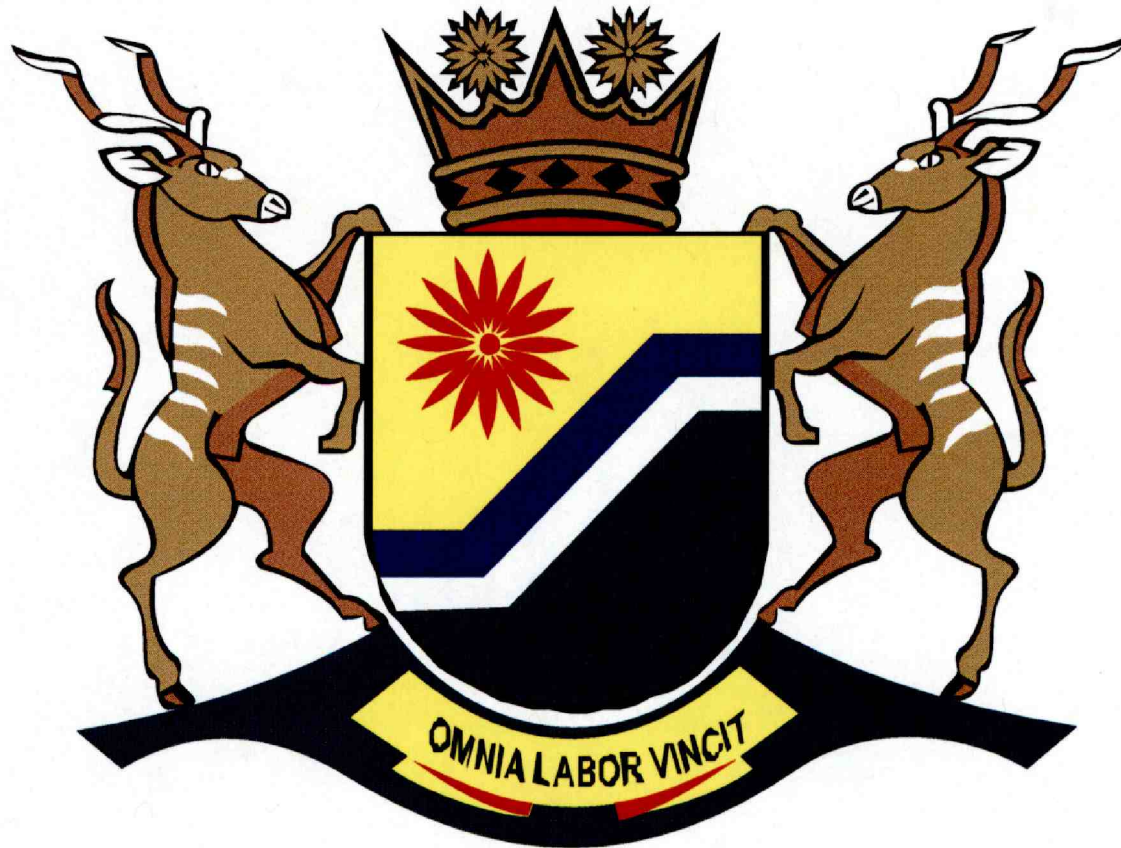


Mpumalanga Provincial Government



Department of Public, Works Roads and Transport

POLICY ON PROCUREMENT OF GOODS AND SERVICES

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Abbreviations

BAC	Bid Adjudication Committee
BEC	Bid Evaluation Committee
BEE	Black Economic Empowerment
CIDB	Construction Industry Development Board
CFO and	Chief Financial Officer of the Department of Public Works, Roads Transport
GCC	General Conditions of Contract
HDI	Historical Disadvantaged Individuals
HOD	Head of the Department
ISO	International Standard Organization
LOGIS	Logistics Information System
MG	Mpumalanga Government owned vehicles
MMS	Middle Management Scheme
OHS	Occupational Health and Safety
PFMA	Public Finance Management Act, 1999 (Act 1 of 1999)
PPP	Public Private Partnership
PWRT	Department of Public Works, Roads and Transport
SABS	South African Board of Standards
SANAS	South African National Accreditation System
SAPS	South African Police Service
SITA	State Information Technology Agency
SMS	Senior Management Scheme

VAT Value Added Tax

Definitions

Accounting Officer refers to the Head of Department.

Accounting means the recording of all receipts and issues and the continued recording thereof as approved by the Treasury;

Chief User means the head of an organization unit within a department or directorate who receives stores for utilization and who exercises physical and financial control over all requisitions for stores and services before they are submitted to accounting for issuing;

Class Accounting means accounting in respect of non- expendable stores by the updating of a ledger, computerized or manual, in which all transactions in respect of the items concerned are recorded, as well as the updating of distribution and inventory records for the control of such items after issuing until disposal thereof ;

Comparative price means the price including VAT after all unconditional discounts that can be utilized have been taken into consideration.

Contract means a lawful contractual agreement that results from the acceptance of a tender by the department.

Corrupt practice means the offering, giving, receiving or soliciting of anything of value to influence the action of a public official in the procurement process or the execution of a contract.

Department Department of Public Works, Roads and Transport

Disability means, in respect of a person, a permanent impairment of a physical, intellectual, or sensory function, which results in restricted, or lack of ability to perform an activity in the

manner, or within the range, considered normal for a human being.

Disposal

means the process of deciding about the doing away with or the cannibalizing of an item which is no longer needed in Government context, and which is administered in terms of the disposal policy;

Ex Post Facto

means an approval for circumstances which shall not be foreseen and immediate action was required in order to relieve, prevent a dangerous condition to the department.

Final award

in relation to bids or quotations submitted for a contract means the final decision made to accept a bid or a quotation;

Fraudulent practice

means a misrepresentation of facts in order to influence a procurement process and the execution of a contract to the detriment of any bidder, and includes collusive bidding.

Fronting

means the practice of using Historically Disadvantaged Individual / business and a BEE company to claim preference points for a particular bid which in effect influence the award of a contract. Where such an individual / business / company is not an owner or does not have any managerial decision making powers and shall not benefit financially from the award of that contract.

Fruitless and wasteful expenditure

means expenditure which was in vain and shall have been avoided had reasonable care been exercised.

Historically Disadvantaged Individual (HDI) means a South African citizen –

- (1) Who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 or the Constitution of the Republic



of South Africa, 1993 ("the Interim Constitution");
and/or

- (2) Who is a female?
- (3) Who is a youth; and / or
- (4) Who has a disability?

provided that a person, who obtained South African citizenship on or after the coming to effect of the Interim Constitution of 27 April 1994, is deemed not to be an HDI.

Irregular expenditure

means expenditure other than unauthorized expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation including PFMA, Treasury Regulations, Supply Chain Management Policy and Regulations:

Issue means the physical act of delivering items;

Issue voucher means a Treasury approved voucher on which all issues are recorded;

Minimum stock level

is that quantity which is necessary to satisfy requisitions.

Maximum stock level

is that quantity which is normally purchased when precautionary factor quantity is reached?

Obsolete items means stores or equipments which can no longer be used within the government owing to obsolescence, excluding spoilt items;

Quittance means the acknowledgement of receipt of the receipt of issued stores or services rendered, reflecting the receipt's signature, the date of receipt and if not computer allocated, the receipt voucher number;

Receipt means all stores, services received;

Receipt voucher means a Treasury approved form on which all receipt are recorded;

Redundant items means serviceable stock or equipments which is no longer required by the consumer but which can still possible be utilized for government or in any other way;

Stores

means all movable State property which is kept in stock for issuing;

Unauthorized expenditure

means the overspending of a vote or main division within a vote, expenditure not in accordance with the purpose of a vote or in the case of a main division, not in accordance with the purpose of the main division.

Warehouse

means a place where stores are kept.

1. Introduction

This document sets out ethical and sound procurement practices to be followed by all officials involved in procuring goods and services. The policy document represents the minimum standards that the departmental officials are expected to uphold in their procurement activities. Furthermore, the department has to promote economic and employment growth, social and economic development to amongst others redress inequalities thereby advancing a better life for all. To assist in achieving these objectives the department should create a conducive environment, wherein emerging service providers /contractors would compete fairly for procurement opportunities.

2. Objectives

The purpose of this policy is to:

- 2.1 Create value for money
- 2.2 Facilitate open and effective competition
- 2.3 Uphold ethics and responsibility
- 2.4 Promote accountability and reporting
- 2.5 Ensure equity and transparency

3. Legal Framework

- 3.1 The Constitution of the Republic of South Africa, 1996,
- 3.2 Public Finance Management Act, (Act No.1 of 1999),
- 3.3 Treasury and Supply Chain Management Regulations,
- 3.4 Preferential Procurement Policy Framework Act, Act No. 5 of 2000 and its regulations of 2001,
- 3.5 Broad-Based Black Economic Empowerment Act, Act No. 53 of 2003, with its charters and codes of practice,
- 3.6 Construction Industry Development Board Act, Act No. 38 of 2000
- 3.7 The Competition Act, Act No. 89 of 1998,
- 3.8 The National Small Business Act, Act No. 102 of 1996,
- 3.9 State Information Technology Agency (SITA) Act, Act No. 88 of 1988
- 3.10 Occupational Health and Safety Environment Act, Act No.85 of 1993

- 3.11 Prevention and Combating of Corruption Activities Act, Act No. 12 of 2004
- 3.12 Protected Disclosure Act, Act No.26 of 2000,
- 3.16 Promotion of Administrative Justice Act, Act No. 3 of 2000
- 3.17 Promotion of Access to Information Act, Act No.2 of 2000,
- 3.18 Public Service Act, Act No. 103 of 1994 and Regulations thereof;
- 3.19 Construction Industry Development Board Act, Act No. 38 of 2000
- 3.20 Risk Management policy
- 3.21 Fraud Prevention Policy
- 3.22 Security Policy

4. Scope of Application

This policy shall be applicable to all accounting officers as authorized and all officials of the Department of Public Works, Roads and Transport.

5. Policy Statement

5.1 Ethical Standards

The objective of the department is to promote mutual trust, respect, and also an environment where business can be conducted with integrity and in a fair and reasonable manner. Officials and other role players involved in the implementation of supply chain management shall comply with the following code of ethical standards and, non-compliance shall result in appropriate action being taken.

Therefore, a departmental official and other role player shall:-

- 5.1.1 Recognize and disclose any conflict that shall arise in any proposed procurement or disposal process of, or in any award of a contract;
- 5.1.2 Treat all service providers and potential service providers equitably;

- 5.1.3 Not use his/her position for private gain or to improperly benefit another person;
- 5.1.4 Ensure that he/she does not compromise the credibility or integrity of the supply chain management system through the acceptance of gifts, favours, hospitality or any other act;
- 5.2.5 Be scrupulous in the use of property belonging to the department;
- 5.1.6 Assist the accounting officer in combating fraud, corruption, favouritism and unfair/irregular practices in the supply chain management system;
- 5.1.7 Declare to the accounting officer details of any reward, favour, hospitality or other benefit promised, offered or granted to him / her or to any close family member, partner or his / her associate;
- 5.1.8 Immediately withdraw from participating in any manner whatsoever in a procurement or disposal process of, or in any award of a contract in which he / she, or any close family member, partner or associate, has any private or business interest; and
- 5.1.9 Report to the accounting officer any breach or failure to comply with any aspect of supply chain management system, in writing.

5.2 Code of conduct for Supply Chain Practitioners, Project Managers and other officials involved in the implementation of the procurement of goods and services.

Supply chain management practitioners and other role players shall comply with the following code of conduct as stipulated:

5.2.1 General Principles

- 5.2.1.1 The Department of Public Works, Roads and Transport commits itself to a policy of fair dealing and integrity in the conducting of its business. The position of a supply chain management practitioner is, therefore, a position of trust, implying a duty to act in the public interest. Practitioners shall not perform their duties to unlawfully gain any form of compensation, payment or gratuities from any person, or suppliers/contractors for themselves, their family or their friends.
- 5.2.1.2 Practitioners shall ensure that they perform duties efficiently, effectively and with integrity, in accordance with the relevant legislation and regulations including the Public Service Regulations issued by the

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Department of Public Service and Administration, National Treasury Regulations and Practice Notes and directives issued by accounting officers/authorities. They shall ensure that public resources are administered responsibly.

- 5.2.1.3 Practitioners shall be fair and impartial in the performance of their functions. They shall at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual. They should not abuse the power and authority vested in them.
- 5.2.1.4 Practitioners shall comply with the code of conduct for the Public Service as contained in Chapter 2 of the Public Service Regulations, 2001 especially items C4.5 to C4.12 and C5.3 to C5.4 thereof.
- 5.2.1.5 All supply chain practitioners shall be vetted in order to minimize the risk of the abuse of the supply chain system

5.3 Conflict of interest

- 5.3.1 Supply Chain Management Practitioners, to the extent required by their position, shall declare any business, commercial and financial interests or activities undertaken for financial gain that shall raise a possible conflict of interest.
- 5.3.2 Practitioners shall not place themselves under financial or other obligations to outside individuals or organizations that might seek to influence them in the performance of their official duties.
- 5.3.3 Practitioners shall not take improper advantage of their previous office after leaving their official positions.

5.4 Accountability

- 5.4.1 Practitioners are accountable for their decisions and actions to the public.
- 5.4.2 Practitioners shall not use public property scrupulously.
- 5.4.3 Only accounting officers / authorities or their delegates have the authority to commit the government / department to any transaction for the procurement of goods and services.
- 5.4.4 All transactions conducted by a practitioner shall be recorded and accounted for in an appropriate accounting system. Practitioners shall not

make any false or misleading entries into such system for any reason whatsoever.

5.5 Openness

- 5.5.1 Practitioners shall be as open as possible about all the decisions and actions that they take. They shall give reasons for their decisions and restrict information only if it is in the public interest to do so.

5.6 Confidentiality

- 5.6.1 Any information that is the property of the government or its suppliers should be protected at all times. No information regarding any bid/contract/bidder shall be revealed if such an action shall infringe on the relevant bidder's/contractors personal rights.
- 5.6.2 Matters of confidential nature in the possession of practitioners shall be kept confidential unless legislation or the performance of official duty requires otherwise.

5.7 Code of conduct for Bid Specification / Evaluation Committee

- 5.7.1 Committee members shall execute their responsibilities in a fair, impartial and transparent manner in terms of their delegated powers.
- 5.7.2 Members shall be familiar with and adhere to all relevant supply chain management legislation, policy, guides, practice notes and circulars.
- 5.7.3 Members shall uphold and maintain the highest level of professional competence and shall not compromise the integrity of practitioners or other role players.
- 5.7.4 All members as well as the secretary of the bid specification / evaluation committee shall be cleared at the level of, "Confidential" by the accounting officer and shall declare their financial interest.
- 5.7.5 Each member as well as the secretaries shall sign a declaration of interest for each bid adjudication meeting. Members must declare that they shall:
- 5.7.5.1 Accept the confidentiality of the meetings;
 - 5.7.5.2 Not make known anything regarding the decisions of the meetings, unless officially authorized to do so; and
 - 5.7.5.3 Not purposefully favour or prejudice anybody.

5.7.6 The bid evaluation committee shall ensure that:

5.7.6.1 All necessary bid documents including mandatory documents have been submitted, completed and duly signed;

5.7.6.2 When any bid is passed over or regarded as non-responsive, the reasons for passing over such bid shall be fair, reasonable and justifiable;

5.7.6.3 Bids are evaluated in accordance with the evaluation criteria stipulated in the bid documentation;

5.7.6.4 Scoring is fair, consistent and correctly calculated and applied; and

5.7.6.5 Bidders declarations of interest have been taken into consideration during the evaluation process.

5.7.7 Members shall apply their minds to matters at hand in order to take meaningful and accountable decisions.

5.7.8 Members shall declare all gifts and invitations accepted to social events received from providers or potential providers, irrespective of the value of such a gift. Such declarations shall be captured in the minutes of the relevant meeting and shall be reported to the chief financial officer.

5.7.9 A member shall declare conflict of interest if any, regarding any matter serving before the bid evaluation committee and shall recuse himself/herself during the discussion of that matter.

5.7.10 Members shall not communicate the recommendations of the committee with bidders prior to or after any meeting.

5.8 Code of conduct for Bid Adjudication Committee

5.8.1 Committee members shall execute their responsibilities in a fair, impartial and transparent manner in terms of their delegated powers.

5.8.2 Members shall be familiar with and adhere to all relevant supply chain management legislation, policy, guides, practice notes and circulars.

5.8.3 Members shall uphold and maintain the highest level of professional competence and shall not compromise the integrity of practitioners or other role players.

5.8.4 All members as well as the secretary of the bid adjudication committee shall be cleared at the level of, "Confidential" by the accounting officer and shall declare their financial interest.

- 5.8.5 Each member as well as the secretaries shall sign a declaration of interest at each bid adjudication meeting. Members must declare that they will:
- 5.8.5.1 Accept the confidentiality of the meetings;
 - 5.8.5.2 Not make known anything regarding the decisions of the meetings, unless officially authorized to do so; and
 - 5.8.5.3 Not purposefully favour or prejudice anybody.
- 5.8.6 The bid adjudication committee shall ensure that:
- 5.8.6.1 All necessary bid documents have been submitted;
 - 5.8.6.2 Disqualifications are justified and that valid and accountable reasons or motivations were furnished for passing over of bids;
 - 5.8.6.3 Scoring has been fair, consistent and correctly calculated and applied; and
 - 5.8.6.4 Bidders declarations of interest have been taken cognizance of.
- 5.8.7 Members shall apply their minds to matters at hand in order to take meaningful and accountable decisions.
- 5.8.8 If a bid other than the one recommended by the bid evaluation committee is approved by the bid adjudication committee, the accounting officer shall first be notified. No communication shall be made either by a member or a practitioner with the section or bidder / contractor before the accounting officer has ratified or rejected the decision of the bid adjudication committee. If the decision of the Bid adjudication committee to approve a bid other than the one recommended by the bid evaluation committee is ratified, the Auditor General, the Provincial and National Treasuries shall be notified of the reasons for deviating from such recommendation within seven working days.
- 5.8.9 Members shall declare all gifts and invitations accepted to social events received from providers or potential providers, irrespective of the value of such a gift. Such declarations shall be captured in the minutes of the relevant meeting and shall be reported to the chief financial officer.
- 5.8.10 A member shall declare conflict of interest if any, regarding any matter serving before the adjudication committee and shall recuse him/her during the discussion of that matter.

5.8.11 Members shall not communicate with bidders / contractors prior to or after any meeting, unless authorized to do so.

5.9 Procurement Delegations

5.9.1 Delegation of supply chain management powers and duties

5.9.1.1 The accounting officer hereby delegates powers and duties to the officials and various bid committees which are necessary to enable them –

5.9.1.1.2 to discharge the supply chain management responsibilities entrusted and delegated to the accounting officer in terms of–

5.9.1.1.3 section 44(1) and (2) of the PFMA

5.9.1.1.4 this Policy; and

5.9.1.1.5 to maximize administrative and operational efficiency in the implementation of this Policy;

5.9.1.1.6 to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair / irregular practices in the implementation of this Policy; and

5.9.1.1.7 to comply with the provisions of the PFMA to the extent applicable to that official or relevant bid committee, including any delegations and instructions in terms of section 44

5.9.1.2 The accounting officer shall not delegate any supply chain management powers or duties to a person who is not an official of the department appointed in terms of the Public Service Act, 1994 as amended, or to a committee which is not exclusively composed of officials of the department.

5.9.1.3 No supply chain management decision-making powers shall be delegated to an advisor or consultant.

5.9.1.4 The abovementioned paragraph shall not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 16A6 of the supply chain management regulations and in this policy document.

5.10 The power to make a final award: Price Quotations and Competitive Bids

5.10.1 HEAD OFFICE

5.10.1.1 These delegations shall be reviewed after approval of the HOD based on the recommendation/guidance from the National Treasury as and when applicable.

DELEGATION NO.	POWERS DELEGATED	FINANCIAL LIMIT PER CASE, INCLUDING VAT	DELEGATED TO (LOWEST RANK / BID COMMITTEE)
1.	Procurement of requirements via Petty Cash without inviting competitive bids or obtaining quotations	R 2,000	Responsibility Managers
2.1	Procurement of requirements by obtaining at least three (3) written price quotations by the supply chain practitioners from the departmental supplier database (where applicable) on rotation basis, provided that the order is placed against a written confirmation where the quotation was obtained verbally. HEAD OFFICE Above R 2 000 per case	R 500,000	Finance Committee
2.2	Procurement of requirements by obtaining at least three (3) written price quotations by the supply chain practitioners from the departmental supplier database (where applicable) on rotation basis, provided that the order is placed against a written confirmation where the quotation was obtained verbally. REGIONAL OFFICES		

	Above R 2 000 per case	R 250,000	Finance Committee
	Above R250 000 per case	R 500,000	Regional Finance Committee plus one member of the Finance Committee from Head Office
3.	Should it be impractical to invite at least three (3) competitive quotations for specific procurement above the value of R 2 000 but not exceeding the value of R 500, 000, e.g. in urgent or emergency cases or in case of sole supplier, written reasons should be recorded and approved by the Finance Committee.		
	Above R 2 000	R 500 000	Finance Committee
4.	Granting/approval of an extension in the stipulated time for performance, agreeing to a modification of the scope of the services, substituting key staff, waiving any conditions of contract or making any changes in the contract that would increase or decrease the amount of the contract.		
		R 10 Million	Bid Adjudication Committee
		Above R 10 Million	HOD on the recommendation of the BAC
5.1	Approval of Specifications, Terms of Reference, detailed task directives, evaluation criteria, preference point systems and type of contract and Special Conditions of Contract prior to publication of the invitation of bids HEAD OFFICE		

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	<p>Above R 30 000</p> <p>Above R 200 000</p> <p>Above R 300 000</p> <p>Above R 500 000</p>	<p>R200 000</p> <p>R300 000</p> <p>R500 000</p> <p>No limit</p>	<p>Responsibility Managers</p> <p>General Managers</p> <p>Senior Managers</p> <p>Bid Specification Committee</p>
5.2	<p>Approval of Specifications, Terms of Reference, detailed task directives, evaluation criteria, preference point systems and type of contract and Special Conditions of Contract prior to publication of the invitation of bids</p> <p>REGIONAL OFFICE</p> <p>Above R 30 000</p> <p>Above R 200 000</p>	<p>R200 000</p> <p>R500 000</p>	<p>Responsibility Managers</p> <p>District Heads</p>
6.	<p>Should it be impractical to invite competitive bids for specific procurement, e.g. in urgent or emergency cases or in case of a sole supplier above the estimated value of R 500,000 per case, written reasons for deviation from inviting competitive bids must be recorded and noted by the bid adjudication committee at its next meeting</p>	<p>Above R 500,000</p>	<p>HOD on recommendation of the bid adjudication committee</p>
7.	<p>Condonement of procurement without approval by the delegated authority, provided that other prescribed procures were followed. This includes also ex post facto applications</p>	<p>R 500 000</p>	<p>Bid Adjudication Committee</p>



		Above R 500 000	HOD on recommendation of the bid adjudication committee
8.	Approval of deviations from normal procurement processes	R 2 million	Bid Adjudication Committee
		Above R 2 million	HOD on recommendation of the bid adjudication committee
9.	Evaluation of all quotations and competitive bids above R 30 000 in accordance with the specifications/terms of reference, bid requirements and conditions, evaluation criteria and each bidder's ability to execute the project		
	Above R 30 000 per case	R 500 000	Supply Chain Practitioners (Acquisition Management)
	Above R500 000	No Limit	Bid evaluation committee
10.	Final award of contracts (including period/term contracts and multi-year contracts) with a value exceeding R 500,000.		
	Above R 500 000	R10 million	Bid adjudication committee
	Above R10 million	Above R10 million	HOD on the recommendation of the BAC
	Contract awarded on rates	No Limit	HOD on the recommendation of the BAC
	(Negotiation of uniform rates or tender prices should be done by		



	<p>the Negotiation Committee approved by the BAC)</p> <p>Appointment of consultants</p>	No Limit	HOD on the recommendation of the BAC
11.	Signing of all appointment / contract letters to contractors	None	Not delegated
12.	<p>Signing of contracts or Service Level Agreement of specific contracts for a specific programme (if a Service Level Agreement is necessary, it must be included as Special Conditions of Service before bids are invited).</p> <p>Signing of contracts or Service Level Agreement of transversal contracts (if a Service Level Agreement is necessary, it must be included as Special Conditions of Service before bids are invited).</p>	<p>None</p> <p>None</p>	<p>General Manager</p> <p>Chief Financial Officer</p>
13.	<p>Singing or authorization Official Orders</p> <p>HEAD OFFICE</p> <p>REGIONAL OFFICES</p>	<p>No Limits</p> <p>No Limits</p>	<p>Managers: Demand Managers: Acquisition Mangers: Logistics Managers: Supply Chain Performance</p> <p>Regional Finance Managers</p>

5.10.1.2 An official or bid adjudication committee to which the power to make final award has been delegated in accordance with this policy shall within five days of the end of each month submit to the senior manager: supply chain management a written report containing particulars of each final award made by such official or committee during that month, including–

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- 5.10.1.2.1 the amount of the award;
 - 5.10.1.2.2 the name of the business to whom the award was made;
 - 5.10.1.2.3 the reason why the award was made to that person;
 - 5.10.1.2.4 the percentage ownership by HDI, women, people with disability and youth
- 5.10.1.3 The senior manager: supply chain management shall within fifteen days of the end of each month submit a report on awards above R 100,000 to the accounting officer and provincial treasury.

5.11 Training of supply chain management officials and others

Officials involved in implementing the departmental supply chain management policy shall be trained in accordance with Treasury Guidelines on supply chain management training.

5.12 Demand management

The objective is to ensure that the resources required to fulfill the needs identified in the strategic plan of the department are delivered at the correct time, price and place and that, the quantity and quality shall satisfy those needs.

5.12.1 Needs assessment

- 5.12.1.1 In determining future needs, responsibility managers shall undertake a need assessment to determine the resources required and that shall be part of the strategic planning process.
- 5.12.1.2 Resources required to fulfill the departmental needs shall be clearly identified and analyzed and this, shall include analysis of goods and services required such as how much can be accomplished, how quickly and with what materials, equipment, etc.
- 5.12.1.3 An analysis of past expenditure shall be used to determine how the department managed to fulfill the same needs in the past.

5.12.1.4 The optimum method to satisfy the need shall be considered, including the possibility of procuring goods and services from other institutions (e.g. stationery, printing and related supplies from Government Printer, etc).

5.12.1.5 The frequency of the requirement shall be specified including the lead and delivery times.

5.13 Linking requirements to the budget

The responsibility manager shall ensure that the resources required to support the strategic and operational commitments of the department are properly budgeted for and procured at the correct time.

5.14 Preferential procurement strategy

5.14.1 Goals to be attained shall be identified for each need and shall be in accordance with the Preferential Procurement Regulations.

5.14.2 The supply chain practitioners shall ensure that the maximum premiums to be paid for enhancing BEE and promoting HDI's are not exceeded.

5.14.3 The maximum premium for the application of the 80/20 preference point system is 25% while the maximum for 90/10 is 11.11%

5.15 Determination of specifications

5.15.1 The responsibility managers should specify accepted standards such as those issued by South Africa Board Standards (division of SABS), the International Standards Organization (ISO) or South African National Accreditation System (SANAS).

5.15.2 Specifications shall be drafted in an unbiased manner to allow all potential suppliers to offer their goods and services to the department.

5.15.3 Specifications shall be based on performance requirements and that brand names, catalogue numbers, or similar classifications should be avoided.

5.15.4 The quality of goods / services required shall not be over-specified to the extent that it will be impossible for others to offer the required goods / services

5.15.5 The supply chain practitioners shall conduct commodity / industry analysis and research to ensure that innovations and technological benefits are maximized.

5.16 Acquisition management

To objective is to provide for an effective system of acquisition management in order to ensure that goods/services are procured by the department in accordance with authorised processes.

5.16.1 Sourcing strategy

5.16.1.1 All possible methods of obtaining the requirements shall be investigated, taking due cognisance of the nature of the commodity / service required the conditions of delivery, the prospective providers and the goals to be promoted.

5.16.1.2 The following examples of the sourcing strategies shall be used to satisfy the requirements of the department:

5.16.1.2.1 participating in transversal term contracts arranged by national treasury;

5.16.1.2.2 local versus international sourcing;

5.16.1.2.3 utilising a paper-based bidding system, which shall include obtaining quotations, inviting competitive bids, pre-qualification of bidders and two-stage bidding; and

5.16.1.2.4 Utilising approved departmental database.

5.16.2 Participation in transversal contracts arranged by National Treasury

5.16.2.1 The department opt to participate in transversal term contracts facilitated by the National Treasury;

5.16.2.2 Confirmation for participation shall be in writing and approved by the accounting officer; and

5.16.2.3 Shall the department opt to participate in a transversal contract facilitated by the National Treasury, the department shall not solicit bids for the same or similar products or service during the tenure of the transversal term contract

5.16.3 Range of procurement processes

5.16.3.1 The department shall procure goods and services by way of:

- 5.16.3.1.1 Petty cash purchases, up to a transaction value of R 2000 (VAT included);
- 5.16.3.1.2 Written price quotations for procurements above the transaction value of R 2000 but not exceeding R 30,000 (VAT included);
- 5.16.3.1.3 Formal written price quotations for procurements above the transaction value of R 30,000 but not exceeding R 500,000 (VAT included); and
- 5.16.3.1.4 A competitive bidding process for –
 - 5.16.3.1.4.1 Procurements above a transaction value of R 500,000 (VAT included); and
 - 5.16.3.1.4.2 The procurement of long term contracts.

5.17 Lists of accredited prospective providers / supplier database

5.17.1 The supply chain management unit shall –

- 5.17.1.1 keep a list of accredited prospective providers of goods and services that shall be used for the procurement requirements through written quotations and formal written price quotations;
- 5.17.1.2 at least once a year through newspapers commonly circulating locally, the website of the department, the tender bulletin and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;
- 5.17.1.3 specify the listing criteria for accredited prospective providers of goods and services; and

5.17.2 The list shall be updated at least annually to include any additional prospective providers and any new commodities or types of services. Prospective providers shall be allowed to submit applications for listing at any time.

5.17.3 The list shall be compiled per commodity and per type of service.



5.18 Petty cash purchases

The objective is to ensure that the petty cash fund of the department is managed and controlled efficiently, effectively, economically and transparently in accordance with the relevant prescripts.

Guiding Principles

5.18.1 An official of the department shall not spend or commit public money except with the approval of the accounting officer or a properly delegated or authorized officer;

5.18.2 The petty cash officer/s shall be appointed by the senior manager: management accounting;

5.18.3 Procurement of repetitive nature, assets and stock items are excluded from petty cash purchases;

5.18.4 The petty cash officer shall submit a monthly reconciliation report on purchases made by means of petty cash to the senior managers: management accounting and supply chain management.

5.19 Written / formal price quotations

The objective is to ensure that the system of price quotations for the department is managed and controlled efficiently and effectively

5.20 Written price quotations

5.20.1 Procurement in terms of price quotations is centralized at the supply chain management Office;

5.20.2 Quotations shall be obtained from at least three (3) different providers from the database of the department on rotation basis and evaluated by the supply chain management practitioners; and

5.20.3 The report shall be submitted to the responsibility manager for approval in terms of the delegated powers.

5.21 Formal written price quotations

5.21.1 Procurement in terms of price quotations is centralized at the supply chain management Office;

5.21.2 Quotations in excess of R 2 000.00 VAT inclusive shall be obtained from at least three (3) different providers from the database of the department

on rotation basis and evaluated in terms of the evaluation criteria stipulated, by the supply chain management practitioners ;

5.21.3 In case of construction works up to R 500 000.00, quotations shall be sourced using the CIDB website from relevant contractors within a specified area / location where the work shall be done;

5.21.4 For all quotations in excess of R 30 000 VAT inclusive, the 80/20 preference point system shall be used and the contract shall be awarded to the bidder who scored the highest points in terms of the preferential procurement regulation 3(1);

5.21.5 The report shall be submitted to the Finance Committee for consideration and approval in terms of the delegated powers; and

5.21.6 The accounting officer shall on the 15th of each month report to the provincial / national treasury on any approvals given during that month by the Department.

5.22 Competitive bids

5.22.1 Goods or services above a transaction value of R 500 000 (VAT included) and long term contracts shall only be procured through a competitive bidding process;

5.22.2 No requirement for goods or services above an estimated transaction value of R500 000 (VAT included), shall 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.

5.22.3 Process for competitive bidding

5.22.4 Stages for the competitive bidding process:

5.22.4.1 the compilation of bid specifications and bidding documentation;

5.22.4.2 The public invitation of bids;

5.22.4.3 Site meetings and briefing sessions, if applicable;

5.22.4.4 the handling of bids submitted in response to public invitation;

5.22.4.5 pre-qualification and short-listing of bids

5.22.4.6 the evaluation of bids;



5.22.4.7 the adjudication of bids; and

5.22.4.8 the administration and management of contracts.

5.23 Request for bids

5.23.1 Bid documentation

All bids shall be subject to the General Conditions of Contract (GCC). In the case of bids relating to construction, the requirements of the Construction Industry Development Board (CIDB) shall be taken into account.

The bid documentation shall include the following:

5.23.1.1 the compilation of specifications / scope of work / terms of reference;

5.23.1.2 special conditions of contract and penalty clauses, if applicable;

5.23.1.3 bid requirements, e.g. Original Tax Clearance Certificate and business registration certificate, etc;

5.23.1.4 preference points system to be used and goals to be achieved as contemplated in the Preferential Procurement Regulations; and

5.23.1.5 evaluation and adjudication criteria.

5.23.2 Advertisement of bids

Any invitation to prospective providers to submit bids shall be by means of a public advertisement in newspapers commonly circulating locally and nationally, and in the Government Tender Bulletin for a minimum period of 21 days before closure, except in urgent cases when bids shall be advertised for shorter period as approved by the accounting officer.

5.23.3 Communication with bidders

There shall be minimal contact with prospective bidders during the bidding process. Any communication to a particular bidder shall be in writing and approved by the accounting officer. Any briefing / clarification sessions for the bid shall be consistent, transparent and accessible by all prospective bidders and shall be provided for in the advertisement of bids.

5.23.4 Validity period of bids

Prospective bidders shall be required to submit bids valid for a period of 90 days and this shall be stipulated in the bid documentation. Any extension of bid validity shall be requested in writing from all bidders before the expiry date and the

extension shall be for the minimum period required to finalize the award; and the extension shall be approved by the bid adjudication committee.

5.23.5 Receiving of bids

The supply chain management shall ensure that the number of bids reconcile with the tender receipt certificate when receiving the bid documentation from the central supply chain management. In case of large volume of bid documentation, the supply chain management unit shall make appropriate arrangements to keep them safe.

5.23.6 Late bids

Bids are late if they are received at the address given in the bid documentation after the closing date and time. The department shall not accept late bids.

5.23.7 Submission of securities, professional indemnity insurances, etc.

Prospective bidders shall be expected to submit to the Department the relevant required documents within the stipulated period in the tender document in terms of the conditions of contract.

5.23.8 Performance Guarantees

For all projects / contracts for monetary values up to R 5 million, the requirement of performance guarantee shall be waived.

The requirement for an up-front payment of a performance guarantee shall remain applicable for all projects / contracts whose monetary values exceed R 5 million (R5m) and shall be categorized as follows:

No.	Contract Value	% of Guarantee
1.	Over R 5 m and up to R 6 m	6%
2.	Over R 6 m and up to R 7 m	7%
3.	Over R 7 m and up to R 8 m	8%
4.	Over R 8 m and up to R 9 m	9%
5.	Over R 9 m and above	10%

5.23.9 Retention

The deduction of retention monies from progress payments shall remain in place as a security against any defaulters or in lieu of poor workmanship.

5.23.9.1 Building Contracts in General

5.23.9.1.1 10% retention shall be deducted on any progress payment certificate, until the total retention value equal 5% of the total contract / project value.

5.23.9.1.2 The money shall be released at the expiry date of the retention period, which is normally a three months period.

5.23.9.2 Engineering Contracts

5.23.9.2.1 10% retention shall be deducted on any progress payment certificate, until the total retention value equals 10% of the total contract / project value.

5.23.9.2.2 5% of the retention money shall be released immediately after practical completion of the project, with the remaining 5% being released as soon as practically possible, depending on the nature of the project, e.g. the construction of a bridge.

5.24 Negotiations with preferred bidders

5.24.1 The accounting officer shall negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –

5.24.1.1 does not allow any preferred bidder a second or unfair opportunity

5.24.1.2 is not to the detriment of any other bidder.

5.24.2 Minutes of such negotiations shall be kept for record purposes and if possible be circulated to all prospective preferred bidders.

5.25 Two-stage bidding process

5.25.1 A two-stage bidding process is allowed for –

5.25.1.1 large complex projects;

5.25.1.2 projects where it shall be undesirable to prepare complete detailed technical specifications; or

5.25.1.3 long term projects with a duration period exceeding three years.

5.25.2 The following process shall be followed:

5.25.2.1 request technical proposals (unpriced) on conceptual design or performance specifications; and

5.25.2.2 amend bid documentation, invite bids and submission of final technical and financial proposals

5.26 Procurement of goods and services by means other than through the invitation of competitive bids

5.26.1 Treasury Regulation 16A6.4 makes provision for the accounting officer to dispense with the competitive bidding processes and to procure the required goods or services by other means but only –

5.26.1.1 in case of emergency where immediate action is necessary;

5.26.1.2 if the required goods or services are produced or available from the sole service providers only; and

5.26.1.3 in any other exceptional case where it is impracticable or impossible to follow the normal competitive bidding process;

5.26.2 This provision is not applicable to planned activities in terms of the operational plan and as a result lack of proper planning shall not constitute a reason for dispensing with the prescribed bidding processes.

5.26.3 Applications for deviating from inviting competitive bids including the reasons shall be approved by the accounting officer on the recommendation of the bid adjudication committee.

5.26.4 The reasons for any deviation above the value of R 1 million (VAT included) for goods or services procured in terms of Treasury Regulation 16A6.4, shall be recorded, approved by the accounting officer and reported to the Auditor-General and Provincial Treasury within ten (10) working days. The report shall include the following:

5.26.4.1 The description of the goods or services procured;

5.26.4.2 The name of the supplier

5.26.4.3 The amount involved; and



5.26.4.4 The reasons for dispensing with the prescribed competitive bidding processes

5.26.5 The Provincial Treasury and the Auditor-General shall consider the report submitted and take appropriate actions if and when necessary.

5.27 Procurement of facilities or venues for conferences, workshops, seminars and exhibitions hosted by the Department of Public Works, Roads and Transport

5.27.1 Where the Department of Public Works, Roads and Transport or business units are required to host any of the above, such activities, do not, in principle, differ from the procurement of goods and other services.

5.27.2 The exception is that quotations instead of bids shall be obtained from all prospective suppliers or service providers (for venues or facilities) according to the department's requirements/ specifications e.g. capacity, geographical area, etc.

5.27.3 Prior approval shall be obtained before proceeding.

5.28 Seminars, courses, conferences to be attended by officials (on an individual capacity as officials)

5.28.1 Seminars, courses, conferences, etc that are attended by officials on an individual capacity as officials of the Department should be referred to the Chief Financial Officer.

5.29 Procurement of construction works

5.29.1 The procurement of services in the construction industry shall be done in terms of the Construction Industry Development Board Act, Act No. 38 of 2000, its Regulations and the CIDB Code of Conduct for all parties engaged in Construction Procurement.

5.29.2 Registering and Advertising of Tenders

5.29.3 Projects shall be registered electronically through "i-Tender – Register of Projects which allows for:

5.29.3.1 on-line advertising of tenders; and

5.29.3.2 Reporting on the award of contracts and cancellation of contracts

5.29.3.3 All invitation of tenders on the CIDB website shall be in accordance with the Standard on Uniformity in Construction Procurement, published by Board Notice No. 9 of 2008 in Gazette No. 30692.

5.29.3.4 Advertisement of tenders on the CIDB website shall be placed on the CIDB's i-Tender@ cidb services at least ten (10) working days before the closing date of tenders and at least five (05) working days before any compulsory site meeting.

5.29.3.5 Tenders shall also be advertised in the Government Tender Bulletin and either on the national / local newspapers where necessary.

5.29.4 Solicitation of tenders

5.29.4.1 Tender offers shall be solicited using one of the following standard procurement and tender evaluation methods:

5.29.4.1.1 method 1: financial offer;

5.29.4.1.2 method 2: financial offer and preferences;

5.29.4.1.3 method 3: financial offer and quality; and

5.29.4.1.4 method 4: financial offer, quality / functionality and preferences.

5.29.5 Construction procurement documents

5.29.5.1 Tender documents for engineering, construction works and services shall be formatted and compiled under the headings contained in Table 5 where a three volume approach is adopted or Table 6 where a single volume approach is adopted of the CIDB attached as Annexure A.

5.29.5.2 Tender documents including the scope of work and evaluation criteria will be compiled by the contracted professional service provider per project and approved by the appointed ad hoc Bid Specification Committee or the HOD depending on the delegations before advertisement.

5.29.6 Evaluation of competitive tenders

- 5.29.6.1 All tender offers received shall be evaluated based on the tender evaluation method and criteria indicated in the tender documents, unless the provincial or national treasury directs otherwise.
- 5.29.6.2 Tender offers shall be evaluated by the contracted professional service provider/consultant and thereafter, by the duly appointed ad hoc Bid Evaluation Committee.
- 5.29.6.3 The Chairperson of the Bid Evaluation Committee shall present the recommendations of the Committee based on the bid evaluation report to the Bid Adjudication Committee.
- 5.29.7 Final award

The Bid Adjudication Committee shall in terms of its delegations, make final award on recommendations submitted or recommend to the HOD to make final award.

5.30 Appointment of consultants

- 5.30.1 The accounting officer shall procure consulting services provided that any Treasury Guidelines in respect of consulting services are taken into account when such procurements are made. Consultancy services shall be procured through competitive bids whenever possible.
- 5.30.2 Appointment of transaction advisors to assist with the preparation, concluding and implementation of public private partnerships shall be done in accordance with Treasury Regulation 16.
- 5.30.3 Consultancy services within the construction industry shall be procured from the approved database of professional services which shall be reviewed and updated on an annual basis:
- 5.30.3.1 Consulting firms of Engineers, Land Surveyors, Quantity Surveyors, Social Facilitators (OHS) and Environmentalists shall be invited through the newspaper adverts to submit particulars regarding their companies for the inclusion into the panel of Consultants for the department.
- 5.30.3.2 Then the prospective consulting firms shall be graded in terms of their capacity, resources and experience as follows:



CATEGORY/ GRADING	POINTS	MAXIMUM FEES (In millions)
LARGE	60-69	R2.1m and above
MEDUIM	46 -59	R0.5m up to R2.0 m
SMALL	35-45	R0 up to R0.499m

5.31 Committee system for competitive bids

The objective is to provide for the appointment of various bid committee members by the accounting officer and a bidding process through a committee system.

5.32 Bid specification committee

5.32.1 A Bid Specification Committee shall be appointed by the HOD

5.32.2 The committee shall be composed of a minimum of four officials of the department, plus a supply chain practitioner as an advisor and shall when appropriate, include external specialist advisors;

5.32.3 A bid specification committee is responsible for compiling bid specifications for procurement of goods or services by the department;

5.32.4 The committee shall ensure that specifications are drafted in an unbiased manner to allow all potential bidders to offer their goods and services;

5.32.5 No person, advisor or service provider involved with the bid specification committee, shall bid for any resulting contracts.

5.32.6 Bid Specification Committee meetings shall be held as and when applicable.

5.33 Bid evaluation committee

5.33.1 All bids received shall be evaluated by a duly appointed Bid Evaluation Committee per bid.

5.33.2 The Bid Evaluation Committee shall consist of a minimum of four members appointed by the Head of Department on an ad hoc basis depending on the expertise required and the nature of the contract within the Department or from other Government Department or Institutions.

5.33.3 The Committee shall be composed of officials from the programme requiring the goods / services as experts, officials from other programmes



/ departments / institutions and one supply chain practitioner as advisor and secretariat.

5.33.4 A bid evaluation committee is responsible for evaluating bids received in accordance with the evaluation criteria and includes verification of the following:

- 5.33.4.1 if the bid complies in all respect with the specification and conditions of the bid;
- 5.33.4.2 if the bidder completed and signed all the prescribed bid forms to enable the department to evaluate the submitted bid;
- 5.33.4.3 if the bid complies with the quality requirements and conditions;
- 5.33.4.4 if the bidder has submitted an original valid tax clearance certificate and other mandatory documents / certificates as stipulated in the bid documentation;
- 5.33.4.5 If the bidder has the necessary capacity and ability to execute the contract.

5.33.5 The committee shall not evaluate bids using cost estimates as a benchmark to regard bids as unacceptable or non-responsive but should evaluate bids in accordance with the evaluation criteria stipulated in the bid documentation;

5.33.6 Deviation by more than a pre-determined percentage from the cost estimates of the project / commodity shall be regarded as a justifiable reason for the rejection of a bid and has, therefore, not been approved by the National Treasury as an evaluation norm or criteria.

5.33.6 The committee shall submit to the bid adjudication committee a report and recommendations regarding the award of the bid and the Chairperson shall present the recommendations to the Bid Adjudication Committee.

5.33.7 Bid Evaluation Committee meetings shall be held on as and when applicable.

5.34 Bid adjudication committee

5.34.1 Submissions and bid evaluation reports shall be adjudicated by a duly appointed Bid Adjudication Committee.

5.33.2 The committee shall be composed of at least six senior officials from different programmes within the department including the following:.



- 5.33.2.1 Senior Manager: Supply Chain Management as an advisor of supply chain management issues; and
- 5.33.2.2 Senior Manager: Legal Services as an advisor of legal issues.

5.34.3 The chairperson of the committee shall be appointed by the accounting officer.

5.34.4 Bid Adjudication Committee meetings shall be held every Tuesdays unless stated otherwise.

5.34.5 The bid adjudication committee shall adjudicate each bid in accordance to the adjudication criteria stipulated in the bid documentation.

5.34.6 A bid adjudication committee shall consider the report and recommendations of the bid evaluation committee; and either –

5.34.7 Depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award;

5.34.8 Bidders shall not be afforded a second opportunity to change or amend any condition, price or submit further information during the adjudication process unless all other bidders are afforded the same opportunity regarding a particular aspect of the bid where all of them omitted to do the same.

5.34.9 A member of bid committee or official/person assisting the bid evaluation committee, or an advisor shall not be a member of a bid adjudication committee.

5.34.10 A member of the bid evaluation committee, nor an advisor or person assisting the evaluation committee, shall be a member of the bid adjudication committee.

5.35 Notifying successful bidders

The supply chain management unit shall be responsible for notifying the successful bidders, in writing regarding the final awards of bids.

5.36 Reporting on supply chain management information

The supply chain management unit shall continue to report on their progress in the implementation of supply chain management and on awards made by both the finance committee and the bid adjudication committee above the value of R100, 000 (VAT included) as prescribed by national treasury.

5.37 Logistics Management

The objective is to provide for an effective system of logistics management for the setting of inventory levels, placing of orders, and receiving and distribution of goods.

5.37.1 The system of logistics management, shall include –

- 5.37.1.1 the coding of items to ensure that each item has a unique number for the purpose of monitoring spending patterns on types or classes of goods and services;
- 5.37.1.2 the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
- 5.37.1.3 the placing of electronic orders through logis system for all acquisitions other than those from petty cash;
- 5.37.1.4 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 contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
- 5.34.1.5 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;
- 5.37.1.6 monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

5.38 Inventory Management

5.38.1 Requisitioning

- 5.38.1.1 When the need arises for stores or services, the applicant shall submit a request to Supply Chain Management by means of an internal requisition.
- 5.38.1.2 An official authorizing the request shall satisfy him/her that a real need exists and that sufficient funds are available for the stores or services concerned before any request is authorized.

5.39 Purchases

5.39.1 Purchases shall be within the threshold values as determined in this policy.

5.39.2 Officials authorizing the placing of orders and payment of accounts shall satisfy themselves that a need of the stores exists, that the expenditure is justified and that funds are available.

5.40 Stock levels

5.40.1 The department shall review and maintain a minimum stock level at all times depending on the need and usage of the store item.

5.40.2 The department shall not procure items in excess of the maximum stock level.

5.41 Replenishment of store items

5.41.1 A systematic procurement advice shall be generated and printed as soon as the system reaches minimum stock level.

5.41.2 Stores replenishment shall take into account both the LOGIS analytical technique (to purchase stores directly according to requirements and when it is practical and economical to do so), demand management and the procurement system to avoid the possibility of a build-up of items which are surplus to requirements, resulting ultimately in obsolescence and stock becoming exhausted.

5.42 Receipts

5.42.1 Deliveries shall be carefully examined before any delivery note is signed. Any evidence of damage or short delivery shall be investigated immediately and particulars shall be endorsed on the delivery note.

5.42.2 Stores shall be brought to charge in the LOGIS system and update bin cards within 24 hours on receipts.

5.42.3 Steps shall be taken immediately to submit claims in respect of a defect in quality and quantity.

5.42.4 The person acknowledging receipt of goods shall not be the person who signed the order form.

5.43 Record keeping



5.43.1 A file, in which all receipts vouchers in respect of goods delivered are filed, shall be opened by the warehouseman and kept at the relevant warehouse.

5.43.2 A similar file, in which all issue vouchers are kept for the financial year, shall be opened and be kept at the relevant warehouse.

5.43.3 No open lines shall be left between entries on an issue or receipt

5.43.4 All files shall be closed at the end of each financial year and shall be kept in a safe place for future reference and audit purpose.

5.44 Storage, custody and care

5.44.1 The Warehouseman is responsible for the safety of the stores in his/her charge and shall take the necessary precautions to guard against theft, fire, damage, decay deterioration and overstocking (surplus to requirement).

5.44.2 All stores shall be kept free of dust at all times and regular checking of all stores shall be done.

5.44.3 The person who has been designated in writing and who is responsible for the custody and care of stores shall ensure that in his/her absence, building and premises which contain such items are, according to the circumstances, effectively locked or securely stored.

5.44.4 Stores shall be suitably stored and arranged in a manner which shall facilitate handling and checking.

5.44.5 There shall be cross references between the shelf and the section where the stores are kept and the bin numbering on the system.

5.44.6 No unauthorized person shall obtain entry to premises, building, unless accompanied by the responsible official.

5.44.7 Stores are issued against an approved stores requisition only and never on loan.

5.45 Stocktaking

5.45.1 Store items shall be subjected to stock take at least once a quarter by the Logistics Management unit, both at Head Office and regions (Stock take teams).



5.45.2 A stocktaking programme shall be compiled before the beginning of the financial year and approved by the Accounting Officer upon recommendation of the Chief Financial Officer.

5.45.3 The official in charge of the stores shall assist the Stock Counting Team, but shall not serve on such, because he/she is responsible for any explanation regarding discrepancies which shall be encountered.

5.45.4 Counting teams shall be made up of persons counting and another recording.

5.45.5 Counting teams shall be independent of the stores personnel.

5.46 Issues

5.46.1 Issues from a warehouse shall be made only on production of an authorized requisition before any stores are issued. It is imperative that the correct requisition is properly completed and approved and submitted to the Warehouse Controller.

5.46.2 All issues shall take place by means of an issue voucher and the recipient shall acknowledge receipt.

5.46.3 All issues shall be accounted for on ledgers or tally cards.

5.47 Handing-over responsibility

5.47.1 When transfer of responsibility in respect of stores, such transfer of responsibility shall be affected by means of a "Handing –over- certificate".

5.47.2 Should a handing over of responsibility not be possible due to a sudden transfer, death, illness, resignation or for any other reason, the Head of department shall appoint an impartial officer to assist the officer taking over to do a complete stock take in accordance with LOGIS count and control reports and records.

5.47.3 In case of failure to comply with the requirements of a handing - over certificate, the person taking over shall be liable for any shortages, unless it can be established that the shortages existed prior to his/her taking over.

5.48 Disposal of redundant and obsolete stores

Stores, which are redundant, and obsolete, shall be disposed with the approval of the HOD.

5.49 Inventory management reports

Inventory management reports are generated by the system for the preparation of Annual and Interim Financial Statements for the periods indicated below;

5.49.1 30 June

5.49.2 30 September

5.49.3 31 December

5.49.4 31 March

5.50 Risk management

The objective is to provide for an effective system of risk management for the identification, consideration and avoidance of potential risk factors in the supply chain management system.

5.50.1 In managing the risk, the supply chain management shall identify, consider and avoid potential risks or assumptions in the supply chain management system and includes:

- 5.50.1.1 Identification of procurement risk on a case-by-case basis;
- 5.50.1.2 Allocation of risks to the party best suited to manage such risks;
- 5.50.1.3 Accepting the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
- 5.50.1.4 Assigning the risk to the supplier through clear and unambiguous contract documentation; and
- 5.50.1.5 Management of risks in a pro-active manner and providing adequate cover for residual risks.

5.51 Regular assessment of supply chain performance

The objective is to provide for an effective internal monitoring system in order to determine, whether the supply chain management prescripts, procedures and processes were followed and adhered to, and whether the objectives of the department were achieved.



5.51.1 The supply chain management compliance unit shall monitor, assess process, and undertake a retrospective analysis to determine whether the proper processes were followed and whether the desired outcomes of supply chain management are achieved.

5.51.2 The compliance unit shall review the following:

5.51.2.1 implementation and the compliance to the departmental supply chain management policy;

5.51.2.2 achievement of targets, goals and adherence to timeframes;

5.51.2.3 contract management and breach of contract by either the department or the contractors;

5.51.2.4 warehouse / stores efficiency;

5.51.2.5 compliance to norms and standards;

5.51.2.6 performance and quality control; and

5.51.2.7 the principles of co-operative governance

5.51.3 That at the completion of each project, an overall performance assessment of the supplier shall be undertaken in order to establish whether the contractual obligations have been met.

5.51.4 Performance measures shall cover all aspects of a service arrangement including:

5.51.4.1 cost and value obtained;

5.51.4.2 overall performance and client / customer satisfaction;

5.51.4.3 performance capability and value adding services; and

5.51.4.4 benefits realized

5.52 Contract administration and management

The objective is to provide a system for the effective and efficient management and administration of contracts in the department.

5.53 Central processes

5.53.1 The person nominated to be Project Manager shall forward a performance report to the relevant General Manager at each milestone, deliverable or other significant review point of the project and on completion of the project.

5.53.2 The provision of a satisfactory performance report is a prerequisite for approval to pay to the contractor either progress payments or a final payment.

5.53.3 The Project Manager shall consult with the Bid adjudication committee where any difficulties are being experienced with the contractor or where remedial action is required in relation to poor performance. These processes form part of the Bid adjudication committee's responsibilities to ensure that the Supply Chain Management's obligations in respect of due processes are met and that the Department of Public Works, Roads and Transport risk exposure is managed effectively.

5.54 Contract variations

5.54.1 All internal proposals for contract variations shall be referred to the Bid adjudication committee well before the due date for a contract deliverable or the expiration of the contract as a whole. It is not appropriate for contract variations to be left so late that the Department of Public Works, Roads and Transport's negotiating position is compromised. Therefore, wherever possible, the Supply Chain Management shall be given a minimum period of two weeks' notice of internal proposals for contract variations.

5.54.2 Contract variations emanating from the contractor also need to be of sufficient notice. Proposals by contractors for extension of their services, which are submitted to the Bid adjudication committee less than two weeks from the expiry of the original contract, are unlikely to be entertained.

5.54.3 NOTE: Contract variations, especially those that involve an increase in cost or an extension of the time of the original contract, shall be extremely sensitive. Project managers shall therefore be careful to give no indication

to the contractor of the likely outcome of any such proposals. Failure to observe this requirement shall give rise to a contract in itself and a claim for damages by the contractor.

5.54.4 All proposed contract variations shall be referred to the Bid adjudication committee. The Bid adjudication committee shall recommend to the Head of Department whether the contract variations shall be agreed to or not.

5.54.5 Variation orders shall not exceed 20% of the original contract amount; in case the 20 % is exceeded Head of Department's approval is required after Bid Adjudication Committee's recommendation.

5.55 Performance evaluation

5.55.1 Performance targets are identified as part of the initial planning for a contract, and set out in the business case and request for Bid documentation. Targets are generally associated with cost, timeliness and the quality of products and services to be purchased as the outputs of the contract.

5.55.2 Officials are expected to monitor and evaluate the contractor's performance. This is essential in determining whether the requirements are being met and to avoid any future conflicts over unsatisfactory performance.

5.55.3 Contractors shall be required to report to the project manager on progress in accordance with the agreed timeframes and review schedules. The project manager shall inform the contractor in writing where there is evidence that the contractor's performance is inadequate or behind schedule. If there is continuing concern that obligations are not being met, advice shall be sought immediately from the Bid adjudication committee.

5.55.4 Disputes shall be resolved promptly and not be allowed to escalate into costly legal battles.

5.55.5 Copies of all performance and contract outcomes reports shall be forwarded to Supply Chain Management. Supply Chain Management shall ensure that these reports are available for reference purposes to staff inquiring about a contractor's performance and outcome.

5.56 Payment of accounts

5.56.1 The Financial Management section shall endeavour to pay accounts timeously and avoid penalties for late payments in the form of interest. In normal circumstances payment for supplies and services is made in accordance with contract conditions only after they have been delivered

and installed in good working order. A person who has requested the service shall sign for the delivery of goods and services and shall certify on the invoice or delivery note that the services have been rendered or goods delivered satisfactorily.

5.56.2 Under no **circumstances** shall the procurement officials certify invoices unless they have requested such services. Although accounts shall normally be settled within 30 days, this shall not be used as an excuse to delay payment.

5.56.3 Progress payments shall be made only in accordance with contract conditions. Advance payments shall be avoided and considered only in extreme circumstances with the relevant guarantees made available by the supplier. Request for advance payment shall be recommended by the Chief Financial Officer and approved by the Head of Department.

5.57 Price adjustments

5.57.1 Price adjustments are considered in terms of the contract conditions, which state the circumstances in which contractors shall claim a price increase.

5.57.2 In case of exchange rate fluctuations, contractors are compensated for actual expenses proven as additional expenses, provided that the relevant exchange rate used for the calculation of the Bid price, as well as the amount, which shall be remitted abroad, are indicated in the Bid. Where applicable, any advantage due to favorable exchange rates shall be passed on to the Department of Public Works, Roads and Transport.

5.57.3 Documented proof shall be submitted together with the request for price adjustment.

5.58 Transfer of contracts/payment

5.58.1 The Department of Public Works, Roads and Transport shall not consider applications for the transfer of either contracts or contract payments.

5.58.2 Contract payments shall only be made to the approved supplier / contractor.

5.59 Unsatisfactory Performance

5.59.1 Unsatisfactory performance occurs when performance is not in accordance with the contract conditions. Before action is taken, the contractor shall be warned in writing (with a registered letter) that action shall be taken against him/her unless he/she complies with the contract conditions and delivers satisfactorily within a specified reasonable period.

If the contractor still does not perform satisfactorily despite the warning, a recommendation shall be made to the Bid adjudication committee to cancel the contract.

5.59.2 If during the guarantee period, a supply does not comply with the requirements due to faulty material and otherwise, the contractor shall be requested to repair and replace the faulty material at his cost without delay, and that it shall be guaranteed for the same period as the original supplies.

5.59.3 Record shall be kept by Business Unit of details of all cases of non-performance by contractors. If rejected supplies are in the possession of the Department of Public Works, Roads and Transport, the contractor shall be requested to collect the supplies at his/her own expense, failing which the goods shall be sent back and the cost shall be for the contractor's account.

5.60 Cancellation of contract (breach of contracts in terms of the service level agreement)

5.60.1 If acceptable reason exists, the Head of Department shall give approval for cancellation of a contract, after recommendations by Bid adjudication committee. The cancellation of contracts shall be considered for a variety of reasons, such as:

5.60.1.1 Wrong preferences claimed

5.60.1.2 Non-compliance with contract conditions

5.60.1.3 Delayed deliveries

5.60.1.4 Bribery

5.60.1.5 Death

5.60.1.6 Sequestration/liquidation of the contractor

5.60.2 Serious thought shall be given when cancellation is considered. Clarity shall be reached beforehand on the question of whether the contractor shall have a claim against the Department of Public Works, Roads and Transport, and if so, whether cancellation can be justified. The following shall also be addressed beforehand:

5.60.2.1 What further arrangements shall be made for completing the contract?

5.60.2.2 Whether additional costs shall be recovered from the contractor?

5.60.3 There shall be other avenues of action, which shall result in lower additional costs. Consequently thought shall be given to the possibility of considering the next acceptable Bid received in response to the particular Bid invitation. Alternatively, a new Bid shall be invited. However, account shall be taken of the effect of cancellation on the department's part.

5.61 Ex post facto approvals

5.61.1 The bid adjudication committee shall grant ex post facto approval for any action of a program/section whereby any power conferred upon the bid adjudication committee by the Head of Department has been exercised, if the bid adjudication committee is satisfied that:

5.61.1.1 As a result of circumstances which shall not be foreseen immediate action was needed in order to relieve, prevent, and to stem a dangerous, perilous condition, misery, defect and damage which shall have been brought about as a result of this condition

5.61.1.2 Where such action of the program/section was of such urgency in order to obtain, gain, to promote a financial and material advantage for the Department, that time did not allow for the use of the services of the bid adjudication committee, or prior approval from the bid adjudication committee and the compliance with the directives and procedures of the bid adjudication committee and where a lack of action shall have harmed the esteem or image of the Department.

5.61.2 The bid adjudication committee shall grant sections / programs ex post facto approvals provided the committee is satisfied that:

5.61.2.1 the action did not originate as a result of negligence;

5.61.2.2 the action was taken with care and coincided with what is expected from a reasonable person; and

5.61.2.3 arising from the action, no fruitless expenditure was incurred.

5.61.3 This provision shall not be used to circumvent compliance with the departmental supply chain management policy, procedures and processes when procuring goods and services.

5.61.4 Lack of proper planning does not constitute a reason for exemption or non-compliance with the departmental supply chain management policy, procedures and processes.

5.61.5 Applications for ex post facto approvals shall be submitted to the bid adjudication committee within fourteen working days after the occurrence of the event.

5.62 Condoning of actions by officials

5.62.1 Condoning of actions by officials in the context of the Bid Adjudication Committee's activities means the same as *ex post facto approval* and shall not be used as an alternative. Where an action has not irrevocably committed the Department to a contract, the Bid Adjudication Committee shall on the basis of the merits of the case, condone or ratify such action.

5.62.2 However, the possibility exists that in the case of a law suit, regarding a contract arising from an unauthorized action it shall be pleaded that the contract is not legal.

5.62.3 The Bid adjudication Committee holds the stand point that this cannot be a reason why it shall grant *ex post facto* approval and that this shall not prejudice the obligation of the Department to pay the contractor for the delivered goods or services in accordance with the agreed price.

5.62.4 In order to facilitate meaningful evaluation of cases, to promote uniform action and to act consistently, the Bid Adjudication Committee has formulated the following guidelines with regard to interpretation, transparency of information and evaluation criteria:

5.62.4.1 There is only one circumstance, namely emergency for which condoning of actions can be pleaded and which shall primarily be considered in cases where the Department is or was contractually committed.

5.62.4.2 Negligence and damage are qualifying to the circumstances mentioned above.

5.62.4.3 When unauthorized action that has resulted in the conclusion of a contract is submitted for consideration, the following shall be indicated:

5.63 In respect of cases where emergency is pleaded:

5.63.1 An outline of the circumstances which could not be foreseen;

5.63.1.1 An outline of the specific dangerous, perilous condition and misery and defect that occurred as a result thereof and the damage they could have brought about;

5.63.1.2 What was aimed at with the action in order to relieve, stem and prevent the condition; and

5.63.1.3 Proof to the effect that seen in retrospect, what the result of the action was with regard to the appointed goal.

5.63.2 When a power, directive and delegation has been exceeded and incorrectly exercised but no contractual commitment has resulted, circumstances shall be furnished to the Bid Adjudication Committee for consideration of the results there from, all contributory causes or factors and circumstances shall be furnished to the Bid Adjudication Committee for consideration the result of the action and the consequences and possible consequences and a decision to condone/ratify the introduction of corrective measures and the creation or preventative measures.

5.63.3 In order to expedite the process of consideration of applications for ex post facto approval in cases of emergency or in the best interest of the Department an application form (obtainable from the Supply Chain Management Section) shall be submitted to the Bid Adjudication Committee.

5.63.4 ***“ex post facto applications shall be approved by the HOD based on the recommendation of the bid adjudication committee, if the head of department is satisfied that the action taken by the directorate / section was due to unforeseen circumstances or in case of emergency where immediate action was necessary.”***

5.64 Combating and avoiding abuse of supply chain management system

5.64.1 The accounting officer shall–

5.64.1.1 take all reasonable steps to prevent abuse of the supply chain management system;

5.64.1.2 investigate any allegations against an official or other role player of corruption, improper conduct, favouritism, unfair or irregular practices or failure to comply with the provisions of this policy, and when justified –

5.64.1.2.1 take appropriate steps against such official or other role player and inform the provincial treasury of such steps; and

5.64.1.2.2 report any conduct that shall constitute an offence to the South African Police Service;



- 5.64.1.3 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;
- 5.64.1.4 reject any bid from a bidder who fails to provide written proof from the South African Revenue Service that, that bidder has no outstanding tax obligations or has made arrangements to meet outstanding tax obligations;
- 5.64.1.5 reject a proposal for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt and fraudulent act in competing for the particular contract;
- 5.64.1.6 cancel a contract awarded to a supplier of goods and services –
 - 5.64.1.6.1 if the supplier committed any corrupt and fraudulent act during the bidding process and the execution of the contract; or
 - 5.64.1.6.2 if any 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
- 5.64.1.7 reject the bid of any bidder if that bidder or any of its directors –
 - 5.64.1.7.1 have abused the supply chain management system of the department or has committed any improper conduct in relation to such system;
 - 5.64.1.7.2 have failed to perform on any previous contract; and or
 - 5.64.1.7.3 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).

5.64.2 The accounting officer shall inform the provincial treasury in writing of any actions taken in terms of the abovementioned paragraph.

5.65 Restriction of suppliers

- 5.65.1 Where the Department of Public Works, Roads and Transport is of the opinion that a contractor has acted improperly, the contractor shall be restricted from doing business with the Department of Public Works, Roads and Transport for a particular period.

5.65.2 Should the department opt to restrict the contractor, the supply chain management unit shall:

5.65.2.1 Inform the contractor and persons involved by registered mail about the intention of the department and provide reasons for such decision and the envisaged period of restriction;

5.65.2.2 Allow the contractor fourteen (14) calendar days to provide reasons why the envisaged restriction shall not be imposed;

5.65.2.3 Consider any reasons submitted by the contractor and submit to the bid evaluation committee for consideration and recommendation to the head of department for approval;

5.65.3 If the Head of Department decides to impose the restriction, the supply chain management unit shall inform both the provincial and national treasuries within five working days of the name of the restricted supplier / contractor, the reasons for restriction and the period of restriction including the date of commencement.

5.65.4 The department shall ensure that the prescribed procedures have been followed as the court may find that an administrative action, such as the imposition of a restriction is not valid in cases where the person has not been given a reasonable time to state/his/her side of the case, or has not been fully informed of the results of his failure to react.

5.66 Gifts, donations and sponsorships

5.66.1 Departmental officials shall declare all donations, gifts and sponsorships received either in cash or kind, to the chief financial officer.

5.66.2 Approval of gifts, donations and sponsorships by the state shall be referred to the Chief Financial Officer for approval. Where these exceed R 100,000 they shall be referred to the Head of Department for approval.

5.66.3 Acceptance of any gifts, donations or sponsorship to the state whether such gifts, donations or sponsorships are in cash or in kind shall be authorized by the Chief Financial Officer.

5.67 Objections, queries and complaints

5.67.1 Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, shall lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

5.68 Irregular expenditure, unauthorized expenditure and fruitless and wasteful expenditure

5.68.1 Irregular expenditure

Where no procurement procedures have been followed, including the obtaining of approval from the relevant authorities (Bid adjudication committee, etc) and where goods or services have been obtained without following normal procurement/ Bid procedures and/or no order has been issued before receipt of goods or services, this action and expenditure shall be regarded as irregular expenditure.

5.68.2 Unauthorized expenditure

Unauthorized expenditure shall be authorized by the Legislature (before it can become a charge against a Revenue Fund) either by providing additional funds or as a large funds allocated for the subsequent financial years. If not approved by the Legislature, it shall be recovered from the responsible person.

5.68.3 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure shall be recovered from the responsible official or the vote if responsibility cannot be determined.

6. Roles and Responsibilities

- 6.1 The HOD is accountable for this policy and should ensure adherence thereto.
- 6.2 The Chief Financial Officer is accountable for the implementation and enforcement of the policy.
- 6.3 The Senior Manager: Supply Chain Management is responsible for the implementation and enforcement of the policy.
- 6.4 The Demand, Acquisition, Logistics and Compliance units are responsible for appropriate execution and implementation of the policy.
- 6.5 All officials in the department shall be aware of this policy and proper execute their duties in line with the implementation of the policy.

7. Monitoring and Evaluation

The supply chain management section shall monitor and evaluate the implementation of the policy.

8. Policy Review

“The policy shall be reviewed to factors in changes in legal frameworks, organizational development, political and economical trends, and envisaged outputs by the Medium Term Expenditure Framework as well as outcomes of monitoring and evaluation.”

9. Approval



KM MOHLASEDI
HEAD OF DEPRATMENT

DATE: 04/04/2011

Conclusion

It is hoped that the above-mentioned policy will be approved and implemented for compliance, smooth operations and guide the Department to achieve its goals.

With kind regards

Yours faithfully



MR J S MAGAGULA
GENERAL MANAGER: INTEGRATED PLANNING

DATE: 15/09/2011

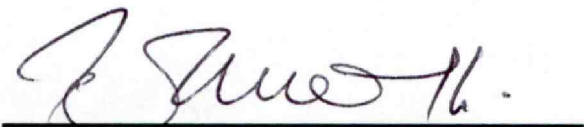


MR S SHONGWE
ACTING CFO

DATE: 26/09/2011

SUPPORTED/ NOT SUPPORTED / COMMENTS

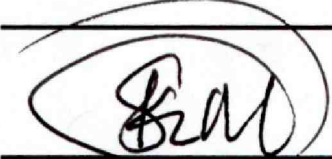
Supported.



MR W MTHOMBOTHI
DEPUTY DIRECTOR-GENERAL

DATE: 27/09/2011

APPROVED/ ~~NOT APPROVED~~ / COMMENTS



K M MOHASEDI
HEAD OF DEPARTMENT

10/10/2011
(Received 10/10/2011 from CEO)