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ACCOUNTING OFFICERS CHIEF FINANCIAL OFFICERS HEADS OF PROCUREMENT

Practice Note Number: SCM-02 of 2008

DELEGATIONS FRAMEWORK

1 Context

- 1.1 The Public Finance Management Act, 1999 (PFMA), Act 1 of 1999 as amended by Act 29 of 1999, was approved by National Parliament 'to regulate financial management in the National Government and Provincial Governments, to ensure all revenue, expenditure, assets and liabilities of those Governments are managed efficiently and effectively and to provide for the responsibilities of persons entrusted with financial management in those Governments.
- 1.2 In terms of section 76(4)(c) of the Act "the National Treasury may make regulations or issue instructions applicable to all institutions to which this Act applies, concerning the determining of a framework for an appropriate supply chain management system which is fair, equitable, transparent, competitive and cost-effective". However, according to section 38(1)(a)(iii) of the Act it is the responsibility of "the Accounting Officer/Authority of a Department, trading entity or constitutional institution to have and maintain an appropriate procurement and supply system which is fair, equitable, transparent, competitive and cost-effective".
- 1.3 Where applicable, Provincial Treasuries must set complementary standards within the parameters as set by National Government. These standards may not jeopardize national objectives. A Provincial Treasury must also submit to the National Treasury such SCM information as the National Treasury may require.
- 1.4 Within this context this practice note is issued by Provincial Treasury to provide guidance and support to Provincial Departments in the implementation of supply chain management.

2 Introduction

- 2.1 The implementation of Supply Chain Management from 20 December 2005 brings about fundamental changes in the procurement process in government. The objective of this is to create a more efficient and effective system of procurement, and to vest full procurement authority and accountability in the Accounting Officer of a department. To this end, various levels of authority have been clearly distinguished in this document to ensure a clear understanding and to facilitate decision making by the respective accounting officers.

3 Delegation Policy

- 3.1 With due consideration of predetermined financial limits, the general standing powers set out below, which vest in the Accounting Officer, should be delegated by the latter in order to expedite the process to procure goods and services, the acquisition or disposal of movable and immovable property and the granting of rights. These powers should be delegated to bid committees and departmental officials in accordance with Treasury Regulations 16A promulgated in terms of the Public Finance Management Act, 1999.
- 3.2 The aforementioned general standing powers must be granted subject to the provisions of any other Act of Parliament, as amended from time to time. Armaments may therefore not be acquired in terms of these delegated powers.
- 3.3 Delegated powers must be applied strictly in accordance with the preference point system applied in the Province.
- 3.4 Where any doubt exists with regard to the interpretation or application of any power or condition, the Accounting Officer must be approached through the normal service channels for a decision or finalisation.
- 3.5 The delegations set out below serve as a guideline to assist departments in compiling their own departmental delegations. In the interest of efficient and effective acquisitioning, departments are to formally issue their own set of delegations.

4 Definitions

4.1 Regulations

Treasury Regulations 16A promulgated in terms of the Public Finance Management Act, 1999.

4.2 Ad hoc contract

A contract arranged for only one department for a once-off requirement for immovable property, goods or services, the

acquisition or granting of any right, or the disposal of goods or immovable Provincial property.

4.3 Consolidated requirement

The consolidated requirement of related items known to a department at a given moment (also referred to as a “**case**”), may not be broken down into smaller and separate parts (splitting of a bid/quotation/order), so as to avoid the method of procurement that would normally apply to the requirement as a whole.

4.4 Department

“department” means a department within the KwaZulu-Natal Provincial Administration as listed in the first column of Schedule 2 of the Public Service Act, 1994 (Proclamation No. 103 of 1994).

4.5 Bid Committee

Refers to a provincial department’s bid specification, bid evaluation and bid adjudication committees as defined below.

4.6 Specific period contract

A contract for the supply, over a specified period of time, of the repetitive requirements for a specific department, for immovable property, goods or services, the acquisition or granting of any right, or the disposal of goods or immovable Provincial property.

4.7 Bid Specification Committee

The bid specification committee is responsible for the compilation of bid specifications. The specification committee may be comprised of officials of a department (i.e. the procurement 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. No minimum or maximum number of members is recommended.

4.8 Bid Evaluation Committee

The bid evaluation committee is responsible for the evaluation of bids received. The bid evaluation committee should be cross-functional and should be comprised of supply chain practitioners and suitably skilled officials from other relevant disciplines. The evaluation committee should consist of a minimum of five members.

4.9 Bid Adjudication Committee

This committee should consider the reports and recommendations made by the bid evaluation committee. The adjudication committee must consider whether the recommendation made by an evaluation committee sufficiently indicates that all relevant factors have been taken into account, and that the recommendation made represents a logical, justifiable conclusion, based on all relevant information at the evaluation committee’s disposal. The adjudication committee

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 a department, 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 appropriately senior level. The chairperson of the committee should be the chief financial officer of the institution or his/her delegate.

4.10 Bid

A written offer or bid in a prescribed or stipulated form in response to an invitation by a department or Parliament for the provision of goods or services, based on the delegated limits for bids.

4.11 Quotation

A written or verbal offer which may be in a prescribed or stipulated form, in response to an invitation by a department or Parliament for the provision of goods or services, based on the delegated limits for quotations.

4.12 Bidder

Any natural or juristic person who makes an offer in response to a request to submit a bid.

4.13 Urgent and Emergency Cases

Cases are defined as urgent or emergency cases when the following criteria have been met:-

- the duration of invitation of bids would have a material impact on service delivery/ community/public i.e. early delivery is of critical importance;
- resulted from natural disaster i.e. beyond human control; and
- immediate action is required to avoid a dangerous or life threatening situation, misery or want.

Poor planning is not a justifiable cause of an emergency or urgent situation. Written motivation must be provided, detailing the reason/s as to why procurement must be done under circumstances of urgency or emergency.

4.14 Quorum

A quorum is equal to 50% of the number of permanent (as opposed to co-opted) committee members, plus one member.

5 Reporting Requirements

Holders of delegated procurement authority are required to submit returns in the required format to the Accounting Officers in respect of the awarding of contracts.

6 Procurement delegations

The table below should be completed by each department. It indicates the delegation number for future reference, the scope of the specific procurement procedure, the minimum post level to which this responsibility may be delegated, the maximum value to which the matter relates and the conditions applicable to each delegation.

6.1 Abbreviations

BSC: BID SPECIFICATION COMMITTEE
 BEC: BID EVALUATION COMMITTEE
 BAC: BID ADJUDICATION COMMITTEE
 HOD: HEAD OF DEPARTMENT

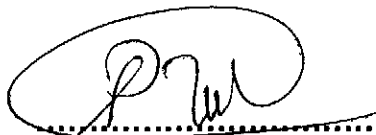
6.2 Minimum post levels

The following are indicative post levels that should be utilised in the compilation of a department's own set of delegations. However, an accounting officer may include post levels lower than those listed below.

LEVEL	POST
7	Admin Officer
8	Senior State Accountant Senior Personnel Practitioner Senior Admin Officer
9	Assistant Director 1 st Leg Principal Financial Admin Officer
10	Assistant Director 2 nd Leg Chief Financial Admin Officer
11	Deputy Director 1 st Leg
12	Deputy Director 2 nd Leg
13	Manager / Director
14	General Manager / Chief Director
15	Senior General Manager / Deputy Director General/HOD
16	Head of Department

7 Effective Date

This practice note takes effect from 1st February 2008.



MRS P. ZULU
ACCOUNTANT GENERAL – KWAZULU-NATAL PROVINCIAL TREASURY
01 FEBRUARY 2008

DELG NO	SCOPE	MIN SALARY LEVEL	(EST) CONTRACT VALUE	CONDITIONS APPLICABLE TO DELEGATION
1	LEVEL 1: PROCUREMENT FROM AN ESTIMATED VALUE OF MORE THAN R1 UP TO R2000 (INCLUDING VAT) PER CASE, BY MEANS OF PETTY CASH	RESPO NSIBILI TY MANAG ER	2 000.	<p>Departments should determine their own procedural requirements for this level, with due regard to ensuring sound financial management and value for money, when goods and services are procured by means of petty cash. Such procedural requirements must provide for the following:</p> <ul style="list-style-type: none"> • Authority to procure by means of petty cash may not be delegated to an official lower than a Responsibility Manager. • An appropriate limit must be placed on the total number and/or total monetary value of petty cash purchases per month, per individual Responsibility Manager. • Exclusion of certain types of expenditure from petty cash purchases where considered necessary. • Submission of monthly reconciliation reports from each Responsibility Manager, containing: <ul style="list-style-type: none"> ▪ The total number and total value of petty cash purchases for that month. ▪ Records and appropriate documents for each purchase.

DELG NO	SCOPE	MIN SALARY LEVEL	(EST) CONTRACT VALUE	CONDITIONS APPLICABLE TO DELEGATION
2	LEVEL 2: INVITATION AND ACCEPTANCE OF AT LEAST THREE (3) VERBAL (TELEPHONIC) OR WRITTEN QUOTATIONS, FROM AN ESTIMATED VALUE OF MORE THAN R2 000 UP TO R10 000 (INCLUDING VAT) PER CASE	8	10 000	At least three (3) verbal or written quotations must be obtained. If verbal quotations were obtained, a written quotation must be obtained from the selected supplier. Placing of an order must then be based on the written quotation.
3	LEVEL 3: INVITATION AND ACCEPTANCE OF WRITTEN QUOTATIONS FROM AN ESTIMATED VALUE OF MORE THAN R10 000 UP TO R500 000 (INCLUDING VAT) PER CASE			

DELG NO	SCOPE	MIN SALARY LEVEL	(EST) CONTRACT VALUE	CONDITIONS APPLICABLE TO DELEGATION
3.1	Awarding of a contract in respect of the procurement of movable and immovable property, goods or services.	<p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p>	<p>40 000</p> <p>100 000</p> <p>200 000</p> <p>350 000</p> <p>400 000</p> <p>500 000</p>	<ul style="list-style-type: none"> • Written quotations must be called for, based on a requisition approved within the applicable financial delegations. • As many written quotations as possible must be obtained, from the suppliers that are registered on the list of prospective suppliers. • If it is not possible to obtain at least three written quotations, for example, if the commodity is obtainable from only one or two suppliers, such as in the case of a patented product, written reasons must be recorded and approved by the accounting officer or his/her delegate. • The contract must be awarded in respect of an acceptable quotation received, which scored the highest number of preference points, which is in accordance with specification, and documented accordingly. • Contracts shall only be awarded to suppliers registered on the Provincial Suppliers Database. • Refer to Terms of Reference for Bid Committees for details of responsibilities of the Bid Committees in the specification, evaluation and adjudication of quotations. • Responsibility managers are to report to the CFO in terms of the reporting requirements.

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4	<p>LEVEL 4: CONSIDERATION AND ACCEPTANCE OF BIDS FROM AN ESTIMATED VALUE OF MORE THAN R500 000 (INCLUDING VAT) PER CASE</p> <p>The consideration and acceptance of bids includes, where applicable:</p>			<ul style="list-style-type: none"> • Departments themselves must invite bids within this estimated monetary range. • Consideration and acceptance of bids will at all times be in accordance with the policy and directives of the Accounting Officer and must be strictly adhered to.
4.1	<p>Approval that communication with bidders may take place in cases where information is incomplete or where a lack of clarity exists about technical aspects of the offer.</p>	13	Unlimited	<p>Where there is communication with a bidder after closing time:</p> <ul style="list-style-type: none"> • to obtain confirmation of prices or preference claims in cases where it is obvious that an error in the unit price has been made (i.e.: if the price indicated in digits differs from the price indicated in words); and • regarding additional information or specific explanations requested in terms of this power, • such confirmation or information must be furnished in writing. Full particulars of the aspects, regarding which the bidder concerned was approached, must be furnished in the recommendations for acceptance of a bid. No alterations may be made to the bid document/s in question, as a result of a confirmation. • Chairperson of the Bid Adjudication Committee to report to the Accounting Officer in terms of the reporting requirements giving details of the communication that took place.

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4.2	Approval that contact with bidders may be made to obtain confirmation or prices or preference claims in cases where it is obvious that a written, typed or transcription error, or an error in the unit price has been made.	13	Unlimited	Conditions to 3.1 apply
4.3	Approval that contact with bidders may be made with regard to the increase/decrease of value to a maximum of 20% (inclusive of V.A.T.).	BAC	Unlimited	All bidders must be informed in writing of the particulars of the increase/decrease of quantities.
4.4	Extension of the validity of bids in the prescribed manner, in cases where it is expected that contracts cannot be awarded prior to the expiry of the initial validity period.	13	Unlimited	
4.5	Consideration of escalation of prices when the validity period is extended.	BAC	Unlimited	
4.6	The acceptance of quantities other than those specified in the bidding documents.	BAC	Unlimited	
4.7	Approval or rejection of a bidders own conditions.	BAC	Unlimited	
4.8	Verifying the ability of bidders to carry out a contract successfully.	8	Unlimited	
4.9	Consideration for the purchasing of minimum quantities for new and unproven products.	BAC	Unlimited	Offers better than specification are considered to be in accordance with specification.
4.10	Consideration of the acceptance of the bid with acceptable deviations from the specification.	BAC	Unlimited	

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4.11	Consideration of the acceptance of alternative offers.	BAC	Unlimited	
4.12	Bid Adjudication Committees may finalise all bids up to an unlimited value by accepting the bid scoring the highest number of points, which is otherwise acceptable and to specification.	BAC	Unlimited	
4.13	The signing of a letter of acceptance after approval has been granted by the Bid Adjudication Committee for the acceptance of a bid.	9	Unlimited	
4.14	Rejection of bids or items thereof, which were invited in cases where: a) no offer is received; b) the items are no longer required; c) there are errors in the bid invitation documents; d) the bid price is certified as being exorbitant; e) the bids were not advertised in the Provincial Gazette; f) the bid received does not meet the specification as provided in the bid invitation.	13	Unlimited	Cancellation of bidding process must be advertised in the same media in which the original bids were advertised.

5	CONDITIONS ATTACHED TO DELEGATIONS 4.1 – 4.14			
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5	CONDITIONS ATTACHED TO DELEGATIONS 4.1 – 4.14
5.1	Bids may only be called for, based on a requisition approved within the applicable financial delegations.
5.2	The stipulated monetary limit per consolidated requirement must be taken into account before bids are invited. <u>N. B.: A SUPPLY OR SERVICE MAY NOT BE PURPOSELY SUB-DIVIDED IN ORDER TO BRING THE ESTIMATED VALUE WITHIN THE THRESHOLD LIMIT FOR QUOTATIONS.</u>
5.3	When it is known that a specific requirement of the department over a period of time, will make it uneconomical and inefficient to follow the standard procurement procedure for every individual requirement, contracts may be arranged for the supply over a period that may not exceed three years (to promote competition), provided that it is proven to be cost-effective, competitive and fair to arrange a period contract.
5.4	Before a bid may be invited, the specification of the draft bid document must be approved by the Bid Specification Committee.
5.5	Conditions not yet approved by the BAC may not be stated as conditions in bids without the prior approval of the BAC. Bid conditions not previously used must also be submitted to the departmental Legal Advisor beforehand, for consideration and recommendation.
5.6	Bids must be invited in writing and in the same format as determined by Provincial Treasury practice notes. Space must be provided for the insertion, where applicable, of the price, delivery basis, delivery period and percentage bid price preference.
5.7	The closing time and date, the validity period and the address to which bids must be sent, must be clearly indicated in the invitation. Where a bid is invited from a sole agent or supplier, provision must be made in the bid documents for the inclusion of particulars in order to determine the reasonableness of the price(s).
5.8	Notices of bid invitations should be forwarded to the relevant local Contractors Organisations when building and related bids are invited.
5.9	The given closing date and time must be strictly observed. Where extension of the closing date is requested and considered appropriate, there must be sufficient time to give written notice to all prospective bidders.
5.10	In the case of an advertised bid invitation, the bid closing date may be postponed only if the postponed date can be advertised in the same media that the bid was originally advertised in. When bids are cancelled after the closing date, all responding bidders need to be informed in writing of such cancellation.

5	CONDITIONS ATTACHED TO DELEGATIONS 4.1 – 4.14
5.11	Bids must be opened in public as soon as possible after the closing time, but not later than the close of business on the closing date, and the names of the bidders must be read out, including the bid prices, except where the number of items or the complexity of the bid make it impractical.
5.12	If it is impractical to invite competitive bids, due to a sole supplier situation, this reason for deviating from the standard procurement procedure must be recorded and approved by the accounting officer or his/her delegate. Sole supplier bids may be accepted, provided it complies with the specification and that the prices are proved to be and certified as fair and reasonable. Proof of reasonableness must be determined in the following sequence.
5.12.1	<ul style="list-style-type: none"> • Comparison with prices, after discounts, to his other normal clients and the relative discount that the Province enjoys;
5.12.2	<ul style="list-style-type: none"> • Where this is not possible, profit before tax, based on a full statement of relevant costs; and
5.12.3	<ul style="list-style-type: none"> • In all cases, comparison with previous bid prices where these are available.
5.13	Proof of reasonableness of prices where only one bid is received, must be available for audit purposes.
5.14	Bids must be duly scheduled and brought to a comparative basis and submitted (by the Bid Evaluation Committee) together with a motivated recommendation to the department's Bid Adjudication Committee for consideration.
5.15	Bids must be accepted, before expiry of validity, by means of a letter of acceptance. If this is not possible, extension of validity must be requested timeously from the relevant bidders. If a bid cannot be finalised within the validity period, the letter of acceptance or order must be held in abeyance until such time as the extension is confirmed in writing.
5.16	Minutes must be taken of all the decisions of the Bid Adjudication Committee and the signature of the chairperson of the Committee must confirm these minutes. Copies of the submissions to Committees, their minuted decisions as well as copies of letters of acceptance must be placed on record for audit purposes.

5	CONDITIONS ATTACHED TO DELEGATIONS 4.1 – 4.14
5.17	Where further documentation is signed by all parties concerned as an agreement in addition to the letter of acceptance, it is then defined as a formal contract. Formal contracts are concluded only where this is stated as a requirement in the bid document.
5.18	The written acceptance of a bid constitutes a legal and binding contract if no appeals are lodged. This may be by letter or the placing of an order.
5.19	The Departmental Legal Advisor's approval of the draft formal contract is required prior to the signing thereof.
5.20	Contracts must be awarded to suppliers registered on the Provincial Suppliers Database only unless expressly exempted by legislation or practice notes issued by Provincial Treasury.
5.21	All reporting requirements stipulated by legislation or Provincial Treasury practice notes must be complied with.

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6	URGENT AND EMERGENCY CASES			
6.1	<p>In cases where early delivery is of critical importance or in emergencies where immediate action is necessary in order to avoid a dangerous or risky situation, misery or want, the invitation of comparative bids is either impossible or impracticable. Supplies and/or services may be procured, by making use of suppliers registered on the Provincial Suppliers Database.</p>	<p>15 HOD</p>	<p>500 000 Unlimited</p>	<ul style="list-style-type: none"> • Where the requirement is of a repetitive nature, Departments must make appropriate arrangements such as, for instance, arranging a period contract for the requirement, subject to the provisions of delegation. • In these cases it is permissible to invite at least three quotations (where practicable). The relevant suppliers must confirm their offers in writing as soon as possible. • The conditions contained in the General Conditions of Contract must be made applicable to the purchase. • The reasons for the urgency or emergency and the losses or consequences that will follow if action was not taken, must be recorded and must serve as the basis for a written motivation as to why it is impractical to invite competitive bids. Such written motivation must be approved by the accounting officer or his/her delegate. • Where only one quotation is received and accepted, and taking all circumstances into account, reasonable steps must be taken to ensure that a fair (market related) price

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				is obtained.
7	DISPOSAL OF GOODS AND SERVICES OR IMMOVABLE PROVINCIAL PROPERTY, DONATIONS (AS A MEANS OF DISPOSAL AND GRANTING OF RIGHTS)			
7.1	Up to an estimated value of R500 000	8 9 11	40 000 100 000 500 000	The contract must be awarded to the quotation that is acceptable in accordance with the specifications and that has the lowest price.
7.2	More than R500 000 to an unlimited estimated value	BAC	Unlimited	<ul style="list-style-type: none"> At least 3 bids must be obtained. A deposit of 2 % should be required of the respective bidders. The contract must be awarded to the bidder that is acceptable in accordance with the specifications and that has the lowest price.
8	CONTRACT ADMINISTRATION			
8.1	Increase/decrease in quantities for contract			
8.1.1	In cases where the estimated value of the envisaged change in purchases does not exceed 20% of the total	8	150 000	This authority may be exercised only if the commodity is already available on a

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	value of the original contract, the contractor may be approached to increase/decrease the quantities and to reduce the unit price.	9 11 13 BAC	300 000 500 000 1 000 000 Unlimited	contract. A contract may under no circumstances be increased by the addition of commodities not already provided for on a contract. Increases/decreases effected must be reported to the accounting officer
8.1.2	Acceptance of large over-deliveries, but still not exceeding 20% of the original contract value.	BAC	Unlimited	<ul style="list-style-type: none"> A contractor's offer may only be accepted if there is no escalation in price. A discount for the larger quantities must be negotiated with the contractor.
8.2	PRICE AND EXCHANGE RATE ADJUSTMENTS FOR CONTRACTS Price adjustments may be approved as follows :			
8.2.1	In terms of the contractual terms and conditions, after submission by the contractor of the necessary documentary proof wherein the claim is properly identified and substantiated.	13	Unlimited	
8.2.2	Not in terms of the contractual terms and conditions, but under exceptional circumstances, as requested/motivated by the contractor, after submission by the contractor of the necessary documentary proof wherein the claim is properly identified and substantiated.	BAC in conjunction with HOD	Unlimited	
8.3	EXTENSION OF DELIVERY/CONTRACT PERIODS			
8.3.1	Approval of requests received from contractors for the extension of delivery periods.	9 13 BAC	500 000 1 000 000 Unlimited	Item prices may not be increased.

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8.4	CANCELLATION OF CONTRACTS/ORDERS			
8.4.1	Cancellation of a contract/order.	BAC in conjunction with HOD	Unlimited	Note: Section 8 CONDITIONS also apply
9	CONDITIONS ATTACHED TO DELEGATIONS 8.4.1			
9.1	In the event of the department requesting the cancellation, the contractor must certify in writing its willingness to cancel the contract or order without any cost to the Province.			
9.2	In the event of the contractor requesting the cancellation, it: <ul style="list-style-type: none"> • should be without any cost to the Province; • must be accepted in writing by the contractor that responsibility is accepted to reimburse the department for any additional cost, in the event that re-tendering to satisfy the requirement should bring about additional cost to the department; and • must not be a case of repeated requests of such nature by the same contractor. 			
9.3	The reasons for the cancellation and the losses or consequences that will follow if the contract or order is not cancelled must be certified and placed on record for audit purposes.			
9.4	In all cases, the cancellation must not be to the detriment of the Province.			
9.5	All reporting requirements stipulated by legislation or Provincial Treasury practice notes must be complied with.			