



co-operative governance
& traditional affairs

MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

SUPPLY CHAIN POLICY

2018/19



TABLE OF CONTENTS

1.	DEFINITIONS/ABBREVIATIONS.....	3
2.	LEGISLATIVE FRAMEWORK.....	4
3.	IMPLEMENTATION AND SCOPE OF APPLICATION.....	5
4.	AMENDMENT OF THE SUPPLY CHAIN MANAGEMENT POLICY.....	5
5.	DELEGATIONS, ROLES AND RESPONSIBILITIES.....	6
6.	THE SCM SYSTEM.....	7
PART 2		
	7	
1.	DEMAND MANAGEMENT.....	7
2.	ACQUISITION MANAGEMENT.....	8
3.	METHODS OF ACQUISITION.....	8
3.1	<i>Procuring from Limited Sources.....</i>	13
4.	APPOINTMENT OF CONSULTANTS.....	13
5.	PROCUREMENT OF ASSETS.....	14
6.	PROCUREMENT OF IT RELATED GOODS OR SERVICES.....	14
7.	PROHIBITION ON AWARDS.....	14
7.1	<i>Prohibition on awards to persons whose tax matters are not in order.....</i>	14
7.2	<i>Prohibition on awards to persons in the service of the state.....</i>	14
7.3	<i>Awards to close family members of persons in the service of the state.....</i>	14
8.	DEVIATIONS, RATIFICATION OF MINOR BREACHES.....	15
PART 3		
	15	
1.	LOGISTICS MANAGEMENT.....	15
2.	DISPOSAL MANAGEMENT.....	16
3.	CONTRACT MANAGEMENT.....	16
PART 4		
1.	RISK MANAGEMENT.....	17
2.	PERFORMANCE MANAGEMENT.....	17
3.	ETHICAL STANDARDS.....	18
4.	COMBATING OF ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM.....	19
5.	SPONSORSHIPS.....	19
6.	TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS.....	20
7.	OBJECTIONS AND COMPLAINTS.....	20
PART 5		
1	APPROVAL OF PROCEDURE MANUALS.....	21
2	REVIEW OF POLICY.....	21
3	CONTRAVENTIONS.....	21

1. DEFINITIONS/ABBREVIATIONS

In this Policy, unless the context otherwise indicates, an abbreviation, word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and:

“Acceptable Bid” means a bid or formal written quotation that meets the requirements of specifications, where the bidder has the capacity to deliver as well as meet the delivery date required and where the bid document was properly completed;

“Competitive bidding process” means a competitive open bidding process whereby invitations for offers are issued for goods or services to the value of R500,000.00 (VAT included) or above;

“Competitive bid” means a bid invited through a competitive bidding process;

“Final award”, in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote is accepted;

“Formal written price quotation” means quotations invited through a competitive process from as many suppliers as possible, where invitations are in writing and offers are returned in writing along with the relevant standard bidding documents;

“In the service of the state” means to be –

- (a) a member of –
 - (i) any municipal council;
 - (ii) any provincial legislature; or
 - (iii) the National Assembly or the National Council of Provinces;
- (b) a member of the board of directors of any public entity;
- (c) an official of any municipality or municipal entity;
- (d) 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);
- (e) a member of the accounting authority of any national or provincial public entity; or
- (f) an employee of Parliament or a provincial legislature;

“Long term contract” means a contract with a duration period exceeding one year;

“Registered suppliers” means the list of accredited, prospective providers which the department must utilise or the central supplier database as prescribed by National or Provincial Treasury;

“Prescribed systems” means any financial system prescribed by the National or Provincial Treasury

“Other applicable legislation” means any other legislation applicable to supply chain management, as listed in the legislative framework, including but not limited to –

- (a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
- (b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);
- (c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);
- (d) National Small Business Act, 102 of 1996.

“PSCM” means Provincial Supply Chain Management, the Provincial unit responsible for the centralized closing of bids;

“Treasury guidelines” means any guidelines on Supply Chain Management issued by National or Provincial Treasury;

“The Act” means the Public Finance Management Act, 1999 (Act No. 1 of 1999);

“The Regulations” means the regulations issued in terms of Section 76 (4) (c) of the Public Finance Management Act, 1999 (Act No. 1 of 1999 as amended by Act 29 of 1999);

“Written quotations” means a request for quotation requested verbally/telephonically from a supplier where the supplier replies writing.

2. LEGISLATIVE FRAMEWORK

- 2.1 This policy must be implemented and read in conjunction with the relevant legislation and regulations as well as any other prescripts or guidelines of best SCM practise. It should further be used along with the Delegations of Authority Manual of the department of Co-operative Governance and Traditional Affairs. Amongst others some of the more important legislative documents and guidelines are as follows:
 - 2.1.1 The Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996, as amended).
 - 2.1.2 The Public Finance Management Act, 1999 (Act No 1 of 1999 as amended by Act No 29 of 1999)
 - 2.1.3 Treasury Regulations issued in terms of the above Act.
 - 2.1.4 Policy to Guide Uniformity in Procurement Reform Processes in Government.
 - 2.1.5 SCM: A Guide for Accounting Officers.
 - 2.1.6 Provincial and National Treasury Practice notes, Instruction notes, and circulars as issued from time to time.
 - 2.1.7 The Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000).
 - 2.1.8 The Preferential Procurement Regulations, 2017.
 - 2.1.9 The Broad-Based Black Economic Empowerment Act, 2003, (Act 53 of 2003) as well as the Strategy and the Codes of Good Practice as issued by the dti

- 2.2 Any other relevant legislation or prescripts issued during the implementation of this policy shall take precedence over the policy.

3. IMPLEMENTATION AND SCOPE OF APPLICATION

- 3.1 All officials and role players in the supply chain management system of the department and must implement this Policy in a way that:
- 3.2 gives effect to –
- (a) section 187 of the Constitution;
 - (b) Part 2, section 38 of the Public Finance Management Act; and
 - (c) Treasury regulation 16A.
- 3.3 Complies with any minimum norms and standards that may be prescribed in terms of the Supply Chain Management Framework.
- 3.4 does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
- 3.5 is consistent with National economic policy concerning the promotion of investments, doing business with the public sector and the proudly South African campaign.
- 3.6 This Policy shall be applicable during:
- (a) The planning phase of all procurement
 - (b) The cycle from the stage of requesting up to receipt or delivery of all goods or services;
 - (c) The Disposal of goods no longer needed;
 - (d) The Selection of contractors or other service providers to provide assistance in the provision of services
 - (e) Contract management within the department

4. AMENDMENT OF THE SUPPLY CHAIN MANAGEMENT POLICY

- 4.1 The accounting officer must at least annually review the implementation of this Policy;
- 4.2 If the accounting officer's amendments to the policy differ from the model policy issued by the National Treasury,
- 4.3 the accounting officer must –
- (a) Ensure that such amendments comply with the Regulations; and
 - (b) Report any deviation from the model policy to the Provincial Treasury.
- 4.4 When amending this 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.
- 4.5 All proposed amendments must be submitted to the SCM unit, in writing before the 31st of January each year, where after such amendments shall be submitted to the Accounting Officer for approval.
- 4.6 Should no amendments be proposed, this policy shall remain valid.

5. DELEGATIONS, ROLES AND RESPONSIBILITIES

- 5.1 Section 44 (3) of the Act applies to the delegation of powers and duties delegated to a Chief Finance Officer in terms SCM and the Delegation of Authority Document will outline detailed delegations and roles which must be read in conjunction with this policy;
- 5.2 The accounting officer hereby delegates all powers and duties in terms of section 44 of the Act to the Chief Finance Officer which are necessary to enable him/her:
- (a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of Treasury regulations 16A and this policy;
 - (b) to maximise administrative and operational efficiency in the implementation of this Policy;
 - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism, unfair and irregular practices in the implementation of this Policy; and
 - (d) to assist the accounting officer to comply with his or her responsibilities in terms of section 38 of the Act.
- 5.3 The Chief Finance Officer may not 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 department, thus no supply chain management decision-making powers may be delegated to an advisor or consultant.
- 5.4 It is the responsibility of each Director and Chief Director to ensure that their staff comply to the departmental SCM procedures and to ensure availability of staff when appointed to serve on any SCM committee;
- 5.5 A summary of delegations pertaining to SCM shall apply regarding requests, evaluations and awards, unless otherwise revoked or appointed in writing by the Accounting Officer is attached hereto as Annexure A, This annexure will be referred to as the SCM schedule of Delegations
- 5.6 Any higher rank in authority may overrule the above delegation but no lower rank in authority may be used unless such delegation is appointed in writing by the Accounting Officer;
- 5.7 Any internal delegation by Directors or Chief Directors must be in writing and evidence of such must be attached as supporting documentation to any requests form;
- 5.8 Any ad hoc committee for specifications or evaluation may be approved during the course of the financial year The Accounting Authority will reserve his rights to maintain oversight over the implementation of this Policy. For the purposes of such oversight the AO must:
- 5.9 within 15 days of the end of each quarter, submit a report on the implementation of this policy to the Accounting Authority.
 - 5.10 within 30 days of the end of each financial year, submit an annual report on the implementation of this Policy to the Accounting Authority of the department.

6. THE SCM SYSTEM

- 6.1 A supply chain management unit is hereby established to implement this Policy. The supply chain management unit shall operate under the supervision of the Chief Financial Officer or an official to whom this duty has been delegated in terms of section 44 of the Act.
- 6.2 The SCM unit shall manage a system that provides for;
- (a) demand management;
 - (b) acquisition management;
 - (c) logistics management;
 - (d) disposal management;
 - (e) risk management; and
 - (f) performance management.

PART 2

1. DEMAND MANAGEMENT

- 1.1 An appropriate demand management system shall be maintained, in order to ensure that the resources required by the department support its operational commitments and its strategic goals outlined in the Annual Performance Plan.
- 1.2 The demand management process must –
- 1.2.1 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 specified delivery dates, and are of the appropriate quality and quantity at a fair cost;
 - 1.2.2 take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature;
 - 1.2.3 provide for the compilation of the required specifications to ensure that its needs are met and that the needs of different units are understood, that specifications are clear and correctly indicated;
 - 1.2.4 ensure that all requirements submitted in writing and agreed to by the end user;
 - 1.2.5 undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized and therefore include a databank of prices and catalogues in order to ensure that the options of the supplying industry is available and known;
 - 1.2.6 ensure that directorates submit all plans for intended bids to be advertised in the following year, by the end of March in each year, and submit procurement plans for all other procurement below the R500 000.00 threshold for the next quarter by the last week of the current quarter;
 - 1.2.7 Perform a market analysis ensure that units do proper planning to ensure the timely advertisement of bids or invitation of quotation, thus affording reasonable time for suppliers to respond to invitations and fair time for proper evaluation of responses;
 - 1.2.8 keep accurate records of all contracts and ensure a system which leaves ample time for renewal and re-advertisement of contracts;

- 1.2.9 keep records of existing transversal contracts should the need arise to procure from these contracts;
- 1.2.10 maintain a register of all requisitions submitted in order for fast and accurate resolving of enquiries as well as to keep accurate records of all procurement done in line with the departmental procurement plan.

2 ACQUISITION MANAGEMENT

- 2.1 The system of acquisition management will be implemented in order to ensure that –
 - 2.1.1 goods and services are procured by the department in accordance with authorized processes only and through implementation of the Preferential Procurement Regulations 2017, points system of 80/20 (for acquisitions of R30 000 up to R50 Million) and 90/10 (for acquisitions above R50 Million);
 - 2.1.2 expenditure on goods and services is incurred in terms of an approved budget.
 - 2.1.3 the threshold values for the different procurement processes are complied with;
 - 2.1.4 That bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation;
 - 2.1.5 The Standard Bid Documentation and General Conditions as issued by the National Treasury will be used for all bid processes;
 - 2.1.6 Standard Bid documents 4 to 9 shall also be utilized for all quotations where applicable;
 - 2.1.7 any Treasury guidelines on acquisition management are properly taken into account;
 - 2.1.8 Procurement by means of quotations are done with registered service providers and suppliers all registered service providers are afforded equal opportunities to participate fairly in the procurement process of the department through the use of prescribed financial systems.

3 METHODS OF ACQUISITION

Goods and services must only be procured in terms of the delegated authority for approval according to the relevant threshold values as set out in the delegations of the department. The range of processes may be procurement by means of –

- a) petty cash or reimbursement;
- b) Competitive Quotations;
- c) Competitive Bids;
- d) Negotiations with preferred bidders;
- e) Unsolicited Bids;
- f) State contracts;
- g) Quotations or offers during circumstances of limited competition

3.1 *Petty cash purchases or re-imburement of expenses*

- 3.1.1 Procurement of goods and services by means of petty cash is limited to R2 000 and allowed on conditions that:
 - (a) The petty cash procedure manual is reviewed and approved;
 - (b) All petty cash acquisitions must be arranged centrally through the Logistics section;

- (c) Approval of requests for petty cash acquisitions are at the discretion of the senior manager (SCM) or his/her delegated official based on the assessment that such procedure is the most efficient acquisition method;
- (d) The Logistics Manager prepare and submit a monthly reconciliation report to the Office of the Chief Financial Officer which includes :
 - the total amount of petty cash purchases for that month; and
 - receipts and appropriate documents for each purchase;
- (e) All supporting documentation are to be filed and stored in a secure location under the control of the Logistics Manager; and
- (f) The Petty cash procedure manual is adhered to.

3.1.2 In the instance that petty cash is not available, any Responsibility Manager may request approval from the SCM unit that an official may procure items of a value below R2000.00 and be re-imbursed on condition that:

- (a) It can be reasonably proved that it is more cost effective and efficient to procure items through this method;
- (b) That it can be reasonably assured that the procurement is not requested through this method due to poor planning;
- (c) That no breaking up of orders has been attempted to avoid a proper competitive process and that no section repeats such a process within a 30 day cycle for the same commodity or related goods;
- (d) That approval was obtained in advance and that SCM was in a position to ensure that the most cost effective rates are applicable;
- (e) The request for re-imburement is subject to the approval of the Chief Financial Officer;
- (f) The Department has no obligation to reimburse any official who procured items without the necessary approval or instruction.

3.1.3 In the instance where poor planning is evident and an official must request accommodation or other service on a same day basis, such request for service at short notice may be refused by the SCM unit. An official may pay for the services and request for a re-imburement even if it is in excess of R2000.00 on the conditions that:

- (a) The request for reimbursement does not exceed R10 000.00;
- (b) It be noted that the department is under no obligation to pay for services due to poor planning by any official and that the request is subject to the approval by the Chief Financial Officer;
- (c) That all supporting documentation and the approval in advance of the arrangement is provided in writing; and
- (d) The responsibility manager provides remedial steps to avoid the re-occurrence of such incidents.

3.2 Procurement by means of Competitive quotations:

3.2.1 The Chief Financial Officer may establish a committee to oversee and regulate the appointment of service providers from any amount below R500 000.00 . Quotations may only be awarded to suppliers whom are registered on the central supplier database

- 3.2.2 Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy.
- 3.2.3 Goods or services may only be split if it can be confirmed in writing that such items can be provided by different suppliers who specialize in such commodities and where it will be in the departments best interest in that there will be a cost saving if items are procured directly from manufacturers or suppliers whereupon the different processes must be costed, analysed and the comparison be approved by the relevant delegated authority. Different commodities should not be combined so as to provide one supplier an unfair opportunity.
- 3.2.4 When determining transaction values, a requirement for goods or services consisting of similar parts or items must however as far as possible be treated and dealt with as a single transaction.
- 3.2.5 Rotation of suppliers must be prioritized, however must not be implemented if it counteracts cost effectiveness nor if it contradicts the prescripts of the Preferential Procurement Policy Framework act and Preferential Procurement Regulations, 2017. No supplier may be disqualified for the purposes of rotation. Rotation must take place during the selection process and should the end result proof that the cost variance per item is more than 25%, new quotations may be invited or suppliers passed over for rotation may be requested to quote as well.
- 3.2.6 The competitive quotation process shall not be applicable in the case of limited sources;
- 3.2.7 Only quotations from suppliers appearing on the Central Supplier Database may be accepted;
- 3.2.8 No official may accept an unsolicited quotation from any service provider. Such a quotation may be disqualified based on the evidence that the official requesting the quotation did not send any official request to the supplier in question.
- 3.2.9 When it is not possible to obtain 3 quotations or when suppliers where invited but failed to respond, all evidence must be recorded and approved as per the delegations of the various threshold values.
- 3.2.10 Where an insufficient amount of suppliers exist, other suppliers may be invited to provide quotations, however should they be successful, they must be requested to submit all the necessary documentation prior to any official purchase order being issued.
- 3.2.11 Late submission of requests by any end user shall not qualify as a valid reason for the inability to obtain sufficient quotations and additional approval must be obtained from the Accounting Officer by any directorate who has failed to register the requirement on their procurement plans.
- 3.2.12 Any cases of urgency or emergency must be dealt with in accordance to the SCM Guide to Accounting Officers, motivated in writing, duly approved according to the relevant delegation of authority and reported in writing.

3.3 Procurement by means of Competitive bids

- 3.3.1 Acquisition of goods and services above a transaction value of R500 000.00 (VAT included) and long term contracts may only be done through a competitive bidding process;

- 3.3.2 Only bids registered with Provincial Treasury by the 31st of March each year, may be invited;
- 3.3.3 No requirement for goods or services above an estimated transaction value of R500 000.00 (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;
- 3.3.4 The invitation of competitive bids is the function of the Provincial Supply Chain Management and the Accounting Officer hereby delegates the Chief Financial Officer to approve and request from Provincial Treasury for the:
- (a) issuing of bid numbers;
 - (b) placement of bid invitations, advertisements or re-advertisements;
 - (c) placement of invitations for supplier registrations or expression of interest;
 - (d) closing of public or limited bids;
 - (e) cancelation of bids;
 - (f) placement of notices of extension or changes in advertisement details, and
 - (g) issuing of a bid addendum.
- 3.3.5 The accounting officer may determine a closure date for the submission of bids which is less than the 30 days but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process and such motivation is provided to and approved by the Accounting Officer in writing and submitted as notification to the PSCM.
- 3.3.6 Any cases of urgency or emergency must be dealt with in accordance to the SCM Guide to Accounting Officers, motivated in writing, duly approved according to the relevant delegation of authority and reported in writing.
- 3.3.7 *Committee system for competitive bids.*
- (a) A committee system for competitive bids is hereby established, consisting of the following committees, for the procurement of goods and service through competitive bid system -
 - a bid specification committee,
 - a bid evaluation committee; and
 - a bid adjudication committee;
 - (b) The specifications and evaluation committees may be appointed by the Chief Financial Officer, must be in writing and shall be appointed ad hoc depending on the technicality and area of specialization for each respective bid.
 - (c) The bid adjudication committee shall be appointed by the Accounting Officer in writing, such delegation shall be applicable for the respective financial year, unless extended or revoked by the Accounting Officer, in writing.

3.4 Negotiations with preferred bidders

- 3.4.1 The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –
- (a) does not allow any preferred bidder a second or unfair opportunity;

- (b) is not to the detriment of any other bidder; and
- (c) does not lead to a higher price than the bid as submitted.
- (d) Minutes of any negotiations must be kept for record purposes.

3.5 *Unsolicited bids*

- 3.5.1 The Department has no obligation to consider unsolicited bids received outside a normal bidding process.
- 3.5.2 The accounting officer may decide to consider an unsolicited bid, only if –
 - (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - (b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
 - (c) the person who made the bid is the sole provider of the product or service; and
 - (d) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.
- 3.5.3 If the accounting officer decides to consider an unsolicited bid that complies with subparagraph (3.5.2) of this policy, the decision must be made public together with –
 - (a) reasons as to why the bid should not be open to other competitors;
 - (b) an explanation of the potential benefits if the unsolicited bid were accepted; and
 - (c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- 3.5.4 The accounting officer must submit all written comments received pursuant to subparagraph (3.6.3), including any responses from the unsolicited bidder, to the provincial treasury for comment. All practice or instruction notes or any other circular issued by National Treasury must be taken into account.
- 3.5.5 The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.
- 3.5.6 When considering the matter, the adjudication committee must take into account –
 - (a) any comments submitted by the public; and
 - (b) any written comments and recommendations of the provincial treasury.
- 3.5.7 If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General and the provincial treasury the reasons for rejecting or not following those recommendations.
- 3.5.8 Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the department to the bid may be entered into or signed within 30 days of the submission.

3.6 *Procurement of goods and services under contracts secured by other organs of state or Transversal Contracts*

- 3.6.1 The department may procure goods or services under a contract secured by another organ of state, but only if –

- (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
 - (b) there is no reason to believe that such contract was not validly procured;
 - (c) there are demonstrable discounts or benefits to do so;
 - (d) that other organ of state and the provider have consented to such procurement in writing, and
 - (e) there are evidence on record of the above as well as applicable contract terms or appointment letters for audit purposes.
- 3.6.2. The department shall participate in transversal contract as and when such requirements are budgeted for, meet the specifications of the departmental requirements and such process proves to be more efficient, fair and cost effective than through an a competitive process invited by the department.

3.7 Procuring from Limited Sources

- 3.7.1 Limited bidding shall be done as per the guidelines provided in the Guide to Accounting Officers and may be done on basis of a market analysis in terms of multiple, single or sole source.
- 3.7.2 Limited bids shall be approved by the Accounting Officer and the normal bid procedure shall be followed except for the open invitation to the public. Reasons for requiring a limited bid shall be recorded and reported to the Provincial Treasury.
- 3.7.3 With reference to section 3.2.8, any sole or single source selection when inviting quotations, shall not be considered a deviation and the relevant recording of the supplier status after an appropriate market analysis shall be approved by the relevant delegated official.
- 3.7.4 Where services are not available on contract and the same service can be obtained from both the state and the private sector, a competitive process should be followed.
- 3.7.5 When acquiring Water from the Department of Water Affairs or a public entity, a municipality or a municipal entity; and Electricity from Eskom or another public entity, a municipality or a municipal entity such procurement shall be recorded as purchases from single source service providers and a competitive process shall be considered as not applicable;
- 3.7.6 Subscriptions, specialized training or seminars, advertising or publications in the media, licenses, equipment maintenance from dealers or manufacturers, suppliers recommended by insurers shall be considered as sole source suppliers and the competitive quotation process shall be considered not applicable;

4. APPOINTMENT OF CONSULTANTS

- 4.1 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.
- 4.2 In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –
 - (a) all consultancy services provided to an organ of state in the last five years; and

- (b) any similar consultancy services provided to an organ of state in the last five years.
- 4.3 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.

5. PROCUREMENT OF ASSETS

All assets procurement must be done so in terms of the applicable method of procurement described in this policy. All assets must be planned, managed and be accounted for as set out in the departmental asset management policy.

6. PROCUREMENT OF IT RELATED GOODS OR SERVICES

- 6.1 The department must procure IT related goods or services by participating on the SITA contract.
- 6.2 The accounting officer may request the SITA to assist with the acquisition of IT related goods or services through a competitive bidding process if such requirements are not covered by the existing SITA contracts.
- 6.3 Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.

7. PROHIBITION ON AWARDS

7.1 ***Prohibition on awards to persons whose tax matters are not in order:***

- (a) No award can be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service, to be in order.
- (b) Before making an award to a person the accounting officer must first check with SARS whether that person's tax matters are in order.
- (c) If SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph 2.2.1 be presumed to be in order.

7.2 ***Prohibition on awards to persons in the service of the state***

- 7.2.1 Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –
- (a) who is in the service of the state;
- (b) 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
- (c) a person who is an advisor or consultant contracted with the municipality.
- 7.2.2 The above is not applicable to procurement of goods or services directly from the state.

7.3 ***Awards to close family members of persons in the service of the state***

- 7.3.1 The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award to a person who is a spouse, child or

parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

- (a) the name of that person;
- (b) the capacity in which that person is in the service of the state; and
- (c) the amount of the award.

8. DEVIATIONS, RATIFICATION OF MINOR BREACHES

- 8.1 In the event that a competitive quotation or bid process is not practical or possible such as urgent or emergency cases. The SCM guidelines as per the Guide to Accounting officers shall be followed as well as Treasury Regulations 16A6.4.
- 8.2 The Responsibility Manager must record the reasons and submit such for approval by the relevant delegated authority for amounts of R30 000 and above.
- 8.3 The Responsibility Manager must approve the reasons recorded by his subordinates and provide a copy of approval by the Chief Financial officer for audit and record keeping purposes to the Supply Chain Management Directorate for amounts below R30 000.
- 8.4 The accounting officer must record the reasons for any cases in terms of subparagraph 8.1 of this policy and report them to the provincial treasury for amounts over and above R500 000.00.
- 8.5 In cases where the proper procedures were followed but insufficient responses are received, the procurement and report which contains the evidence of the efforts to obtain at least 3 quotations, shall be approved by relevant delegated authority All minor breaches of departmental procedures must be reported to the relevant delegation of authority for approval or ratification. Such reports may be included in the evaluation report.

PART 3

1. LOGISTICS MANAGEMENT

- 1.1 The department shall adhere to an effective system of logistics management, which must include –
 - (a) the monitoring of spending patterns on types or classes of goods and services,
 - (b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
 - (c) the placing of purchase orders for all acquisitions other than those from petty cash;
 - (d) ensuring that all purchase order states the correct item and required delivery date on the order;
 - (e) ensuring that end users and suppliers are informed of the status of purchase orders;
 - (f) appropriate standards of internal control and stores management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
 - (g) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and

- (h) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.
- 1.2 All other asset related matters shall be dealt with in accordance with the asset management policy of the department.
- 1.3 All other transport related matters shall be dealt with in accordance with the Transport policy of the department.

2. DISPOSAL MANAGEMENT

(disposal of redundant items, transfer and letting of departmental assets)

- 2.1 The department shall keep an asset management plan whereupon the lifecycle of assets shall be reviewed and any necessary disposal shall be considered.
- 2.2 Disposal of movable assets must be at market-related value or by way of price quotations, competitive bids or auction, whichever is most advantageous to the department, unless determined otherwise by the Provincial Treasury.
- 2.2 The Department may transfer movable assets or inventory free of charge to other departments, constitutional institutions or public entities by means of formal vouchers.
- 2.3 Any sale of immovable state property must be at market-related value, unless the Provincial Treasury approves otherwise.
- 2.4 The letting of immovable state property (excluding state housing for officials and political office bearers) must be at market-related tariffs, unless the provincial treasury approves otherwise. No state property may be let free of charge without the prior approval of the Provincial Treasury.
- 2.5 The department shall, when disposing of computer equipment, firstly approach any state institution involved in education and/or training to determine whether such an institution requires such equipment. In the event of the computer equipment being required by such a state institution, the accounting officer may transfer such equipment free of charge to the identified institution.
- 2.6 A disposal committee shall be established to review and recommend all assets which is listed for optional disposal and which may have reached the end of its lifecycle or have otherwise become redundant.

3. CONTRACT MANAGEMENT

- 3.1 Contract monitoring shall be performed under the Demand section as set out under Demand Management in this policy.
- 3.2 Housekeeping contracts shall be managed by the Logistics / Facilities section under the SCM unit.
- 3.3 Contract management advice shall be obtained by the Legal services section of the department and all terms and conditions must be perused prior to entering or cancelling any binding agreement.
- 3.4 No official may enter into any commitment, whether verbal, contractual or any other financial commitment other than those with the relevant delegated authority.
- 3.5 It shall be the responsibility of each manager to ensure that all obligations are met as per those agreements entered into.

- 3.6 It shall also be the responsibility of each manager to ensure that non-performance on the part of any supplier is immediately reported to the SCM unit.

PART 4

1. RISK MANAGEMENT

- 1.1 All bid adjudication committee members, quotation committee members and all supply chain management officials are required to:
- 1.1.1 sign an oath of secrecy and confidentiality,
 - 1.1.2 must submit their applications for security vetting to be cleared to the level of confidential within one month of their appointment;
 - 1.1.3 must also declare their financial interest annually; and further to this
- 1.2 All SCM role players must sign and abide by the code of conduct as set out by National Treasury and the Public Services Act;
- 1.2.1 As a control measure to avert risk, the department shall implement the quarterly rotation of SCM officials when practically possible.
 - 1.2.2 The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, are to be identified by the Risk manager, compliance officer as well as the Internal Audit Unit in a quarterly review, wherein all systems including the internal controls employed are assessed. Such written report to CFO shall be submitted no later than 30 days after the end of each quarter.
 - 1.2.3 Any risks shall be reported in writing should they be discovered.
- 1.3 Risk management must include –
- 1.3.1 the identification of risks on a case-by-case basis;
 - 1.3.2 the allocation of risks to the party best suited to manage such risks;
 - 1.3.3 acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
 - 1.3.4 the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
 - 1.3.5 the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.
- 1.4 It shall further be the responsibility of each Senior Manager to manage risks within the department and to report any identified, possible SCM risks to the SCM unit.
- 1.5 It shall further be the responsibility of each official of this department to report any fraud or corruption that they may become aware of in line with the Fraud prevention policy and Whistleblower's policy of the department.
- 1.6 All other risk management matters shall be dealt with in accordance with the risk management policy of the department.

2. PERFORMANCE MANAGEMENT

- 2.1 The accounting officer shall establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved.
- 2.2 The SCM unit shall submit the necessary reports as per the operational plan on a monthly, quarterly and if appropriate, ad hoc basis so as to ensure that all information on the department's SCM performance and compliance to this policy is reported on and measured. Such reporting will include but is not limited to rotation of suppliers, achievement of broader policy objectives, compliance to PPPFA, expenditure towards to BBEE compliant suppliers, savings generated, cost variances per item, contract breach and supplier performance.
- 2.3 The Chief Financial Officer may delegate to any official within or outside of the SCM unit, the task to assess the performance of the status of overall Supply Chain performance within the department.

3. ETHICAL STANDARDS

- 3.1 With reference to section 1.2 in part 4 of this policy: A code of ethical standards as set out in 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 of the department in order to promote –
 - 3.1.1 mutual trust and respect; and
 - 3.1.2 an environment where business can be conducted with integrity and in a fair and reasonable manner.
- 3.2 A breach of the code of ethics must be dealt with as follows –
 - 3.2.1 in the case of an employee, in terms of the disciplinary procedures of the Public service Act.
 - 3.2.2 in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
 - 3.2.3 In all cases, financial misconduct must be dealt with in terms PFMA.
- 3.3 Inducements, rewards, gifts and favours to the department's officials and other role players
 - 3.3.1 No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –
 - (a) any inducement or reward to the department's official for or in connection with the award of a contract; or
 - (b) any reward, gift, favour or hospitality to –
 - (i) any official; or
 - (ii) any other role player involved in the implementation of this Policy.
 - 3.3.2 All officials must promptly report any alleged contravention of subparagraph 3.3.1 to the Accounting Officer, The Accounting Officer shall in turn report any alleged contravention of subparagraph 3.3.1 to the Provincial 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.

3.3.3 Subparagraph 3.3.1 does not apply to gifts less than R350 in value.

4. COMBATING OF ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM

4.1 It is the responsibility of each official to take all reasonable steps to prevent abuse of the supply chain management system;

4.2 The accounting officer shall investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified :

(i) take appropriate steps against such official or other role player; or

(ii) report any alleged criminal conduct to the South African Police Service;

4.3 The SCM unit shall 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;

4.4 The accounting officer shall reject any bid from a bidder who during the last one years has failed to perform satisfactorily on a previous contract with the department or any other organ of state after written notice was given to that bidder that performance was unsatisfactory; and

4.5 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;

4.6 Cancel a contract awarded to a person if –

(a) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or

(b) 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

4.7 Reject the bid of any bidder if that bidder or any of its directors –

(a) has abused the supply chain management system of the department or has committed any improper conduct in relation to such system;

(b) has been convicted for fraud or corruption during the past five years;

(c) has willfully neglected, reneged on or failed to comply with any government, or other public sector contract during the past one years; or

(d) 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).

4.8 The Accounting Officer must inform the Provincial Treasury in writing of any actions taken in terms of subparagraphs mentioned above.

5. SPONSORSHIPS

5.1 The department shall not invite, request or accept any sponsorships without the necessary approval.

- 5.2 The accounting officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –
- (a) a supplier or prospective provider of goods or services; or
 - (b) a recipient or prospective recipient of goods disposed or to be disposed.
- 5.3 Any donations received from any individual, service provider or any private entity for the benefit of disaster victims shall be reported on, accounted for in terms of value and distributed by the Disaster Management unit.
- 5.4 All received donations must be declared by the respective programme manager and all transfers or distributions must be done through keeping of proper records and transfer certificates or acknowledgement of receipt by the receiver of the donations.

6 TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS

- 6.1 The training of officials involved in implementing this Policy should be in accordance with any Treasury guidelines on supply chain management training.
- 6.2 It shall be the responsibility of all role players in the supply chain to ensure that they obtain a copy of the SCM reference Manual and further to ensure that they familiarize themselves with the relevant guidelines.
- 6.3 It shall be the responsibility of each manager to ensure that their staff obtain a copy of this policy and that their staff are familiar with and adhere to the contents thereof.
- 6.4 Responsibility Managers must request in writing from the SCM unit any internal or external workshop on SCM should specific training or workshops be required for better implementation of any facet of this policy.
- 6.5 Such training/workshops must be in accordance with the Departmental Training plan.

7 OBJECTIONS AND COMPLAINTS

- 7.1 Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action to the accounting officer.
- 7.2 Resolution of disputes, objections, complaints and queries:**
- 7.2.1 The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from any contract or agreement. The accounting officer, or his delegate shall be responsible for assisting the appointed person to perform his or her functions effectively.
- 7.2.2 A dispute, objection, complaint or query may be referred to the provincial treasury if:
- (a) the dispute, objection, complaint or query is not resolved within 60 days; or
 - (b) no response is forthcoming within 60 days.

- 7.2.3 If the Provincial Treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.
- 7.2.4 This paragraph must not be read as affecting a person's rights to approach a court at any time.
- 7.3 Any internal dispute or complaint on SCM services or requirements must be reported to the Chief Financial Officer in writing..

PART 5

8.APPROVAL OF PROCEDURE MANUALS

- 8.1 Chief Financial Officer shall be delegated to approve any SCM related Strategies or Procedure Manuals in terms of this policy.
- 8.2 The procedure manuals / guides in terms of this policy may be revised or supplemented during the course of a financial year and will be distributed to all staff as and when updated. .

9. REVIEW OF POLICY

This policy will be reviewed annually or as and when the need arises and it should be in line with legislations and prescripts.

10. CONTRAVENTIONS

Any person who contravenes or fails to comply with any provision of this policy may be subjected to disciplinary action.

THUS DONE AND APPROVED BY THE ACCOUNTING OFFICER.

APPROVED/~~NOT APPROVED~~



MR TP NYONI

HEAD: CO-OPERATIVE GOVERNMENT AND TRADITIONAL AFFAIRS

DATE 29/03/2018