept for audit purposes.

After the representatives of the SCM Unit have completed the bid opening record in respect of all bids received, the bids shall be handed over to the respective SCM official for the scheduling & processing of responses.

Confidentiality of Rates and Proprietary Information

All the prices, rates and proprietary information in the bid documents is confidential and shall not be disclosed, unless if the information is required for legal process.

Evaluation of Bids & Recommendations

The evaluation committee is responsible for the evaluation of bids received. The evaluation process shall include verification of the following;

- ◆ The capability/ability of the bidder to execute the contract, from a technical, managerial and financial perspective
- ◆ Whether the bid is to specification in respect of quality, functionality, dimensions, design, customer support, guarantee, etc.
- ◆ Whether a bid offers value for money
- ◆ Allocation of preference points
- ◆ Representivity in the composition of the bidder and the possibility of fronting
- ◆ Tax Clearance certificate issued by the SARS
- ◆ Compulsory registration on Provincial Treasury's Suppliers Database.
- ◆ National Industrial Participation programme requirements (only applicable to contracts in excess of R 10 million)

The Bid Evaluation Committee after completion of the evaluation will compile a report summarizing the evaluation and recommending the bidder who will best fulfill the requirements. The report must specify the aim/purpose of bid requirements, the background into why/how the bid came about, the methodology of evaluation and the criteria used, deviations from set out criteria or specification/task directive if applicable with the reasons, the names of bidders being evaluated and their scores for all evaluated criteria's, and a summary of results pointing out the weaknesses and strengths of all bidders. The report should be signed by the Chief user, members and chair of the panel.

Award

The Bid Adjudication Committee must consider the recommendations/reports of the Bid Evaluation Committee and based on their delegated powers, make an award. The Bid Adjudication Committee must award the contract to the bidder who scored the highest points, according to the Preferential Procurement Policy Framework Act and its regulations, unless objective criteria justify the award to other bidders.

7.4 TAX CLEARANCE

It is Government / KwaZulu-Natal Provincial Treasury policy that no award of orders exceeding R 30 000 will be made to a supplier, before a receipt of a valid tax clearance certificate from that supplier.

7.5 PROCUREMENT OF BANKING SERVICES

A contract for the provision of banking services to the Department must be procured through a competitive bidding process. As Provincial Treasury facilitates the procurement of the banking service for all the provincial departments, this service will be procured by the Financial Assets & Liability section in consultation with the Provincial SCM unit.

Procurement of IT related goods or services

The procurement of IT related goods or services will be performed by the Supporting & Interlinked Financial Systems through the SITA contracts.

The Department must enter into a written agreement to regulate the services by and the payments to be made to SITA.

Procurement of goods and services under transversal contracts, & contracts secured by other organs of state.

The Department may procure goods or services from contracts secured by another organs of state, but only if :

the contract has been secured by that organ of state by means of a competitive bidding process applicable to that organ of state; (i.e the purchase of vehicles from contracts by Department of Transport)

there are demonstrable discounts or benefits to the Department;

Appointment of consultants

The Department may procure the services of consultants provided that the National and Provincial Treasury guidelines for the appointment of consultants are taken into account when such appointments are made. For the procurement of the services of consultants up to R500 000 (VAT included):

The quotation process as provided for above must be complied with; or in the exceptional cases, a formal written submission to the Accounting Officer can be made requesting approval and substantiating why the Department has to deviate from normal procurement process. The services of consultants must be procured through competitive bidding if:

- the value of the contract exceeds R500 000 (VAT included); or
- the duration period of the contract exceeds one year.

7.6 BID COMMITTEES

7.6.1 General

The department must have the following committees;

**Bid Specification Committee
Bid Evaluation Committee; and
Bid Adjudication Committee**

The members of each committee are appointed by the Accounting Officer in terms of the provisions of the PFMA. The Accounting Officer may appoint a neutral or independent observer for ensuring fairness and promoting transparency, if he/she deems it necessary. A bid committee established in terms of the above, shall perform its functions, exercise its powers and discharge its duties independently and without fear, favour or prejudice. A bid committee shall be accountable to the Accounting Officer.

The chairperson of the relevant bid committee shall determine the date, time and venue of meetings of the committee concerned: Provided that at least 5 working day's written notice shall be given of a meeting of a bid committee to all the members.

A Bid Committee meeting is properly constituted only if at least fifty percent (50%) plus 1 of its members are present.

Committee members must be representative of appropriate operational disciplines within a department, that members must be appointed for a period of three consecutive years. At least one member should be a supply chain practitioner.

Decisions of a bid committee shall be taken by a majority of the members present at a meeting voting in favour of, or against, a question. SCM shall make appropriate arrangements to ensure that secretarial and such other administrative support services as may be required are provided to the bid committees. Minutes shall be kept of each meeting of a bid committee. Such minutes shall be considered and adopted, with or without amendments, as a true and accurate reflection of the proceedings at, and resolutions taken during a bid committee meeting, by the relevant committee. The minutes must be signed by the person presiding at the meeting when they were recorded.

7.6.2 Bid Specification Committee

This is the committee responsible for compiling of bid specifications. The specifications should be compiled in an unbiased manner to allow all potential bidders to offer their goods and/or services without favour or prejudice. The specification committee may be comprised of:-

- Appropriately skilled officials of a Department (i.e. the SCM section of the Department requiring the goods or services),
- One or more suitably qualified specialist officials,
- Or an external consultant under the direction of the official or component concerned.

Specifications should be approved by the Accounting Officer or his/her delegate/s, prior to invitation/advertisement. This is done in order to ensure that the evaluation criteria are consistent with criteria stipulated in the bid documentation, which must be in harmony with Departmental service delivery and other strategic objectives.

7.6.3 Bid Evaluation Committee

The Bid Evaluation Committee is selected to evaluate bids within the KwaZulu-Natal Provincial Treasury. The B.E.C must make recommendations to the Bid Adjudication Committee on the award of contracts. The Bid Evaluation Committee should be cross-functional and should be comprised of supply chain practitioners and suitably skilled individuals from other relevant disciplines. The evaluation committee should consist of a minimum of five (5) members. The role of B.E.C include:

- ◆ Verification of the ability of bidders to carry out a contract successfully;
- ◆ Consideration of the acceptance of alternative offers;
- ◆ Communication with bidders where information is incomplete or where a lack of clarity exists about technical aspects of the offer; and
- ◆ Communication with bidders to obtain confirmation of prices or preference claims in cases where it is obvious that a written or transcription error or an error in the unit price has been made.

It must be emphasized that bids may only be evaluated in accordance with the criteria specified in the bid specifications. According to the prescripts of the Preferential Procurement Legislation, bids must be evaluated in accordance with a preference point system. Any specific goal for which a point may be awarded must be clearly specified in the invitation to submit a bid.

7.6.4 Bid Adjudication Committee

The bid adjudication committee is appointed by the accounting officer and should be cross-functional, in order to ensure that collectively, the committee members possess sufficient expertise to ensure sound adjudication of each bid it has to consider. It is recommended that committee members be representative of appropriate operational disciplines within the KwaZulu-Natal Provincial Treasury, and that members be appointed for a period of three consecutive years. At least one member should be a supply chain practitioner. The committee should be comprised of at least four members, at appropriate senior level. The chairperson of the committee should be the chief financial officer of the institution or his/her delegate.

7.6.4.1 Functions of Bid Adjudication Committee are

- ◆ To adjudicate on bids for the procurement of goods and services, taking into account the recommendations of the Bid Evaluation Committee,

- ♦ To ensure that bid documents include the evaluation criteria and that the bid was evaluated against the criteria;
- ♦ May disregard a bid if the bidder has failed to perform on any previous contracts; and
- ♦ To perform their duties efficiently, effectively and with integrity so as to ensure that public resources are administered responsibly.

7.7 BUSINESS WITH FAMILY MEMBER'S

All Bid Committees (members) must declare diligently, accurately and honestly, in the declaration of interest, all personal and/ or business interests that he/she or a family member may have in any business of any bidder.

7.8 PREFERENTIAL PROCUREMENT SYSTEM

Direct preference point system: consideration of quotations for the procurement of goods and services with an estimated value of R 30 000 up to R 500 000 per transaction.

Allocation of direct preference points to the targeted groups

PREFERENCE POINT SYSTEM		80/20
PRICE (including Capacity, Specific Resource Requirements, Qualitative Requirements and Functionality)		80
DIRECT PREFERENCE POINTS	BLACK	7.5
	WOMEN	2.5
	DISABLED PERSONS	2.5
	PRIORITY POPULATION GROUP	2.5
	CO-OPERATIVES	2.5
	YOUTH	2.5
Total points for development objectives		20
Total adjudication points		100

7.8.1 Formula for allocating preference points for price, using the direct preference point system.

The following formula must be used to calculate the points for price in respect of all procurement for goods and services with a Rand value equal to the aforementioned values.

$$P_s = 80 \left\{ 1 - \frac{P_t - P_{min}}{P_{min}} \right\}$$

Where

P_s = Points scored for price, functionality, etc. of bid under consideration

P_t = Rand value of bid under consideration.

P_{min} = Rand value of lowest acceptable bid.

The points scored by a bidder in respect of development objectives must be added to the points scored for price.

Only the bid with the highest number of points scored may be selected, except in those instances identified in the KZN SCM Policy Framework.

7.8.2 Formula for calculating women equity ownership (WEO) points.

The following formula is for calculating WEO.

$$0,0333 \times (WEO - 25)$$

NB. This formula is applicable only if the WEO is greater than 25. If WEO is less than 25, the entity is allocated zero (0) points. If WEO is 100%, the formula will lead us to maximum points of 2.5.

Example is for WEO of 40%:

$$0.0333 (40 - 25)$$

$$0.0333 \times 15 = 0,5$$

7.8.3 Formula for calculating disabled equity ownership (DEO) points.

The following formula is for calculating Disabled for Equity Ownership Points (DEO)

$$0,0333 \times (DEO - 25)$$

NB. This formula is applicable only if the DEO is greater than 25. If WEO is less than 25, the entity is allocated zero (0) points. If DEO is 100%, the formula will lead us to maximum points of 2.5.

Example is for DEO of 60%:

$$0.0333 (60 - 25)$$

$$0.0333 \times 35 = 1.155$$

7.8.4 Formula for calculating youth equity ownership (YEO) points.

The following formula is for calculating YEO.

$$0,0333 \times (\text{YEO} - 25)$$

NB. This formula is applicable only if the YEO is greater than 25. If YEO is less than 25, the entity is allocated zero (0) points. If YEO is 100%, the formula will lead us to maximum points of 2.5.

Example is for YEO of 80%.

$$0.0333 (80 - 25)$$

$$0.0333 \times 55 = 1.83$$

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- 7.8.5 If the bidder is a **black business** with a minimum of **40%** black equity ownership, **7.5** points must be allocated. (If black equity ownership is less than 40%, no points may be allocated.)
- 7.8.6 If the bidder is a **black co-operative** with **100%** black ownership, **2.5** points must be allocated. (If black ownership is less than 100%, no points may be allocated.)
- 7.8.7 Entities which have a **100% PPG equity ownership** will qualify for **2.5** points. (If PPG equity ownership is less than 100 %, no points may be allocated.)
- 7.8.8 All purchases/bids/contracts with a rand value equal to or above R 30 000 and up to a rand value of R 500 000, must be executed in terms of the Direct Preference Point System.

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A total of 100 adjudication points should be allocated for Price, Black, Women, Youth, Disabled, PPG's and co-operatives. This would essentially signify that bidders who do not meet the specified criteria will obtain fewer points but are however not prohibited from bidding. Conversely, those entities that fall within the targeted groups and meet all the relevant requirements cannot hold a contract to ransom in terms of price as the reward for compliance will be outweighed by the loss of points incurred through uncompetitive bid prices.

EXAMPLE:

Three bids received from three bidders, Bidder A, Bidder B and Bidder C which are registered on the Provincial Suppliers Database. Their structure for HDI equity ownership and preference points for development objectives are as follows:

SCHEDULE OF BIDS ON COMPARATIVE BASIS AND CALCULATION OF POINTS																	
No	Bid	Bid amount	Black/Indian/ Coloured			Women Equity			Disabled person			Priority Population Group		Co- operatives		Price Pts	Total Pts
			Y/N	%	Pts	Y/N	%	Pts	Y/N	%	Pts	Y/N	Pts	Y/N	Pts		
1	Bidder A	R300 000	N			N			N			N		Y		80	80
2	Bidder B	R310 000	Y	100	7.5	Y	60	1.2	Y	40	0.5	Y	2.5	Y	2.5	77	91.2
3	Bidder C	R330 000	Y	70	7.5	Y	75	1.7	N			Y		Y		72	81.2

Bidder A is a White owned entity which does not qualify for socio-economic development points, but for Price only.
 Bidder B is 100% Black owned with 60% WEO, 40% DEO, 100% PPG's and 100% Co-ops.
 Bidder C is 70% Black owned, with 75% WEO.

The first step is to list all bids received in a price comparative schedule as shown above, from the lowest to the highest bid.

The second step is to allocate points in accordance with the composition of equity ownership, in terms of women, youth, disabled and whether the business entity is a Co-operative, a Black owned business or a PPG owned business.

The third step is to calculate points on price using the prescribed formula.

The fourth step is to add together all points (i.e. points for development objectives and price) given per each and every bidder.

The fifth step is to select the highest scoring bidder for the award of contract.

The results based on the above example are as follows:

- (i) Bidder A, which is the lowest bid on price, scored the lowest points as a result of the application of the preference point system.
- (ii) Bidder B, the second lowest bid scores the highest points and is thus the first bid to be selected for consideration of the award of the contract.
- (iii) The Bid Evaluation Committee, after further consideration of the bid submitted by Bidder B, found that the item tendered did not comply with the specification. In such cases the Bid Evaluation Committee may pass over Bidder B and must record reasons for their decision.

7.8.9 (The recording of reasons is important when the decision of the Bid Adjudication Committee needs to be defended in the event of an appeal being lodged against the decision taken.)

- (iv) The second bid selected for further consideration was Bidder C, who is the **highest in price and scored the second highest points**. This bid complied with the specification and was thus recommended for acceptance to the Bid Adjudication Committee.
- (v) The Bid Adjudication Committee approved the recommendations of the Bid Evaluation Committee and awarded the contract to Bidder C.
- (vi) The results of the award were advertised in the Provincial Gazette and participating Bidders were notified, allowing an opportunity for any appeals to be lodged.
- (vii) After the cut-off date for the lodging of appeals had passed, the Supply Chain Management Office sent a facsimile to the department that had awarded the contract, confirming that no appeals had been received.
- (viii) The department then sent the letter of award of contract to Bidder C. Thus concluding the contract.

7.8.10 Contract participation goal system: consideration of bids for the procurement of goods and services with an estimated value above R 500 000.

In respect of all bids/procurement/contracts with a rand value above R 500 000, the principle of Contract Participation Goals must be applied. This would entail a Prime Contractor engaging HDI's, women, youth, disabled and PPG's directly or indirectly in due fulfilment of the contract. This would be to the extent that the total rand value of such engagements, (exclusive of VAT, and all allowances for escalation to be paid), expressed as a percentage of the total Award value of the Contract is not less than the Contract Participation Goal provided for in the bid conditions.

The participation parameter should be between a minimum Contract Participation Goal of 10% and 40% for HDI's and between 0% and 20% for PPG's.

This should be done in order to promote the participation of HDI's and PPG's and to enhance the achievement of socio-economic development objectives.

A contractor may achieve his Contract Participation Goal obligations as follows:

- (i) By virtue of HDI status as a Prime Contractor.
- (ii) By virtue of PPG status as a Prime Contractor.
- (iii) By virtue of joint venture status as a Prime Contractor.
- (iv) By awarding/subcontracting to HDI's/PPG's
- (v) By awarding/subcontracting to joint ventures which have HDI/PPG partners.

7.8.11 Formula for allocating preference points on price

The following formula must be used to calculate the points for price in respect of all tenders/procurement for goods and services with a Rand value above R 500 000.

$$P_s = 90 \left\{ 1 - \frac{P_t - P_{min}}{P_{min}} \right\}$$

Where

P_s = Points scored for price of bid under consideration

P_t = Rand value of bid under consideration.

P_{min} = Rand value of lower acceptable bid.

The points scored by a bidder in respect of development objectives must be added to the points scored for price. Only the bid with the highest number of points scored and fully complies to the specification / ToR may be selected.

7.8.12 Methodology of calculating points for contract participation goal.

The contractor shall engage the Target Groups directly or indirectly in due fulfilment of the contract to the extent that the total Rand value of such engagements, (exclusive of VAT and escalation), be paid, expressed as a percentage of the total award value of the contract.

$$N = 10 (D - D_s) / (X - D_s)$$

Where

D = Tendered Participation Goal

D_s = Minimum Participation Goal set by Department (10%)

X = Participation Goal above which no further points are awarded (40%)

EXAMPLE:

Company A indicates a Joint Venture with an HDI which has 25% of the contract value assigned to it. (Therefore D = 25)

$$N = 10 \frac{(D - D_s)}{(X - D_s)}$$

$$N = 10 \frac{(25 - 10)}{(40 - 10)}$$

$$N = 10 \frac{(15)}{(30)}$$

N = 5 points

EXAMPLE cont:

SCHEDULE OF BIDDERS ON A COMPARATIVE BASIS AND CALCULATION OF POINTS						
NO	BIDDER	HDI YES/NO	BID AMOUNT	PRICE POINTS Np	EMPLOYMENT GOALS	
					MINIMUM	10.00%
					MAXIMUM	40.00%
					CLAIMED	POINTS Nc
1				90		5
2				87		10
3				81		2
						Np+Nc
						95
						97
						83

*Np=Number of bid adjudication points awarded for price

*Nc=Number of bid adjudication points awarded for empowerment goals

The first step is to list all bids received in a price comparative schedule as shown above, from the lowest to the highest bid.

The second step is to calculate points on price using the prescribed formula.

The third step is to calculate points for empowerment goals claimed by a bidder.

The fourth step is to add together all points (i.e. points on price and points for empowerment goals claimed by each and every bidder).

The fifth step is to select the highest scoring bidder for the award of contract.

The results based on the above example are as follows:

- (i) Bidder A, which submitted the lowest bid on price, scored fewer points than bidder B as a result of the application of the empowerment goal system.
- (ii) Bidder B, submitted the second lowest bid, scores the highest points and is thus the first bid to be selected for consideration of the award of the contract by the Bid Evaluation Committee.
- (iii) The BAC approved the recommendations of BEC and awarded the contract to bidder B.
- (iv) The results of the award were advertised in the Provincial Gazette and participating bidders were notified, allowing an opportunity for any appeals to be lodged.
- (v) After the cut-off date for the lodging of appeals had passed, the Supply Chain Management Office sent a facsimile to the Department that had awarded the contract, confirming that no appeals had been received.
- (vi) The Department then send the letter of award of contract to bidder B, thus concluding the contract, which signals the completion of the bid award process.

7.9 LOGISTICS MANAGEMENT

This function is performed by the Corporate Services Unit with the KwaZulu-Natal Provincial Treasury. The functions that are currently with Corporate Services include the Stationery stores, (ordering, managing and dispatching of stationery) and the receiving function. The function of issuing of orders and processing payments remains with the Chief Financial Office.

7.10 DISPOSAL (ASSET) MANAGEMENT

This function is entrusted to the Asset Management Unit within the Chief Financial Office and is clearly elaborated in the departmental Asset Management Policy.

7.11 ETHICAL STANDARDS

- All officials and other role players engaged in the supply chain management system of the Department, 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.
- All officials of the SCM unit must comply with the provisions of the Code of Conduct for Supply Chain Management Practitioners and other Role Players involved in Supply Chain management.
- In the event that an official abuses or does not comply with the provisions of the SCM Policy, action against the official shall be taken in terms of the Conditions of Service of the Department.

Officials and other role players involved in the supply chain management system:

- must treat all providers and potential providers equitably;
- must treat all information obtained in the supply chain management process as confidential;
- may not use his or her position for private gain or to improperly benefit another person;
- may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person;
- must, for the purposes of Supply Chain Management activities, declare to the Chief Financial Officer details of any private or business interest which any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the Department ;
- must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
- must assist the CFO in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
- must report to the CFO any alleged irregular conduct in the supply chain management system which that person may become aware of, including :

- any alleged fraud, corruption, favouritism or unfair conduct;
- any alleged contravention of paragraph 5 below; or
- any alleged breach of the code of ethical standards.

7.12 IMPLICATIONS OF NON COMPLIANCE WITH THE POLICY

It should be noted that failure to comply with this policy and its provisions may constitute financial misconduct and any employee in transgression thereof, will be subject to a discipline enquiry.

7.13 EFFECTIVE DATE

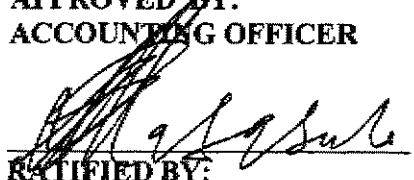
This departmental SCM policy comes in to effect as from 01 MARCH 2009, and shall be reviewed annually or when the need arises.


CHIEF FINANCIAL OFFICER

2009/02/13
DATE


APPROVED BY:
ACCOUNTING OFFICER

13/02/09.
DATE


RATIFIED BY:
HEAD OF DEPARTMENT

13/02/2009.
DATE