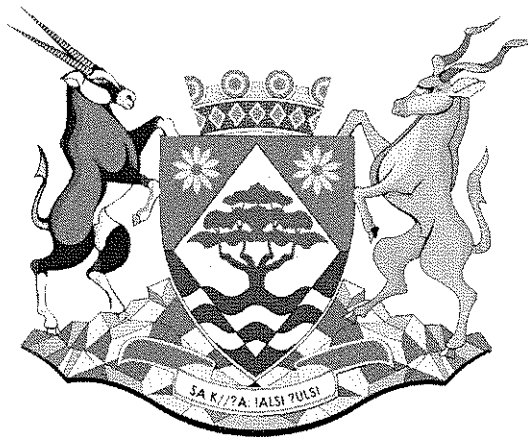


NORTHERN CAPE DEPARTMENT OF EDUCATION



POLICY: SUPPLY CHAIN MANAGEMENT

ADOPTED ON THE: 16 OCTOBER 2009
SIGNED BY: HEAD OF DEPARTMENT

MR AF JOEMAT.....

Table of Contents

1. Definitions.....	4
2. Introduction.....	8
3. The Legislative and Regulatory Environment.....	8
4. Objectives and Responsibilities	12
5. Adoption and amendment of the Supply Chain Management Policy.....	12
6. The SCM Unit	14
7. SCM system.....	14
7.1 System of Demand Management.....	15
7.2 System of Acquisition Management.....	15
7.2.2 Range of procurement processes	16
7.2.3 General preconditions for consideration of written quotations or bids	17
7.2.4 Register of accredited prospective service providers	18
7.2.5 Petty cash purchases	18
7.2.6 Verbal quotations.....	19
7.2.7 Formal written price quotations.....	19
7.2.8 Procurement procedures via written or verbal quotations and formal written price quotations	20
7.2.9 Competitive bidding process.....	21
7.2.10 Bid documentation for competitive bids.....	22
7.2.11 Public invitation for competitive bids	23
7.2.12 Procedure for handling, opening and recording of bids	24
7.2.13 Negotiations with preferred bidders	25
7.2.14 Two stage bidding process	26
7.2.15 Committee system for competitive bids	26
7.2.16 Bid specification committees	26
7.2.17 Bid evaluation committees	28
7.2.18 Bid adjudication committees	28
7.2.19 Disposal Committee	29
7.2.20 Procurement Principles.....	30
7.2.21 Declaration of interest	33
7.2.22 Procurement of banking services.....	33
7.2.23 Procurement of IT related goods or services	34
7.2.24 Transversal contracts	34
7.2.25 Procurement of goods necessitating special safety arrangements	34
7.2.26 Proudly SA campaign	35
7.2.27 Appointment of consultants.....	35
7.2.28 Deviation from, and ratification of minor breaches of procurement processes	35
7.2.29 Special Procurement Exemptions	36
7.2.30 Unsolicited bids.....	36
7.3 Logistics Management.....	38
7.4 Disposal Management.....	38
7.5 Risk Management.....	39
7.6 Performance Management.....	40



Northern Cape Education Department
Supply Chain Management Policy

7.7	Contract Management.....	41
7.8	Preferential Procurement System	42
8.	<i>Miscellaneous Matters</i>	43
8.1	Training of supply chain management officials	43
8.2	Prohibition of specific individuals	44
8.3	Ethical Standards	45
8.4	Inducements, rewards, gifts and favours to departments, officials and other role players.....	45
8.5	Sponsorships	46
8.6	Objections and complaints	46
8.7	Resolution of disputes, objections, complaints and queries	46
8.8	Contracts providing for compensation based on turnover.....	47
8.9	Combating abuse of the supply chain management system.....	47
8.10	National Industrial Participation Programme (NIPP).....	48
8.11	Reporting of supply chain management information	49
9.	<i>POLICY IMPLEMENTERS</i>	49
10.	<i>EFFECTIVE DATE</i>	49
11.	<i>APPROVAL</i>	49



1. Definitions

- **Accounting officer** – means the Deputy Director General or Acting Deputy Director General of the Northern Cape Education Department
- **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
- **Capital Asset** – means the non consumable movable and immovable property including land
- **CFO** – means the person who is appointed as the Chief Financial Officer by the department
- **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
- **Competitive bidding process** – means a competitive bidding process referred to in paragraph 7.2.9 of this policy
- **Competitive bid** – means a bid in terms of the competitive bidding process
- **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
- **Department** – means the Northern Cape Education Department
- **Disposal** – means a process of preparing, negotiating and concluding a written contract which involves 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 or donation, and “dispose” has a similar meaning
- **Final award** – in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept
- **Firm price** – is the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from a change, imposition,



or abolition of customs or excise duty and any other duty, levy, or tax, which in terms of the 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

- **HDI** – means a Historically Disadvantaged Individual that is a South African citizen:
 - (i) 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,
 - (ii) Who is a female; and/or
 - (iii) Who has a disability
- **In the service of the state** - means
 - (i) a member of –
 - any municipal council;
 - any provincial legislature; or
 - the National Assembly or the National Council of Provinces;
 - (ii) a member of the board of directors of any municipal entity;
 - (iii) an official of any municipality or municipal entity;
 - (iv) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);
 - (v) a member of the accounting authority of any national or provincial public entity; or
 - (vi) an employee of Parliament or a provincial legislature;
- **Long term contract** – means a contract with a duration period exceeding one year
- **Organ of State** – means:
 - (i) Any department of state or administration in the national, provincial or local sphere of government; or
 - (ii) Any other functionary or institution:
 - Exercising a power or performing a function in terms of the Constitution or Provincial constitution; or
 - Exercising a public power or performing a public function in terms of any legislation
- **Person** – includes reference to juristic person
- **Prime Contractor** – means the legal entity with whom the department will contract(as opposed to sub contractors, suppliers, manufacturers or service providers who contract with the prime contractor)



Northern Cape Education Department
Supply Chain Management Policy

- **Procurement** – means a process of preparing, negotiating and concluding a contract, whether in writing or verbally, which involve the acquiring of goods, services and engineering and construction works or any combination thereof or the acquiring of capital assets or any rights in respect of the above, by means of a purchase, lease or donation
- **Quotation** – means a written offer which is not submitted in the form of a bid document prescribed by the department, but is never-the-less subject to a specification, conditions of purchase and any schedules and annexures such as drawings or plans, as applicable
- **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
- **Register** – means the provincial register of accredited prospective service for procurement relating to general goods and services and the departmental register for items of a specialised nature relating to the NCED needs
- **Responsive bid** – means a bid which conforms to all the terms, conditions and specifications contained in the bid documentation without material deviation or qualification
- **SCM Policy** - means the Supply Chain Management Policy as contained in this document
- **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 the plant and equipment, including the input, as necessary of knowledge based expertise
- **Services provider** – means a current or potential supplier, manufacturer, contractor, vendor, agent or consultant
- **SMME's** – means small, medium, and micro enterprises in the supply chain management system of the department
- **Sub contracting** – means the primary contractor's assigning or leasing or making out work to, or employing another person to support such primary contractor in the execution of a part of a project in terms of the contract



- **Transversal Contract** – means a contract arranged for more than one department or for more than one level of government eg. National as well as provincial government

A handwritten signature in black ink, consisting of a stylized 'G' followed by a horizontal line.

2. Introduction

This document applies to the Northern Cape Department of Education and in particular to every official involved in the process of Supply Chain and Asset Management in the Department. Procurement principles covered in this policy also caters for procurement relating to S20 schools. The main intent of this policy is to give effect to section 217 of the Constitution and align procurement practices with the prescripts of the Preferential Procurement Framework Act

3. The Legislative and Regulatory Environment

3.1 Constitution of the Republic of South Africa (s217)

- (i) In establishing an SCM policy document, the organ of state must produce a document that complies with section 217 of the constitution of the Republic of South Africa (Act no 108 of 1996, as amended) which reads as follows:
- (ii) "217 (1) When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost effective.
- (iii) Subsection (1) does not prevent the organs of state or institutions referred to in that subsection from implementing a procurement policy providing for:
 - categories of preference in the allocation of contracts; and
 - the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.
- (iv) National legislation must prescribe a framework within which the policy referred to in subsection (2) must be implemented."

3.2 Public Finance Management Act

NCED shall apply the Public Finance Management Act, Act 1 of 1999, as amended and Treasury Regulation 16A which deals with Supply Chain Management issued in terms thereof.

Treasury Regulation 16A serves as a formal requirement for accounting authorities listed in Schedule 3A and 3C of the PFMA, to ensure the establishment and implementation of an effective and efficient Supply Chain Management Unit within the office of the CFO, as an integral part of their financial systems.



A Supply Chain Management System must be utilised and provide at least for the following:

- Demand management;
- Acquisition management;
- Logistics management;
- Disposal management;
- Risk management; and
- Regular assessment of supply chain performance.

The Act stipulates that in contracting for goods and services, and the disposal and letting of state assets, including the disposal of goods no longer required, the accounting officer will develop and implement a system, which is fair, equitable, transparent, competitive and cost-effective and is consistent with the PPPFA.

3.3 Public-Private Partnership

The accounting officer must ensure that Treasury Regulation 16 is complied with when goods or services are procured through public private partnerships or as part of a public private partnership.

3.4 National Treasury Practice Notes

Specific documents relating to SCM have been issued by the National Treasury in order to regulate and standardise SCM practices further. Some practice notes that have been issued relate to the following matters:

- (i) General conditions of contract and standardised tendering documents;
- (ii) Appointment of consultants;
- (iii) Code of conduct for supply chain management practitioners;
- (iv) Clearance Certificates;
- (v) Procurement of motor vehicles;
- (vi) Checklist for the implementation of SCM and Monthly reporting of SCM Information;
- (vii) Strategic sourcing of motor vehicles: Request for estimates;
- (viii) Training of SCM officials;
- (ix) Amendment of the SBD form pertaining to the NIPP;
- (x) Threshold values for procurement by means of petty cash, verbal/written price quotations and competitive tenders;
- (xi) Projects/services funded by grants in accordance with technical assistance procedures and appointment of transaction advisers to assist with PPP's;
- (xii) Tax clearance certificates; and
- (xiii) Prohibition on the use of cost estimates as benchmarks



3.5 Preferential Procurement Framework Act

The Preferential Procurement Policy Framework Act (PPPFA), Act No 5 of 2000 and its regulations issued in August 2001, was promulgated to give effect to Section 217(3) of the Constitution by providing a framework for the implementation of the procurement policy contemplated in Section 217(2) of the Constitution.

NCED will apply the spirit of the Preferential Procurement Policy Framework Act, (Act 5 of 2000) and its regulations.

The Act provides for the implementation of a preference system in the allocation of contracts for categories of service providers and the promotion of goals to advance the interest of persons disadvantaged by unfair discrimination.

The Act also regulates that the evaluation processes are conducted in a fair, justifiable and transparent manner.

There is currently a process underway to ensure that the PPPFA and the BBBEE Act is aligned.

3.6 Broad Based Black Economic Empowerment Act

NCED will adhere to the directives contained in the Broad Based Black Economic Empowerment Act, (Act 53 of 2004)

The Broad Based Black Economic Empowerment Act (BBBEE Act), Act No 53 of 2003, provides the framework for the promotion of black economic empowerment, the establishment of a balanced scorecard and the publication of transformation charters. A supporting strategy has also been published. Draft codes of good practice have also been issued for comment. These codes could include qualification criteria for preferential procurement and other economic activities.

3.7 Public Private Partnerships

The accounting officer must ensure that Treasury Regulation 16 is complied with when goods or services are procured through public private partnerships or as part of a public private partnership.

3.8 The National Small Enterprise Act

The National Small Enterprise Act, Act No 102 of 1996, as amended, establishes an advisory body and the Small Enterprise Development Agency to provide guidelines for organs of state in order to promote small enterprises in the Republic.



3.9 Construction Industry Development Board Act

- (i) The Construction Industry Development Board Act (CIDB Act), Act no 38 of 2000 was promulgated to provide for the establishment of the Construction Industry Development Board to implement an integrated strategy for the reconstruction, growth and development of the construction industry to provide for matters connected therewith
- (ii) Section 18(1) of the CIDB Act states that a contractor may not undertake, carry out or complete any construction works or portion thereof for public sector contracts, awarded in terms of competitive bids or quotation, unless he or she is registered with the Board and holds a valid registration certificate issued by the Board.
- (iii) The NCED must therefore take into account the requirements of the CIDB in case of bid documentation relating to construction, upgrading or refurbishment of buildings or infrastructure

3.10 The Prevention and Combating of Corrupt Activities Act No 12 of 2004

The NCED must adhere to the directives contained in the Prevention and Combating of Corrupt Activities Act, Act 12 of 2004 as it affects the supply chain process.

The Act regulates offences in respect of corrupt activities relating to contracts, activities pertaining to acceptance or offering of any gratification and the improper influence of another person as well as offences in respect of corrupt activities relating to procuring and withdrawal of tenders and auctions.

The Act provides for miscellaneous offences relating to possible conflict of interest and other unacceptable conduct such as acquisition of private interest in contract, agreement or investment of a public body.

National Treasury must establish a register for tender defaulters.

3.11 Other applicable by-laws, ordinance or legislation

Cognisance must be taken of the following pieces of legislation that may have an impact on the supply chain environment:

- (i) Promotion of Administrative Justice Act, Act No 3 of 2000.
- (ii) Promotion of Access to Information Act, Act No 2 of 2000.
- (iii) Protected Disclosures Act, Act No 26 of 2000.



- (iv) The Competition Act, Act No 89 of 1998.
- (v) All other applicable by-laws, ordinances or legislation impacting on SCM must be taken into account

4. Objectives and Responsibilities

4.1 The principal objective of the SCM policy is to provide, promote and implement theoretical guidelines, governing legislation and processes within the supply chain management when:

- Procuring goods or services
- Disposal of goods, assets and immovable property no longer needed
- Selecting contractors to provide assistance in the provision services which are core to the delivery of the departments functions and plans

4.2 This in turn provides a framework within which to further and implement the provisions of section 217 of the Constitution and other applicable legislation in order to:

- (i) Create and promote consistency with other applicable legislation including PPPFA and BBBEEA
- (ii) Create a common understanding and interpretation of the governments preferential procurement policy objectives
- (iii) Transform procurement and provisioning practices in the department into an integrated supply chain management function
- (iv) Make a significant improvement to supply chain management in the broader public sector

5. Adoption and amendment of the Supply Chain Management Policy

5.1 The accounting officer must at least review the implementation of this policy on an annual basis.

5.2 If the accounting officer tables a draft policy or amendment proposal that differs from the model policy, the accounting officer must ensure that such draft policy complies with the Regulations. The accounting officer must report any deviation from the model policy to the National Treasury and the Northern Cape Provincial Treasury

5.3 When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between



organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account

- 5.4 The accounting officer must take all reasonable steps to ensure that the department has and implements this supply chain management policy

General rules on delegation of authority

- 5.5 The accounting officer must delegate appropriate powers and duties to the Chief Financial Officer (CFO) to enable him/her to re-delegate appropriate powers and duties to the Head of Supply Chain Management for the effective carrying out of all supply chain management functions
- 5.6 The accounting officer shall not delegate or sub-delegate any supply chain management powers or duties to a person who is not an official of the department or to a committee which is not exclusively composed of officials of the NCED
- 5.7 All SCM activities must be executed in accordance with pre-established levels of authority through delegations to ensure control and division of responsibility.
- 5.8 Delegations must be in writing to a specific individual or the holder of a post and must be in line with the Accounting Officer's delegated powers and contained in the separate Delegation of Authority Document.
- 5.9 A delegation must be subject to such limitations and conditions as the Accounting Officer may impose in a specific case.
- 5.10 The Accounting Officer is entitled to confirm, vary or revoke any decision taken in consequence of a delegation, provided that no such variation or revocation of a decision should detract from any rights that may have accrued as a result of the decision

Responsibilities of officials

- 5.11 Each official must carry out its activities within its area of responsibility.
- 5.12 Each official must take appropriate steps to prevent any unauthorised, irregular, fruitless and wasteful expenditure in his/her area of responsibility.



6. The SCM Unit

- 6.1 The Accounting Officer must establish a supply chain management unit (SCM unit) to implement the supply chain management policy in line with the Department and National Treasury approved policies and procedures
- 6.2 The SCM unit must operate under the direct supervision of the Chief Financial Officer or a delegated official
- 6.3 The SCM unit must provide administrative support services and professional secretariat services to the Bid Specification, Bid Evaluation and Bid Adjudication Committees and the other relevant evaluation and award structures.
- 6.4 The SCM unit must execute any other functions as prescribed from time to time

7. SCM system

Supply chain management (SCM) is an integral part of financial management. This function integrates the planning, procurement and provisioning processes and seeks to introduce international best practices whilst at the same time addressing government's preferential procurement policy objectives

The stages as outlined in the supply chain management processes are:

- Demand Management
- Acquisition Management
- Logistics Management
- Disposal Management
- Risk Management
- Performance Management

The planning function is dealt with in the Demand Management stage, the procurement function in Acquisition Management and provisioning function in Logistics and Disposal Management



7.1 System of Demand Management

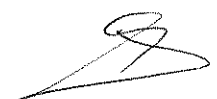
- 7.1.1 The Accounting Officer must develop and implement an appropriate and effective demand management system in order to ensure that the resources required by the department support its operational commitments and its strategic goals as outlined in the annual operational plan.
- 7.1.2 The system must be fair, equitable, transparent, competitive and cost effective
- 7.1.3 The accounting officer must ensure that expenditure on goods and services is incurred in terms of an approved budget and within the limits of the amounts appropriated for the different votes in an approved budget
- 7.1.4 The system must be consistent with the PPPFA and BBBEE Act

The demand management system must also:

- 7.1.5 Include timely planning and management processes to ensure that all goods and services required by the department are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of appropriate quality and quantity at a fair cost
- 7.1.6 Take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature
- 7.1.7 Provide for the compilation of the required specifications to ensure that its needs are met ; and
- 7.1.8 Provide for an appropriate industry analysis and research to ensure that innovations and technological benefits are maximised.

7.2 System of Acquisition Management

- 7.2.1 The Accounting Officer must establish, through operational procedures and effective system of acquisition management in order to ensure:
 - (i) that goods and services are procured by the department in accordance with authorised processes only



- (ii) that the threshold values for the different procurement processes are complied with. The Accounting Officer may not increase the different threshold values as determined by the National Treasury
- (iii) that the bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and
- (iv) that the Treasury Guidelines on acquisition management are properly taken into account.

7.2.2 Range of procurement processes

7.2.2.1 The procurement of goods and services through this policy may only be procured by way of :

- (i) Purchases up to R10,000 including VAT, three verbal quotations confirming the accepted quotation in writing. Quotations must be obtained from the Provincial Supply Chain Management database.
- (ii) For transaction value above R10,000 including VAT per case but not exceeding R200,000 including VAT, the department may procure by obtaining at least three written quotations utilising the provincial supplier's database
- (iii) For transactions above R200,000 including VAT per case but not exceeding R500,000 including VAT, the department may procure by obtaining at least five written quotations utilising the provincial supplier's database. If the department cannot obtain five written quotations, the reasons should be recorded and approved by the Departmental Adjudication Committee if they have a delegation or alternatively the Accounting Officer.
- (iv) For transaction value above R500,000 including VAT, competitive bids should be invited in line with the Provincial Supply Chain Policy prescripts
- (v) Should it be impractical to invite competitive to invite competitive bids for specific requirements, eg. in urgent or emergency cases or in cases or in case of a sole supplier, the department may procure the required goods or service by other means, such as price quotations or



negotiations, refer to Provincial Supply Chain Management Policy. Reasons for deviation must be recorded and recommended by the Adjudication Committee for approval by the Accounting Officer. Within 10 working days after such procurement it must be reported to Provincial Treasury's Supply Chain Management unit and Provincial Auditor-General in all cases where goods, services or works is above the value of R1 million (Vat inclusive). Such reports must include a description of goods and services, name/s of supplier/s, the amount/s involved and reasons for dispensing with the prescribed competitive bidding process.

The accounting officer may in writing:

- (i) Lower but not increase, the different threshold values specified in paragraph 7.2.2.1 or:
- (ii) Direct that:
 - Verbal or written quotations be obtained for any procurement of a transaction value lower than R2,000
 - Written price quotations be obtained for any procurement of a transaction value lower than R10,000; or
 - A competitive bidding process be followed for any procurement of a transaction value lower than R500,000

7.2.2.2 Goods and services may not deliberately be split into parts or items of lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction

7.2.3 General preconditions for consideration of written quotations or bids

7.2.3.1 A written quotation or bid may not be considered unless the provider who submitted the quotation or bid has furnished that provider's:

- (i) full name;
- (ii) identification number or company or other registration number
- (iii) tax reference number and VAT registration number if any;
- (iv) tax clearance from South African Revenue Services which proves that the provider's tax matters are in order;

7.2.3.2 has indicated:

- (i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
- (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in



- the service of the state, or has been in the service of the state in the previous twelve months; or
- (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in paragraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

7.2.4 Register of accredited prospective service providers

7.2.4.1 The Northern Cape Education Department must establish and maintain a Register of Accredited Prospective Service Providers by means of an electronic database to be used for the procurement requirements of the department through written quotations for procurements below R500,000 (Vat included). The register to be maintained by the department is primarily for sourcing of specialised goods and services eg, books, equipment curriculum material.

The accounting officer must:

- (i) At least once a year through newspapers commonly circulating locally (DFA and Die Volksblad), the website and any other appropriate ways, invite prospective providers of goods and services to apply for evaluation and listing as accredited prospective providers;
- (ii) Specify the listing criteria for accredited prospective providers; and
- (iii) Disallow the listing of any prospective provider whose name appears on the National Treasury database as the person/company prohibited from doing business with the public sector

7.2.4.2 The register must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time

7.2.4.3 The register must be compiled per commodity and per type of service

7.2.4.4 No bids or quotations may be solicited from any supplier/service provider/contractor who is not registered and verified by the appropriate branch on the Procurement Unit's Supplier database or is in a position to be so before the award.

7.2.5 Petty cash purchases



No purchases may be made out of petty cash. The NCED does not operate a petty cash system therefore may not be used to make any purchases

7.2.6 Verbal quotations

The conditions that must be followed when procuring goods or services through written or verbal quotations are as follows:

- (i) quotations must be obtained from at least three different providers preferably from, but not limited to providers whose names appear on the register of accredited prospective providers of the department. If quotations are obtained from providers who are not listed, such providers must meet the listing criteria as set out by the department or provincial supply chain management.
- (ii) to the extent feasible, providers must be from Priority Business Enterprises and/or Black Business Enterprises;
- (iii) if it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the accounting officer or another official designated by the accounting officer;
- (iv) the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and
- (v) if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.

7.2.7 Formal written price quotations

7.2.7.1 The conditions for the procurement of goods or services through formal written price quotations are as follows:

- (i) quotations must be obtained in writing from at least three different providers whose names appear on the register of accredited prospective providers of the department;
- (ii) quotations may be obtained from providers who are not listed, provided that such providers meet the listing;
- (iii) to the extent feasible, providers must be from Priority Business Enterprises and/or Black Business Enterprises;



- (iv) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer, and
- (v) the accounting officer must record the names of the potential providers and their written quotations.

7.2.7.2 A designated official referred to in subparagraph 7.2.7.1(iii) must within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subparagraph.

7.2.8 Procurement procedures via written or verbal quotations and formal written price quotations

The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations is as follows:

- (i) when using the register of accredited prospective providers the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
- (ii) offers received must be evaluated on a competitive basis taking into account unconditional discounts
- (iii) Offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods or services and the lowest price;
- (iv) acceptable offers above R30 000 (VAT included) are subjected the preference points system and must be awarded to the bidder with the highest points;
- (v) the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through written or verbal quotations or formal written price quotations is not abused;
- (vi) the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation, and;



- (vii) the departmental SCM requirements for proper record keeping must always be observed.

7.2.9 Competitive bidding process

7.2.9.1 Goods and services above a transaction value of R500,000 (Vat included) and long term contracts may only be procured through a competitive bidding process. This allows for unfettered competition and provides an opportunity for all prospective bidders to make an offer and compete on an equal basis

7.2.9.2 The objective of competitive bidding should be to provide all prospective bidders with timely and adequate notification of a Department's requirements and an equal opportunity to bid for the required goods or services.

7.2.9.3 No requirement for goods and 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 a competitive bidding process

7.2.9.4 The NCED will always follow the open bidding process unless otherwise provided. This process will entail the:

- (i) Drafting of proper and unambiguous bidding documents and criteria
- (ii) Inviting bids
- (iii) Receiving bids
- (iv) Evaluating bids
- (v) Clearing successful bidders and awarding contracts

7.2.9.5 The following systems, processes and controls must be in place for the proper handling and processing of bids:

- (i) A special lockable office with a safe for the receipt and storing of bids, as information contained in the documents is privileged
- (ii) A bid box that is open and accessible 24 hours per day 7 days a week including weekends and public holidays to ensure free access at all times
- (iii) Date stamps to stamp the time and date of receipt of bids to indicate whether or not the bids have been received on time
- (iv) At least two persons involved in performing the following functions: advertise, receive, maintain, open, process and store bids. They also serve to protect each other from potential irregular practices and to confirm and serve as witness for the late submission of bids. In this way the risks of the department



- are also minimised, and operations are done in a spirit consistent with the SCM regulations
- (v) All bids should be entered in a register

7.2.10 Bid documentation for competitive bids

- 7.2.10.1 To ensure uniformity, the criteria to which bid documentation for a competitive bidding process must comply must take into account:
- (i) The general conditions of contract and any special conditions of contracts, is specified;
 - (ii) Any Treasury guidelines on bid documentation; and
 - (iii) The requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure and;
 - (iv) The prescripts of the Preferential Procurement Policy Framework Act (PPPFA) and the regulations pertaining thereto, must be adhered to.
- 7.2.10.2 Include the preference points system to be used, goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria including any other criteria required by other applicable legislation;
- 7.2.10.3 The bid documentation must also compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted
- 7.2.10.4 If the value of the transaction is expected to exceed R10 million (Vat included) bidders are required to furnish:
- (i) If the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements for the past three years or since their establishment if established during the past three years
 - (ii) Particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non compliance or dispute concerning the execution of such contract;
 - (iii) A statement indicating whether any portion of the goods are expected to be sourced outside the Republic of South Africa, and if so what portion and whether any portion of payment from the department is expected to be transferred out of the Republic; and
 - (iv) Where it is impractical that goods and services may be supplied by one service provider, the transaction may be awarded to more than one supplier but any of the individual suppliers



contract exceeds R10million, the requirements of this paragraph must be followed. However the accounting officer must approve such circumstances should they occur. The bids may not be deliberately split in order to avoid the requirements of this paragraph.

- 7.2.10.5 The bidding documents should stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or when unsuccessful, in a South African court of law

7.2.11 Public invitation for competitive bids

- 7.2.11.1 All bids should be invited by the SCM unit unless the accounting officer has delegated these powers to a specific unit as per SCM delegations. As per National Treasury Regulations, a bid must at least be advertised in the Government Tender Bulletin and at least three Northern Cape Local newspapers should also be used in order to afford the local service providers an opportunity to participate
- 7.2.11.2 The normal timeframes for closing of bids is at least 4 calendar weeks (28 days) after the date of publication where suppliers are expected to be in the Republic. The reason for this is to grant bidders sufficient time to acquire the relevant bid documentation, evaluate their goods/ service to determine whether or not it meets the bid requirements, and complete the bid documents for submission. Furthermore, it also ensures fairness, equal opportunity, transparency and competitiveness
- 7.2.11.3 Bids may not be advertised to close between the period 15 December to 15 January as most suppliers firms are closed during this period and advantageous bids can therefore not be ensured. However, if circumstances require otherwise, a submission must be made to the relevant delegatee in this regard. Similarly bids for building and related services must not be advertised or issued during the builders' holiday period and the closing date for bids must be set for no later than one week prior to the commencement of the holiday and at least 3 weeks after the end of the holiday period.
- 7.2.11.4 Validity periods of bids must not exceed a period of 60 days. For any period longer than 60 days a submission must be made to the accounting officer for approval.
- 7.2.11.5 In the interest of uniformity, fairness and in order to maintain Bidder confidence in the system, it is essential that a definite cut-off time be set for submitting bids and that it is strictly observed. The cut-off time for the Department's bids is 11:00 on the day stipulated in the bid documents.



7.2.11.6 Bid invitations are to be cancelled and fresh bids should be invited if conditions, specifications or any other information have to be changed before the closing date:

- (i) If mistakes are discovered in the documents before the closing date
- (ii) Where all bidders cannot be informed of the changes timeously

7.2.11.7 The procedure involved for the cancellation of bids is as follows:

- (i) Submissions must be drafted and submitted to the accounting officer regarding the cancellation of a bid.
- (ii) Where the latter decides to cancel the bid, it must be communicated to all parties who collected bids.

7.2.11.8 Bid documents must be ready before advertisement. The standard bid documents issued by National Treasury from time to time must be used and customised according to need.

7.2.11.9 Bidders are permitted to deposit completed bids in the bid box, post it or hand it to a SCM practitioner. When bids are handed in over the counter or received by post, record thereof must be contained in the relevant register. The following details should be captured / recorded:

- (i) The bid number
- (ii) The closing date of the bid
- (iii) The date and time the bid was received
- (iv) The name of the company who forwarded the bid or from whom the bid was received
- (v) How the bid was received, through courier services or registry
- (vi) The state in which the bid was upon receipt, for example was it open
- (vii) Whether the bid was received on time
- (viii) Whether the bid was opened by the receiving officials and the reasons why the bid was opened
- (ix) Signature of the person that delivered the bid
- (x) Signature of the person who received the bid

To ensure that the above information is adequately recorded, this register must be checked on a quarterly basis by the relevant head of SCM

7.2.12 Procedure for handling, opening and recording of bids

The procedures for the handling, opening and recording of bids are as follows:



7.2.12.1 The bids

- (i) Must be opened only in public; and
- (ii) Must be opened at the same time and as soon as possible after the period for the submission of bids has expired

7.2.12.2 All bids received not in envelopes, must be sealed in an envelope, and the bid number and closing date must be written on the envelope, if ascertainable. Bids received in envelopes (sealed or unsealed) without the bid number on the envelope, must be opened, the bid number ascertained, the envelope sealed and the bid number and closing date written on the envelope.

7.2.12.3 The NCED reserves the right to decide on furnishing the bidders or members of public with the names of other bidders. However information relating to pricing may not be furnished should the department elect to apply the rights contained in this paragraph.

7.2.12.4 No information relating to the bid other than the one in paragraph 7.2.12.3 above may be disclosed to bidders or other persons until an official award is made and;

7.2.12.5 The accounting officer must :

- (i) Record in a register all bids received on time
- (ii) Make the register available for public inspection; and
- (iii) Publish the entries in the register and the bid results on the website

7.2.12.6 Bids received later than the specified date and time but at the correct address are considered as late bids. A late bid must not be admitted for consideration and where feasible must be returned unopened to the bidder accompanied by an explanation. The onus will thus be on the bidder to provide prima facie proof that the bid was delivered timeously

7.2.13 Negotiations with preferred bidders

7.2.13.1 The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive process as preferred bidders, provided that such negotiation:

- (i) Does not allow any preferred bidder a second or unfair opportunity
- (ii) Is not to the detriment of any other bidder; and
- (iii) Does not lead to a higher price than the bid as submitted



7.2.13.2 Minutes of such negotiations must be kept for record purposes

7.2.13.3 Such negotiation may be delegated to the designated senior manager by the accounting officer.

7.2.14 Two stage bidding process

7.2.14.1 A two stage bidding process is allowed for:

- (i) Large complex projects;
- (ii) Projects where it may be undesirable to prepare complete detailed technical specifications; or
- (iii) Long term projects with a duration period exceeding three years

7.2.14.2 In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.

7.2.14.3 In the second stage final technical proposals and priced bids should be invited

7.2.15 Committee system for competitive bids

7.2.15.1 The accounting officer is required to:

- a. Establish a committee system for competitive bids consisting of at least
 - (i) A bid specification committee
 - (ii) A bid evaluation committee
 - (iii) A bid adjudication committee
- b. Appoint the members of each committee in writing for a minimum of one year
- c. Provide for an attendance or oversight process by a neutral or independent observer, appointed by the accounting officer, when this is appropriate for ensuring fairness and promoting transparency. This official should only be appointed from the provincial treasury.

7.2.15.2 The committee system must be consistent with

- (i) Paragraph 7.2.16, 7.2.17 and 7.2.18
- (ii) Any other applicable legislation,

7.2.15.3 Members of one committee may not serve on another committee or be co-opted on another committee

7.2.16 Bid specification committees



7.2.16.1 The bid specification committee must compile the specifications for each procurement of goods and services by the department

7.2.16.2 Specifications :

- (i) Must be drafted in an unbiased manner to allow all potential suppliers to offer their goods and services ;
- (ii) Must take account of any accepted standards such as those issues by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
- (iii) Where possible, be described in terms of performance required rather than in terms of descriptive characteristics or design
- (iv) May not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;
- (v) May not take reference to any particular trademark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words "equivalent"
- (vi) Must indicate each specific goal for which points may be awarded in terms of the point system set out in the Preferential Procurement Regulations 2001 and
- (vii) Must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 7.2.11 of this policy. The accounting officer, may sub-delegate this function to the chair of the bid specification committee

7.2.16.3 The bid specification committee must be composed of multi-disciplinary team of officials which includes at least five permanent members, including a Chief Director who should be the chairperson. The committee should be kept for a minimum of a year with a maximum of two years in operation.

7.2.16.4 No person, advisor or corporate entity involved with the bid specification committee, or director of such corporate entity, may bid for any resulting contracts



7.2.16.5A record of minutes of all adjudication meetings should kept and be made available to the Provincial Supply Chain and treasury should it be required

7.2.17 Bid evaluation committees

7.2.17.1 The bid evaluation committee must

- a Evaluate bids in accordance with
 - (i) The specifications for a specific procurement; and
 - (ii) The point system set out in terms of paragraph 7.8
- b Evaluate each bidder's ability to execute the contract;
- c Check in respect of the recommended bidder whether their tax affairs are in order
- d Submit to the bid adjudication committee a report and recommendations regarding the award of the bid or any other related matter

7.2.17.2 The bid evaluation committee must be composed of a multi-disciplinary team of officials which includes at least five permanent members, one of whom must be an SCM practitioner and including a Chief Director who should be the chairperson. The committee should be kept for a minimum of a year with a maximum of two years in operation.

7.2.18 Bid adjudication committees

7.2.18.1 The bid adjudication committee must

- a Consider the report and recommendations of the bid evaluation committee; and
- b Either –
 - (i) Depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or
 - (ii) Make another recommendation to the accounting officer how to proceed with the relevant procurement

7.2.18.2 The bid adjudication committee must consist of at least four senior managers of the department which must include:

- (i) The Chief Financial Officer who should be the chairperson;
- (ii) A senior official in Supply Chain Management and;
- (iii) A technical expert in the relevant field who is an official, if such an expert exists in an advisory capacity

7.2.18.3 The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of a



committee who are present must elect one of them to preside at the meeting

7.2.18.4 Neither a member of the bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of the bid adjudication committee

7.2.18.5 If the bid adjudication committee decides to award the bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid:

- (i) Check in respect of the preferred bidder whether that bidder's tax affairs are in order
- (ii) Notify the accounting officer

7.2.18.6 The accounting officer may:

- (i) After due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in 5(i) above and
- (ii) If the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration

7.2.18.7 The accounting officer may at any stage of the bidding process, refer any recommendation made by the bid evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation

7.2.18.8 The committee should be kept for a minimum of a year with a maximum of two years in operation

7.2.19 Disposal Committee

7.2.19.1 Functions of a disposal committee

- (i) Inspect all items that appear on the disposal certificate.
- (ii) All members of the Committee must objectively evaluate the items that are submitted for disposal.
- (iii) Make recommendations on the following issues:
 - Whether items should be disposed of.
 - The appropriate disposal method.



7.2.19.2 Establishment of a disposal committee

- (i) The Accounting Officer or delegate must establish and appoint one or more Disposal Committees and a chairperson on an ad hoc basis, as necessary.
- (ii) The committee should be kept for a minimum of a year with a maximum of two years in operation

7.2.19.3 Composition of a disposal committee

- (i) A Disposal Committee should consist of at least three officials.
- (ii) The following must be represented on the Committee for movable assets. The Accounting Officer must appoint the chairperson:
- (iii) The relevant commodity manager.
- (iv) An official proficient in logistics management.
- (v) The relevant end user of the commodity considered for disposal.
- (vi) The following must be represented on the Committee for immovable assets:
- (vii) CFO as chairperson
- (viii) Senior Finance Official
- (ix) Legal Official
- (x) An official proficient in logistics management.
- (xi) The relevant end user/commodity manager of the commodity considered for Disposal.
- (xii) Director supply chain management

An official who is in direct control of stores/equipment, which is to be evaluated may not serve as a member of the Disposal Committee, but can assist the Disposal Committee in the evaluation process.

7.2.20 Procurement Principles



Northern Cape Education Department
Supply Chain Management Policy

The Northern Cape Education Department (NCED) shall adhere to the procurement principles as noted hereunder:

- | | |
|------------------------|---|
| Transparency | The procurement process must be open and predictable and must afford each prospective bidder timely access to the same and accurate information |
| Equal treatment | All bidders and providers must be treated equally throughout the whole procurement process and must be given access to the same information. |
| Effectiveness | NCED must strive for SCM system effectiveness and must carry out its procurement processes as cost-effectively as possible while meeting the commercial, regulatory and socio-economic goals of government in a balanced manner appropriate to the procurement requirement. |
| Efficiency | NCED must strive to standardise and simplify procedures where appropriate to enhance SCM system effectiveness and must carry out its SCM processes as cost-effectively and efficiently as possible. NCED must strive to build relationships with providers, must ensure good working practices and must encourage innovative solutions for providers. |
| Competitiveness | NCED must satisfy its requirements through competition unless there are justifiable reasons to the contrary. |
| Fairness | All bidders and contractors must be dealt with fairly and without unfair discrimination. Unnecessary constraints must not be imposed on bidders/contractors and commercial confidentiality must be protected. |
| Ethics | All providers must be treated equally whilst promoting certain empowerment objectives, all stakeholders must conduct business and themselves professionally, fairly, reasonably and with integrity, all interests must be disclosed and all breach must be reported. |



Proportionality	The product/service requirements stipulated in the specification/terms of reference and the qualification requirements attached thereto must be appropriate, necessary and in reasonable proportion to the product/service being procured.
Uniform application	NCED must ensure the application of a SCM policy and a streamlined SCM process and documentation that is uniformly applied by NCED, all things being equal. The procurement process must be simple and adaptable to advances in modern technology to ensure efficiency and effectiveness.
Accountability	Each practitioner must be accountable for their decisions and actions relative to their SCM responsibilities, the SCM process as well as in the implementation of concluded contracts. NCED must have a system, when warranted by circumstances, to investigate and hold liable both employees and relevant private parties dealing with NCED, for their decisions and actions relative to their procurement responsibilities, the procurement process as well as in the implementation of concluded contracts.
Openness	NCED must ensure a procurement process and a subsequent contract award and implementation according to the predetermined specification in line with the best practice procurement principles.
Value for money	<p>NCED must achieve value for money through the optimum combination of life cycle cost and quality (or fitness for purpose) to meet the customer's requirements while maximising efficiency, effectiveness and flexibility.</p> <p>NCED must apply the following TCO philosophy to the procurement of goods and services in achieving value for money.</p> <p><input type="checkbox"/> TCO = Price + Administration (maintenance and process) + Quality/Usage + Supplier Value-add.</p>
Commitment to	NCED is committed to the health and safety of its



safety, health and the environment personnel and its providers in the application of its SCM process.

NCED is committed to the preservation of the environment, minimising pollution and the improved use of natural resources in the application of its SCM processes and more specifically in the design of the specifications/terms of reference for each requirement.

NCED must apply preventative measures in situations of scientific uncertainty where a course of action could harm the environment.

7.2.21 Declaration of interest

- (i) A SCM practitioner or other role player, must declare to the accounting officer details of any private or business interest which that person or 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 NCED
- (ii) Immediately withdraw from participating in any manner whatsoever in the process relating to the contract.
- (iii) A SCM official must recognise and disclose any conflict of interest that may arise even if it relates to quotations to avoid possible favouritism being applied on contractors

7.2.22 Procurement of banking services

- (i) The Northern Cape Provincial Treasury has the sole mandate to procure banking services for the Northern Cape Departments
- (ii) The acquisition of banking services must be executed through a competitive bidding process.
- (iii) The contract for banking services may not be concluded for a period exceeding five years at a time



- (iv) Bidding must be restricted only to banks registered with the Financial Services Board and registered in terms of the Banks Act.

7.2.23 Procurement of IT related goods or services

- (i) 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
- (ii) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA
- (iii) The accounting officer must notify SITA together with a motivation of the IT needs if:
 - The transaction value of IT related goods or services required in any financial year will exceed R50 million (Vat included); or
 - The transaction value of a contract to be procured whether for one or more years exceeds R50 million (Vat included)
- (iv) If SITA comments on the submission and the department disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the National Treasury, the Northern Cape Provincial Treasury and the Auditor General

7.2.24 Transversal contracts

- (i) The accounting officer may participate in transversal contracts concluded by National or Provincial Treasuries
- (ii) Written requests to participate in transversal contracts must be submitted to Provincial Supply Chain Management and no other contract may be concluded during the period for the acquisition of the same goods/ services or similar products

7.2.25 Procurement of goods necessitating special safety arrangements

- (i) The acquisition of goods in bulk which necessitates special safety arrangements, including gases and fuel should be avoided wherever possible
- (ii) Where the storage of goods in bulk is justified, justification must be based on sound reasons, including the total cost of ownership, cost of advantages and environmental impact and must be approved by the accounting officer



7.2.26 Proudly SA campaign

The department supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:

- (i) Firstly – suppliers and businesses within the Northern Cape Province
- (ii) Secondly – suppliers and businesses within the Republic

7.2.27 Appointment of consultants

- (i) The accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made
- (ii) Consultancy services must be procured through competitive bids if :
 - The value of the contracts exceeds R200,000 (Vat included) or;
 - The duration of the contract exceeds one year
- (iii) In addition to any requirements prescribed by this policy for competitive bids , bidders must furnish particulars of:
 - All consultancy services provided to an organ of state in the last five year and
 - Any similar consultancy services provided to an organ of state in the last five years
- (iv) The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing , system or process designed or devised , by a consultant in the course of the consultancy service is vested in the department

7.2.28 Deviation from, and ratification of minor breaches of procurement processes

7.2.28.1 The accounting officer may –

Dispense with the official procurement processes established by this policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only

- (i) In an emergency
- (ii) If such goods or services are produced or available from a single provider only;



- (iii) For the acquisition of special works of art or historical objects where specifications are difficult to compile; or
- (iv) In any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

7.2.28.2 Ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of the technical nature

7.2.28.3 Instances which reflect lack of proper planning from the NCED or the SCM unit may not justify reason to deviate from the normal bidding processes

7.2.28.4 The accounting officer must record the reasons for any deviations in terms of subparagraphs 7.2.28.2 and 7.2.28.2, report them to the Provincial Treasury and include as a note to the annual financial statements

7.2.29 Special Procurement Exemptions

Under this policy, the following procurement requirements will be exempted from following the SCM procedures. This means it will not be necessary to obtain three quotations for procurement of the following:

- (i) Any expenditure coming out of the MEC's Discretionary Fund will not be subjected to the supply chain management procedures. Therefore three quotes are not required.
- (ii) The purchase of cellphone airtime on behalf of all officials who qualify for airtime eg. MEC's driver will also not be subject to SCM three quote procedure. The airtime will however still be procured through the SCM unit via the three cellphone network providers ie. (MTN, Vodacom, CellC)
- (iii) Procurement of special goods and services via schools eg. Hall accommodation, hostel accommodation, school catering will also not be subjected to the three quotation requirement. However these goods and services are to be procured using the set annual tariffs to be published by the department
- (iv) Purchase of special items eg. Textbooks from specific publishers, municipal accounts, telephone accounts also need not obtain the three quotations.

7.2.30 Unsolicited bids



7.2.30.1 The department is not obliged to consider any unsolicited bids received outside of the normal bidding process

7.2.30.2 The department may only consider an unsolicited bid if the following have been complied with:

- (i) The product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
- (ii) The product or service offered will be exceptionally beneficial to, or have exceptional cost advantages for the department;
- (iii) The person or entity that made the bid is the sole provider of the product or service; and
- (iv) The reasons for not going through the normal bidding processes are found to be sound by the accounting officer. In this regard a report must be submitted to the accounting officer seeking approval to take the unsolicited bid process further

7.2.30.3 If the accounting officer considers the unsolicited bid worthy of pursuing, the decision to consider such bid shall be made public in accordance with section 21A of the Systems Act together with

- (i) Reasons as to why the bid should not be open to other competitors;
- (ii) An explanation of the potential benefits for the department if it were to accept the unsolicited bid; and
- (iii) An invitation to the public and other potential suppliers to submit their written comments within 30 days of the notice being published

7.2.30.4 Details of the unsolicited bid, together with any written comments received pursuant to clause (iii) above as well as any responses from the bidder, shall be submitted to the provincial and National Treasury for comment

7.2.30.5 The unsolicited bid shall then be submitted to the Bid Adjudication Committee, together with any written comments submitted by the public and written comments or recommendations of the Provincial and Treasury for consideration

7.2.30.6 The Bid Adjudication Committee may award the bid in respect of any amount

7.2.30.7 Any meeting of the Bid Adjudication Committee to consider an unsolicited bid shall be open to the public

7.2.30.8 If any recommendations of the Provincial or National Treasury are rejected or not followed, the accounting officer shall submit to the



Auditor General, the Provincial and National Treasury the reasons for rejecting or not following those recommendations. Such submission shall be made within 7(seven) days of the decision to award the unsolicited bid. No contract committing the department to the bid may be entered into or signed within 30 (thirty) days of the submission

7.3 Logistics Management

The accounting officer must establish and implement an effective system of logistics management, which must include:

- (i) The monitoring of spending patterns on types or classes of goods and services incorporating where practical the coding of items to ensure that each item has a unique number
- (ii) The setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock
- (iii) The placing of manual or electronic orders for all acquisitions other than those from petty cash
- (iv) Before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of the contract and specifications where applicable and that the price charged is as quoted in terms of the contract
- (v) Appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased
- (vi) Monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services

7.4 Disposal Management

7.4.1 The accounting officer must establish an effective system of disposal management for the disposal or letting of assets, including unserviceable, redundant or obsolete assets.

7.4.2 The disposal of assets must be by one of the following methods:



- (i) Transferring the asset to another organ of state in terms of a provision PFMA Act enabling the transfer of assets;
- (ii) Transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
- (iii) Selling the asset or
- (iv) Destroying the asset

7.4.3 Provide that:

- (i) Immovable property may be sold only through a competitive bidding process except when the public interest or the plight of the poor demands otherwise
- (ii) Movable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
- (iii) In the case of the free disposal of computer equipment, local schools must first be approached to indicate whether they are interested in any of the computer equipment
- (iv) It is ensured that where assets are traded in for other assets, the highest possible trade-in price is negotiated

7.5 Risk Management

7.5.1 The Accounting Officer must ensure that the department establishes and maintains an effective system of risk management for the identification, consideration and avoidance of potential risks in the SCM system.

7.5.2 Aspects of risk management must be allocated to the CFO, the SCM practitioners, the internal audit function and the Audit Committee, each of which shall ultimately be accountable to the Accounting Officer for the discharge of their responsibilities

7.5.3 The elements of risk management therefore are:

- (i) Assessing the nature and extent of the risks associated with the NCED operations
- (ii) Deciding on an acceptable level of loss or degree of failure
- (iii) Deciding how to manage/minimise/mitigate risk



- (iv) Monitoring and reporting and from time to time re-assessing the level and implications of the risk exposure

7.5.4 The accounting officer must determine the NCED risk aptitude

7.5.5 Decisions must be taken with regard to minimising the NCED's exposure to risk, as well as to the potential effects of the risks. The focus must be on an approach involving preventing risks from materialising, detecting the effects of risks as soon as possible and correcting or recovering from the consequences.

7.5.6 Risk management decisions must continuously involve a cost benefit analysis (considerations of economy). The cost of controlling (minimising) a risk must not exceed the benefits to NCED. Benefits can include the objective or subjective measurement of the cost to NCED if the particular risk should materialise. (If it is not controlled, what is the potential cost to NCED).

7.5.7 A major component of risk management is the establishment of a fraud prevention plan, by the CFO, which aims to manage the risk of fraud through cost-effective use of the control environment, information systems, control procedures and an ethical culture within the NCED.

7.5.8 The process to be followed should ensure that irregular and fruitless and wasteful expenditure and other losses are prevented

7.6 Performance Management

7.6.1 The accounting officer must establish an effective internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorized supply chain management processes were followed and whether the desired objectives were achieved.

7.6.2 Performance management is a pro active and re active (retrospective) process of determining whether objectives and the broader government strategic and operational goals are being met. Therefore it serves as a management tool.

7.6.3 Since the SCM system is an integral part in achieving these objectives, it is necessary that recording, reporting and performance measurement regarding the SCM system must take place. It is therefore essential that the NCED must establish a system that seeks to track performance by recording and generating predetermined information for reporting purposes



- 7.6.4 In terms of legislation, various role players have determined that they require certain information so as to determine the implementation and progress made by institutions regarding the SCM system. The NCED is therefore compelled to ensure the continuous gathering and recording of this information to satisfy the requirement
- 7.6.5 From the gathered information, the prescribed internal and external management reports must be compiled and distributed.
- 7.6.6 The SCM Unit is responsible to measure the NCED's progress regarding the achievement of the goals by using the pre-determined criteria. The results of this measurement must then be included in external and internal reports as prescribed.
- 7.6.7 The SCM structure should allow gathering and compilation of the necessary records as might be required by the changing environment and Government's reporting requirements pertaining to SCM. The SCM unit must develop and maintain a proper filing system per case. The records to be kept in such filing system are the following:
- (i) Record of written and verbal quotations and formal written quotations with all the particulars relating to the suppliers
 - (ii) List of bid documents issued
 - (iii) Record of ad-hoc bids
 - (iv) Record of specific term contracts
 - (v) Record of deviation processes for example urgency and emergency procurement
 - (vi) Record of complaints received from bidders or contractors
 - (vii) Record of declarations of interest
 - (viii) Record of gifts received
 - (ix) Record of instances of fraud or corruption
 - (x) Record of all unexpired commitments
 - (xi) Record of irregular, fruitless and wasteful expenditure
 - (xii) Record of circulars distributed within the NCED

7.7 Contract Management

- 7.7.1 The NCED must ensure that the performance of all contractors is assessed during the period of the contract. At the completion stage of the contract, an assessment of the contractor must be undertaken and this assessment should be available for future reference
- 7.7.2 The reliability of the contractors should be monitored in terms of, among others:



- (i) Capacity and capability to deliver (delivery periods)
- (ii) Quality
- (iii) Quantity
- (iv) Attainment of objectives in line with the business case for the specific project
- (v) Other criteria determined by the NCED (such as availability of facilities, reliability, flexibility, price, financial stability, response time, technical competence, creativity and innovation) should also be monitored

7.7.3 Contractors must be systematically monitored for performance against the same criteria as those used in the registration process for the provider list or the criteria set in the specification/terms of reference, where applicable. In other words was the contractor (chosen from a provider list or a bidding process) able to perform according to the contract conditions.

7.7.4 When contractors do not perform according to the contractual obligations and NCED does not address the matter during the execution of the contract, such non-performance cannot be deemed as sound reasoning for passing over the bid of such supplier/service provider when evaluating future bids.

7.7.5 It is important that all instances of breach of contract and the ensuing actions that were taken must be recorded in a prescribed format so that management information can be extracted for reporting purposes, as required.

7.8 Preferential Procurement System

7.8.1 The PPPFA Regulations, Regulations 3 and 4, prescribe the point system and the formulae to be applied. Basically a distinction is drawn between the 80/20 and 90/10 point systems.

(i) 80/20 Point system

This system applies to all bids less and equal to R500,000. It provides for 80 points in relation to price (this may be divided into price and functionality) and 20 points for equity ownership in respect of HDI's (Historically Disadvantaged Individuals) and or any other socio-economic goal identified. The calculation of points to be awarded for price and functionality shall be as follows:

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



Where Ps = points scored for price of the tender under consideration
Pt = Rand value of tender under consideration
Pmin = Rand value of lowest acceptable tender

(ii) 90/10 Point system

This applies to all bids above R500,000 and a total of 90 points is allocated for price (this can also be divided into price and functionality) and 10 points for equity ownership and/or any other socioeconomic goals identified. The calculation of points to be awarded for price and functionality shall be as follows:

$$Ps = 90 \times \left(\frac{1 - Pt - Pmin}{Pmin} \right)$$

The abovementioned threshold values are subject to amendment by the National Treasury from time to time

7.8.2 A maximum of 10 or 20 points, as the case may be, may be awarded to a bidder for HDI ownership and other tender specific requirements

7.8.3 In the acquisitioning of local goods and services, categories of preference shall be used in the allocation of contracts and the protection or advancement of persons or categories of persons, disadvantaged by unfair discrimination.

7.8.4 Any specific goals for which points may be awarded shall be clearly specified in the invitation to submit quotation/tender and shall be measurable, quantifiable and monitored for compliance

7.8.5 Bids must be cancelled when:

- (i) In the application of the 80/20 preference points system, all bids received exceed the estimated rand value of R500,000
- (ii) In the application of the 90/10 preference points system, all bids received are equal to or below R500,000

7.8.6 After cancellation of a bid in terms of the paragraph above, the department must re-invite bids stipulating the correct preference points system to be applied

8. Miscellaneous Matters

8.1 Training of supply chain management officials



- (i) The Accounting Officer and all the other officials of the NCED in the finance directorate involved in the implementation of the supply chain management policy of the NCED must meet the prescribed competency levels
- (ii) The Northern Cape Education Department must for the above purposes provide resources or opportunities for training of officials referred, to meet the prescribed competency levels
- (iii) The National Treasury or the Provincial Treasury or any other accredited body may assist the NCED in the training of officials
- (iv) The training of officials involved in the implementation of the SCM policy should be in accordance with Treasury Guidelines on SCM training
- (v) National Treasury has issued instructions to regulate training. The training material must be of an acceptable level of quality and in accordance with the relevant SCM policy reforms and legislation and must be validated by the National Treasury
- (vi) The services of training providers whose training material have been validated by the Validation Board of the National Treasury may be utilised. This form of validation is aimed at giving the Accounting Officer or delegate an indication that courses presented by these training providers comply with the requirements and will provide value for money

8.2 Prohibition of specific individuals

8.2.1 The department may not make an award above R 30,000 to a person whose tax affairs have not been declared by the South African Revenue Service to be in order. Therefore any bidder who does not provide the tax clearance certificate become immediately disqualified during the bid evaluation phase

8.2.2 The department may not make any award to and conclude a contract with a person :

- (i) Who is in the service of the state
- (ii) If that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- (iii) Who is an advisor or consultant contracted with the department



8.3 Ethical Standards

8.3.1 A code of ethical standards as set out in subparagraph 2 of the "National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management " is hereby established for officials and other role players in the supply chain management system for the department in order to promote:

- (i) Mutual respect and trust and
- (ii) An environment where business can be conducted with integrity and in a fair and reasonable manner

8.3.2 An official of the SCM unit, who becomes aware of a breach of or failure to comply with any aspect of the SCM system, must immediately report the breach or failure to the accounting officer in writing

8.3.3 The accounting officer must take all reasonable steps to prevent abuse of the SCM system

8.3.4 All allegations against a practitioner or any other role player, of corruption, improper conduct or compliance failure with the SCM system must be investigated by the accounting officer or the delegate who must, when justified, take steps against such official or other role player

8.3.5 Any conduct that may constitute an offence must in addition be reported to the South African Police Service (SAPS)

8.4 Inducements, rewards, gifts and favours to departments, officials and other role players

8.4.1 No person who is a provider or prospective provider of goods or services, or a recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant:

- (i) Any inducement or reward to the department for or in connection with the award of a contract or;
- (ii) Any reward, gift, favour or hospitality to any official or any other role player involved in the implementation of the supply chain management policy

8.4.2 The accounting officer must promptly report any alleged contravention of subparagraph 8.4.1 to the National Treasury for considering whether



the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector

8.4.3 Subparagraph 8.4.1 does not apply to gifts less than R350 in value

8.5 Sponsorships

The accounting officer must promptly disclose to the National Treasury and the Northern Cape Provincial Treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is:

- (i) A provider or prospective provider of goods or services or;
- (ii) A recipient or prospective recipient of goods disposed or to be disposed

8.6 Objections and complaints

Persons aggrieved by decisions or actions taken by the department in the implementation of its supply chain management system, may lodge within 14 days of the decision or action a written objection or complaint to the Chief Financial Officer or Accounting Officer against the decision or action

8.7 Resolution of disputes, objections, complaints and queries

8.7.1 The accounting officer must appoint an independent and impartial person or committee not directly involved in the supply chain management:

- (i) To assist in the resolution of disputes between the department and other persons regarding:
 - Any decisions or actions taken in the implementation of the supply chain management system; or
 - Any matter arising from a contract awarded in the course of the supply chain management system
- (ii) To deal with objections, complaints, queries regarding any such decisions or actions or any matters

8.7.2 The accounting officer, or another official designated by the accounting officer, responsible for assisting the appointed person to perform his or her functions effectively

8.7.3 The person appointed must:



- (i) Strive to resolve promptly all disputes, objections, complaints or queries received; and
- (ii) Submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved

8.7.4 A dispute, objection, complaint or query may be referred to the Northern Cape Provincial Treasury if:

- (i) The dispute, objection, complaint or query is not resolved within 60 days; or
- (ii) No response is forthcoming within 60 days

8.7.5 If the Northern Cape Provincial Treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution

8.7.6 This paragraph must not be read as affecting a person's rights to approach a court at any time.

8.8 Contracts providing for compensation based on turnover

If a service provider acts on behalf of the Northern Cape Education Department to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the department must stipulate:

- (i) A cap on the compensation to the service provider and ;
- (ii) That such compensation must be performance based

8.9 Combating abuse of the supply chain management system

The following measures are established to combat the abuse of the supply chain management system:

8.9.1 The accounting officer must:

- (i) Take all reasonable steps to prevent abuse of the supply chain management system
- (ii) Investigate any allegations against an official or other role player or;
- (iii) Report any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices



- or failure to comply with this supply chain management policy, and when justified:
- Take appropriate steps against such official or other role player or;
 - Report any alleged criminal conduct to the South African Police Service
- (iv) Check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
- (v) Reject any bid from a bidder who during the last five years has failed to perform satisfactorily on a previous contract with the department or any organ of state after written notice was given to that bidder that performance was unsatisfactory
- (vi) Reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract
- (vii) Cancel a contract awarded to a person if:
- The person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
 - 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; and
- (viii) Reject the bid of any bidder if that bidder or any of its directors:
- Has abuse the supply chain management system of the department or has committed any improper conduct in relation to such system
 - Has been convicted of fraud or corruption during the past five years
 - Has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years or;
 - Has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004)

8.9.2 The accounting officer must inform the National Treasury and the Northern Cape Provincial Treasury in writing of any actions taken in terms of **subparagraphs above (specify)**

8.10 National Industrial Participation Programme (NIPP)



Northern Cape Education Department
Supply Chain Management Policy

The accounting officer must obtain clearance for a recommended bidder from the Department of Trade and Industry in respect of contracts which are subject to NIPP

8.11 Reporting of supply chain management information

- (i) The NCED must submit to the National Treasury, Provincial Treasury and the Auditor General such SCM information as they may require and in such format and intervals as specified
- (ii) The NCED must implement an information gathering, recording, reporting and performance management system to facilitate the above and promote good governance

9. POLICY IMPLEMENTERS

The overall responsibility for adherence by the Northern Cape Department of Education (NCDE) to this policy lies with the NCDE Head of Department. However, the Chief Directors together with their Responsibility Managers are to comply with this Policy all the supply chain management functions

10.EFFECTIVE DATE

01 October 2009

11.APPROVAL

The policy becomes effective upon approval by the Head of Department of Northern Cape Education Department.

HOD dept of education

Date

