



Department of Social Development and Special Programmes

PROCUREMENT POLICY

POLICY REGISTRATION NO: 2012-315

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1. DEFINITIONS

In this policy, unless the context otherwise indicates:

- I. "Acceptable bidder" means any tender which, in all respects, complies with the conditions of bid and specifications as set out in the tender document.
- II. "Department" means the Department of Social Development and Special Programmes.
- III. "Equity ownership" refers to the percentage ownership and control, exercised by individuals within an enterprise.
- IV. "Black Empowered Businesses" – business that has 25% black shareholding.
- V. "Black managed and black controlled business" – 50% plus 1% black shareholding or management.
- VI. **BBBEEA** - Broad-Based Black Economic Empowerment Act.
- VII. "Contract" refers to a legally binding agreement between the Department and the service provider.
- VIII. "Closing date" - date on which the tender closes as reflected on the bid documents.
- IX. "Closing time" refers to the specified time (11:00 o'clock) on which date the tender closes.
- X. "Accounting Officer" means the Head of the Department of Social Development and Special Programmes.
- XI. "Chairperson" means the chairperson of the Bid Committee.
- XII. "Committee" refers to the Bid Committee duly appointed by the Accounting Officer.
- XIII. **Exempted Micro enterprises (EMEs)** - In terms of the Generic Codes of Good Practice, an enterprise with annual total revenue of R5 million or less qualify as an EME. EMEs are deemed to have a B-BBEE status of "level four (4) contributor. In instances where EMEs are more than 50% owned by black people, such EMEs qualify as "B-BBEE of level three (3) contributors".
- XIV. "Member" means a member of the Bid Committee.
- XV. "Service providers" refers to tenders who have been successful in being awarded the contract.
- XVI. "Small Micro Medium Enterprise (SMME)" refers to separate and distinct business entities, including co-operative enterprises and NGO's, managed by one owner or more, as defined in the National Small Business Act (Act 102 of 1996).
"Supply Chain Management" refers to the interconnected process of planning, buying, storing, utilizing and disposal of goods and services.
- XVII. "SCM" means Supply Chain Management.
- XVIII. "AO" means Accounting Officer.

1. LEGISLATIVE FRAMEWORK

(i) Section 217 (1) of the Constitution of the Republic of South Africa stipulates that when an organ of state in the National, Provincial or Local sphere of government, or any other institution identified in the national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective. Subsection (2) does not prevent the Organs of State or institutions referred to in that subsection from implementing a procurement policy providing for –

(a) Categories of preference in the allocation of contracts; and

(b) The protection or advancement of persons or categories of persons, disadvantaged by unfair discrimination. Section 217(3) National legislation must prescribe a framework within which the policy referred to in subsection (2) must be implemented.

(ii) PFMA Section 38(1)(a)(iii) & 51(1)(a)(iii) reiterates the Constitutional requirements by instating that an Accounting Officer must ensure that a department has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective.

(iii) Preferential Procurement Policy Framework Act 5 of 2000 promulgated to give effect to Section 217(3) of the Constitution by providing a framework for the implementation of a procurement policy contemplated in Section 217(2) of the Constitution.

PFMA Regulations further stipulates the requirements for service delivery agreements through competitive bidding selection and pre-qualification processes which

- a. Are competitive, fair, transparent, equitable and cost effective.
- b. Allow all prospective service providers to have equal and simultaneous access to information relevant to the bidding process.
- c. Minimize the possibility of fraud and corruption.

In light of these provisions, the Department of Social Development & Special Programmes as an institution identified in the national legislation, undertakes all of its procurement and tendering in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.

The system that the Department of Social Development & Special Programmes uses to ensure effective competition and transparency in line with the provisions of Section 217 (1) of the Constitution of the Republic of South Africa, demonstrates that all undertakings to purchase goods, works and services (including consultants) are handled through a Request for Quotes and public tenders. The following principles will be followed when acquiring goods and services.

- a. Value for money.

- b. Open and effective competition;
- c. Ethics and fair dealing;
- d. Accountability and reporting and
- e. Equity.

This policy should be read with the following Acts and Regulations:

- a. Constitution of the Republic of South Africa;
- b. Public Finance Management Act;
- c. Broad Based Black Economic Empowerment Act;
- d. Preferential Procurement Policy Framework Act and its Regulations;
- e. Supply Chain guidelines;
- f. Supply Chain Management Practice Notes;
- g. Supply Chain Management Circulars
- h. Treasury Regulations and
- i. Any other applicable law or regulation.

3.1 SUPPLY CHAIN MANAGEMENT (SCM) FRAMEWORK

The supply chain management cycle encompasses activities associated with the flow and transformation of identified goods and services needs through to the End-User's needs being fulfilled. It integrates planning, sourcing and delivering. It synchronises business processes by linking demand for goods and services to both the Department of Social Development and Special Programmes's strategic plan and the budget. Section 217 of the Constitution and Treasury regulations-number 16A.3.2 which provide that an organ of the state must contract goods and services in accordance with a system which is fair, equitable, transparent, competitive and cost effective manner and

- a. Be consistent with the PPPFA (Act No 5 of 2000)
- b. Be consistent with the BBBEE (Act No 23 of 2003) and
- c. Provide for at least the following elements:
 - ✓ Demand management.
 - ✓ Acquisition management.
 - ✓ Logistics management.
 - ✓ Disposal Management
 - ✓ Performance management
 - ✓ Risk Management

1. PREAMBLE

1.1 Auditor General of South Africa has discovered that the department's SCM policy does not provided for the establishment of the bid specification committee the Department takes to account that the recommendation of the AGSA be implemented as recommended and the inclusion of the specification is now made

1.2. The Department of Social Development & Special Programmes aims to contribute to the improvement of the quality of life of all South African citizens by empowering its communities, especially the historically disadvantaged individuals through a procurement system that would allow all stakeholders to participate in a fair, equitable and competitive manner.

1.3. The Department, therefore, takes into account the need for a transparent and effective procurement system that gives effect to the objectives of the Preferential Procurement Policy Framework Act (Act 5 of 2000) and the Regulations to the Framework on Supply Chain Management. Furthermore it is the intention of the Department to grant and allow Black Empowered Businesses access to its procurement system.

2. PURPOSE

The purpose of the Departmental Procurement Policy (DPP) is to provide a practical tool to guide and regulate all departmental procurement activities to ensure that they comply with all current legislation and regulations governing procurement and to simultaneously entrench best practice. Activities include demand planning, acquisition, asset management, storing and delivery to end-users. The aim of this policy document is to set out how activities will be planned, executed and monitored.

3. OBJECTIVES

The objectives of this policy include the following:

- 3.1. To ensure that goods and services needs are aligned to both the strategic plan and budget of the Department;
- 3.2. To safeguard the assets of the Department and to ensure the effective and optimal utilisation of existing resources;

3.3. To ensure that effective controls are communicated to management and staff through clear and comprehensive written documentation.

3.4. To ensure that the procurement of goods and services is in-line with Government's broader policy objectives:

3.5. To provide efficient procurement, storage and delivery of goods and services; and

To ensure compliance with the appropriate supply chain management guidelines and the Public Finance Management Act (PFMA)

4. SCOPE OF APPLICABILITY

This policy is applicable to the Eastern Cape Department of Social Development and Special Programme and all its officials.

5. CODE OF CONDUCT

5.1 The Supply Chain Management Unit plays an important supportive role in procuring goods and services for the smooth running of the Department. It is therefore important to set out the manner in which SCM members are to execute their responsibilities. The SCM code of conduct sets out the core values and behaviour for all members of the Supply Chain Management Unit. It encourages members to work openly, fairly and honestly at all times.

5.2 Officials of Department, any third parties, contractors or individuals/entities conducting purchasing practices for or on behalf of the Department shall observe the following ethical standards, principles and behavior:

5.2.1 Ensure that value for money is obtained by promoting fair, open and accessible competition when seeking or renewing contracts and ensuring continuous and effective contract management.

5.2.2 Accept responsibility, be fully accountable and maintain comprehensive documentation and justifiable evaluation criteria.

5.2.3. Maintain confidentiality and respect the rights of suppliers or potential suppliers in relation to their intellectual property and commercially confidential information.

5.2.4. Ensure that every process is transparent; free from bias or the perception of bias; and that the benefits of all information, assistance and concessions apply or are equally

- available to all bidders. Where appropriate, involve independent people on evaluation panels
- 5.2.5. Ensure that there is no actual or perceived conflict of interest in the bidding process by including full disclosure of any past, present or proposed future relationships, connections or interests with bidders.
 - 5.2.6. Foster a high standard of professional competence.
 - 5.2.7. Create an ethical culture for contract management, reinforced by effective monitoring and performance management tools.
 - 5.2.8. Ensure ethical and lawful behaviour by both private sector and public sector suppliers, by communicating required standards and closely monitoring compliance.
 - 5.2.9. Establish mutual trust and respect for people and property.
 - 5.2.10. Act in a way that does not compromise the standing of the Department.
 - 5.2.11. Comply with the requirements of the laws of the Country in which they practice.
 - 5.2.12. Honour contractual obligations.
 - 5.2.13. Repudiate all business practice which is improper and which is in discord with accepted moral principles.
 - 5.2.14. Disclose any conflict of interest that might affect the employee's objectivity.
 - 5.2.15. All information, which is received in connection with the Department's business, shall be treated confidentially and shall not be used for personal gain nor shall prices quoted be discussed with outsiders. All information furnished in the course of duty shall be true and fair and not be intended to mislead, and
 - 5.2.16. Gifts of money or goods, including the sale of materials or services at artificially low prices which are not available to the public, personal favours and hospitality which might impinge, or might be deemed by others to impinge upon the official's sound business judgment, shall not be accepted.

Further, Bid committee members are bound by a code of conduct based on five pillars: Conflict of interest, Confidentiality, Openness, Accountability and Avoiding combative practices.

6. DEMAND MANAGEMENT

6.1. Demand Management - It is the action of assessing what good or service is needed, and the planning when and how that good or service will be acquired.

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

- 6.1.1. Do annual review of goods and services needs by requesting lists of goods and services from Programme managers and consolidating it into one list.
- 6.1.2. Develop a procurement plan for the department
- 6.1.3. Link needs to the strategic plan, budget, contract register and verify needs against budget.
- 6.1.4. Prioritise needs.
- 6.1.5. Identification of a sourcing strategy based on historical spend, supplier identification, market assessment and industry assessment.
- 6.1.6. Disaggregate needs assessment and spending plan per month, and
- 6.1.7. Perform quarterly review and report variances.

6.2. BID SPECIFICATION COMMITTEE

The Bid Specification Committees (BSC) is appointed by the accounting officer to compile clear and unbiased specifications or terms of references. The BSC will be constituted of at least five cross functional members, of whom at least one should be a SCM practitioner. When it is deemed necessary, independent experts may also be co-opted to a BSC in an advisory capacity to suitably complement skills of the members. No advisor or consultant co-opted in the BSC may bid for any resulting bid.

7. ACQUISITION MANAGEMENT

Acquisition Management - This process covers the request for an item, based on the need, the sourcing strategy required to obtain an item; the acquiring of the good or service, and finally the administration thereof.

7.1 ROLE OF THE ACQUISITION MANAGEMENT SUB UNIT

Acquisition Management is charged with the sole responsibility of conducting all activities relating to procuring all goods and services (excluding human resources) to be utilised by Department of Social Development & Special Programmes within the framework published by National Treasury. They are therefore the first point of contact for new tenders and will handle all issues relating to tender administration.

Their activities include, but are not limited to

- 7.1.1 Implement procurement legislation and regulations;
- 7.1.2 Decide on the manner in which the market will be approached;
- 7.1.3 Manage Department's tendering process to achieve the highest professional standards in the awarding of contracts, so as to maximise value for money while adhering to international standards;
- 7.1.4 Manage the bidding process so that genuine competition is preserved and discrimination is avoided;
- 7.1.5 Co-ordinate and/or support the Bid Evaluation and Adjudication Committee approval process;
- 7.1.6 Ensure that effective control mechanisms are in place in all procurement areas to meet audit requirements;
- 7.1.7 Develop strategies to ensure the timely supply at the best possible combination of price, quality and availability; and
- 7.1.8 Implement government's preferential procurement policy objectives.

7.2. METHODS OF ACQUISITIONS

Acquisition of goods and services should not be from outside sources only, but all possible methods of fulfilling the requirements should be investigated. These methods may include but are not limited to the following:

7.2.1. Other government institutions, e.g. printing and stationery from Government Printing Works;

- a. Transversal term contracts;
- b. Lists of redundant/obsolete items from other institutions;
- c. Petty cash;
- d. Local versus international;
- e. Quotations from the centralized supplier database;
- f. Pre-qualification of potential suppliers;
- g. Inviting competitive bids;
- h. Existing formal contracts; and
- i. Negotiations where a sole supplier exists, or in case of emergencies subject to the Accounting Officer's approval.

Procurement of goods and services, either by way of quotations or through a bidding process, must be within the threshold values as determined by the National Treasury from time to time.

The splitting of costs of higher priced goods/services in order to circumvent these thresholds is not allowed.

7.2.2. One quotation for values up to R2000 (VAT included)

This is utilised when procuring goods and services with values not exceeding R2000 (including VAT).

7.2.3. Three written quotations for values of R2 001 but not exceeding R30 000

This method is utilised when procuring goods and services for values between R2 001 and R30 000 (including VAT), where an order is placed after receipt of at least 3 written quotations.

7.2.4. Written three quotations for values of R30 001 but not exceeding R500 000

As many suppliers (preferably from the database) as possible are invited to submit at least 3 written quotations. PPPFA Regulations are applicable in this category.

7.2.5. Competitive Bids for values above R500 001 (VAT included)

Open and effective competition provides many benefits, including innovation, efficiency and choice, and clearly illustrates the transparency and integrity of Department's procurement policies.

Invitation of tenders

Tenders shall be invited by the Procurement sub-unit for all goods and services exceeding R500 000 (including VAT). These tenders are advertised at least 30 days before closure in at least the Government Tender Bulletin and in other appropriate media if necessary to ensure greater exposure to potential bidders. In urgent cases subject to the Accounting Officer's approval, shorter periods can be used. Bidding procedures should be user friendly, transparent and free of corruption.

Bid documents

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

Recommendations

The Bid Evaluation Committee (BEC) after completion of the evaluation will compile a report summarizing the evaluation and recommending the supplier who will best fulfill the requirement. The report must specify the aim/purpose of bid requirement, the background into why /how the tender came about, the methodology of evaluation and the criteria used, deviations from set out criteria or specification/task directive if applicable with the reasons, the names of bidders being evaluated and their scores for all evaluated criteria's, and a summary of results pointing out the

weaknesses and strengths of all bidders. The final report should be signed by the chairperson of the Committee.

Award

According to the PPPFA and its Regulations, the contract may only be awarded to the bidder who scored the highest number of points, unless objective criteria justify the award to another bidder.

Contract Management

This is where the rights, risks and obligations of all the parties concerned are defined. The nature of the requirement, the quantity and quality of the goods and services should be clearly specified.

Tax Clearance

It is Government's policy not to award orders exceeding R30 000 to a supplier before a receipt of a valid original tax clearance certificate.

Others

Training of personnel is specific and not all service providers provide courses that are customized for each person in need of a particular skill hence the obtaining of three quotations may not necessarily make sense.

An emergency/urgent case is whereby immediate action is necessary in order to avoid a dangerous or risky situation, misery or want. Goods/services subject to the Accounting Officer's approval may be procured by preferably making use of the supplier database in cases where early delivery is of critical importance and the invitation of comparative bids is either impossible or impractical.

Information technology and related activities will be executed by the State Information Technology Agency (SITA).

The acquisition of immovable property is regulated in terms of the Land Affairs Act and administered by the Department of Public Works

8. EVALUATION CRITERIA

The evaluation for price and specific goals must be stipulated in the bidding documents/specification.

8.1. ALIGNMENT OF PPPFA WITH THE PRINCIPLES OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT (BBBEEA).

8.1.1 Cabinet directed that National Treasury should align the Preferential Procurement Policy Framework Act with the principles of the Broad-based Black Economic Empowerment Act (BBBEEA) because of the following ambiguities:

- Inconsistency in the policy application.
- The definition of HDI was too broad leading to huge fronting
- BBBEEA and PPPFA were not synchronized.

8.1.2 A work group was established between National Treasury and BEE unit of the Department of Trade and Industry to deal with the alignment. On the 02 March 2011 Cabinet approved the revised Preferential Procurement Regulations. The regulations were promulgated by the Minister of Finance on the 06 June 2011 to come into effect on 07 December 2011.

8.1.3 The 60/20 preference point system is applicable to bid (including price quotations) with a rand value equal to, or above R30 000 and up to a Rand value of R1 million (all applicable taxes included). Institutions may apply the 60/20 preference point system to price quotations with a value less than R30 000 if and when appropriate.

8.2 BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) STATUS LEVEL CERTIFICATES.

8.2.1 Bidders are required to, together with their bids, submit original and valid B-BBEE Status level verification certificates or certified copies thereof to substantiate their B-BBEE rating Claims.

8.2.2 Bidders who do not submit B-BBEE status level verification certificates do not qualify for preference point for B-BBE but should not be disqualified from the bidding process.

8.3. VERIFICATION CERTIFICATE IN RESPECT OF EXEMPTED MICRO ENTERPRISES (EMES)

- 8.3.1 In terms of the Generic Codes of Good Practice, an enterprise with annual total revenue of R5 million or less qualifies as an EME.
- 8.3.2 In instances where sector Charters are developed to address the transformation challenges of specific sectors or industries, the threshold for qualification as an EME may be different from the generic threshold of R5 million. For example the approved deviated thresholds for EMEs for the Tourism and Construction Sector Charters are R2.5 million and R1.5 respectively.
- 8.3.3 EMESs are deemed to have a B-BBEE status of "level four (4) contributor. In instances where EMEs are more than 50% owned by black people, such EMEs qualify as "B-BBEE of level three (3) contributors".
- 8.3.4 Accounting Officers (AOs)/ Accounting Authorities (AAs) must ensure that the B- BBEE Status Level Verification Certificates submitted are issued by the following agencies:
- (a) Verification Agencies accredited by the South African National Accreditation System (SANAS); or
 - (b) Registered auditors approved by the Independent Regulatory Board of Auditors (IRBA).

8.4. BIDDERS WHO QUALIFY AS EMES

Accounting officers as contemplated in section 60 (4) of the Closed Corporations Act, Act No.69 of 1984 (CCA),

- a. Verification Agencies accredited by SANAS; or
- b. Registered auditors approved by the IRBA

A trust, consortium or joint venture must and submit a consolidated B-BBEE Status Level Verification Certification for every separate bid

Public entities and tertiary institution must also submit B-BBEE Status Level Verifications together with their bids

8.5 VERIFICATION AGENCIES ACCREDITED BY SANAS:

- 8.5.1 Confirmation of the validity of a B-BBEE Status Level Verification Certificate can be done by tracing the Name of the issuing Verification Agency to the list of all SANAS accredited agencies. The list is Accessible on www.sanas.co.za/bbbee/default.php.
- 8.5.2 As a minimum requirement, all valid B-BBEE Status Level Verification Certificates should have the following information detailed on the face of the certificate:
- 8.5.2.1 The name and the physical location of the measured entity;
 - 8.5.2.2 The registration number and, where applicable, the VAT number of the measured entity;
 - 8.5.2.3 The date of issue and date of expiry;
 - 8.5.2.4 The certificate number for identification and reference;
 - 8.5.2.5 The scorecard that was used (for example EME, Qualifying small enterprise or Generic);
 - 8.5.2.6 The SANAS logo;
 - 8.5.2.7 The certificate must be signed by the authorized person from the Verification Agency; and
 - 8.5.2.8 The B-BBEE Status Level of Contribution obtained by the measured entity.

8.6 FUNCTIONALITY

- 8.6.1 In General, not all bids should be invited on the basis of functionality as a criterion. The need to invite bids on the basis of functionality as a criterion depends on the nature of the required commodity or service taking into account quality, reliability, viability and durability of services and the bidders technical and ability to execute a contract.

8.7 INVITATION OF BIDS ON FUNCTIONALITY

- 8.7.1 When an institution invites a bid that will be evaluated on the basis of functionality as criterion, the AQ must clearly specify the following aspects in the bid documents:

8.7.2 Evaluation criteria for measuring functionality.

The evaluation criteria may include criteria such as the consultants relevant experience for the assignment, the quality of the methodology proposed, the qualifications of the key staff proposed, transfer of knowledge etc.

8.7.3 Weight of each criterion.

The weight that is allocated to each criterion should not be generic and should be determined separately for each bid on an each case on its own merit basis.

8.7.4 Applicable values.

The applicable values that will be utilized when scoring each criterion should be objective. As a guide, values ranging from 1 being poor, 2 being average, 3 being good, 4 being very good and 5 that are excellent, may be utilized.

8.7.5 Minimum qualifying score for functionality

The minimum qualifying score for functionality that must be obtained for a bid to be regarded as acceptable should not be generic. It should be determined separately for each bid or each case on its own merit basis. The minimum qualifying score must not be prescribed so low that it may jeopardize the quality of the service required nor so high that it may be restrictive to the extent that jeopardizes the fairness of the SCM system.

- a. $P_s = S_o/M_s \times 100$ where
- b. P_s =percentage scored for functionality by bid/proposal under consideration
- c. S_o = total score of bid/proposal under consideration
- d. M_s = maximum possible score

8.8 EVALUATION OF BIDS ON FUNCTIONALITY

Bids that were invited on the basis of functionality as criterion must be evaluated in two stage- first functionality must be assessed and then in terms of the 80/10 preference point systems prescribed in Preferential Procurement Regulations 5 and 6. The evaluation must be done as follows

8.8.1. First stage – Evaluation of Functionality

Bids must be evaluated in terms of the evaluation criteria as embodied in the bid documents. The amendment of evaluation criteria, weights, applicable values and/or the minimum qualifying score for functionality after the closure of bids should not be allowed as this will jeopardize the fairness of the system.

A bid is regarded as acceptable if it achieves the prescribed minimum qualifying score for functionality.

Bids that fail to achieve the minimum qualifying score for functionality must be disqualified.

8.8.2 Second stage- Evaluation in terms of the 80/20 or 90/10 preference point systems

Only acceptable bids must be evaluated further in terms of the 80/20 or 90/10 preference point systems prescribed in preferential procurement Regulations 5 and 6.

8.9 LOCAL PRODUCTION AND CONTENT

8.9.1 Bids in respect of designated sectors must contain a specific bidding condition that only locally produced goods, services or works or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered.

8.9.2 Where there is no designated sector, AOs/ AAs may decide to include a specific bidding condition that only locally produced goods, services or works or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered. Such a condition and minimum threshold must only be included with approval of the National Treasury in consultation with the Department of Trade and Industry.

8.9.3 Every bid invited on the basis of local production and content must be measurable and must be audited by the institutions internal audit. Bids that were invited on the basis of local production and content should be evaluated by following a two-stage bidding process:

8.9.4. First stage-Evaluation in terms of the stipulated minimum threshold for local production and content

8.9.4.1 Bids must be evaluated in terms of the evaluation criteria stipulated in the bid documents. The amendment of the stipulated minimum threshold for local production and content after the closure of bids should not be allowed as this will jeopardize the fairness of the system.

8.9.4.2 A bid is regarded as acceptable if it achieves the stipulated minimum threshold for local production and content

8.9.4.3 Bids that fail to achieve the stipulated minimum threshold for local production and content must be disqualified.

8.9.5 Second stage- Evaluation in terms of the 80/20 or 90/10 preference point systems

8.9.5.1 Only acceptable bids must be evaluated further in terms of the 80/20 or 90/10 preference point systems prescribed in Preferential Procurement Regulations 5 and 6.

8.9.5.2 Where appropriate, prices may be negotiated only with short listed or preferred bidders. The reasons for such price negotiations must be approved and recorded for audit purposes

8.10 SERVICES RENDERED BY TERTIARY INSTITUTIONS AND PUBLIC ENTITIES.

8.10.1 Based on thorough analysis of the market, institutions may invite bids for services that can only be provided by tertiary institutions through a bidding process from the identified tertiary institutions

8.10.2 Where the required service can be provided by tertiary institutions, public entities and enterprises from the private sector, institutions must invite competitive bids

8.11 DISCOUNTS

When calculating comparative prices:

8.11.1 Unconditional discounts must be taken into account when calculating comparative prices for evaluation purposes; and

8.11.2 Conditional discounts must not be taken into account when calculating comparative prices for evaluation purposes but should be implemented when payment is affected.

8.12 SUB-CONTRACTING

8.12.1 A bidder must not be awarded the points claimed for B-BBEE status level of contribution if it is indicated in the bid documents that such a bidder intends sub-contracting more than 25% of the contract value to any other enterprise that does not qualify for the least the

- same number of points that the bidder qualifies for, unless the intended sub-contractor is an EME that has the capability to execute the sub-contract.
- 8.12.2 A contractor is not allowed to sub-contract more than 25% of the contract value to another enterprise that does not have equal or higher B-BBEE status level, unless the intended sub-contractor is an EME that has the capability and ability to execute the sub-contract.
- 8.12.3 In relation to a designated sector, a contractor must not be allowed to sub-contract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.

8.13 CALCULATION OF POINTS

Calculation of points for price

10.13.1 The PPPFA prescribes that the lowest acceptable bid will score 80 or 90 points for price.

Bidders that quoted higher prices will score lower points for price on a pro-rata basis.

The formula to be utilized in calculating points scored for price are as follows:

80/20 Preference point system

Where:

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

P_s = Points scored for comparative price of bid/offer under consideration

P_t = Comparative price of bid/offer under consideration

P_{min} = Comparative price of lowest acceptable bid/offer

Calculation of points for price

90/10 Preference point system

$P_s = 90$

Where:

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

P_s = Points scored for comparative price of bid/offer under consideration

P_1 = Comparative price of bid/offer under consideration

P_{min} = Comparative price lowest acceptable bid/offer

Points scored must be rounded off to the nearest 2 decimal places

8.14 CALCULATION OF POINTS FOR B-BBEE STATUS LEVEL CONTRIBUTOR

Points must be awarded to a bidder for attaining the B-BBEE status level of contributor in accordance with the table below:

B-BBEE Status Level of Contributor	Number of points (90/10 system)	Number of points (80/20 system)
1	10	20
2	9	18
3	8	16
4	5	12
5	4	8
6	3	6
7	2	4
8	1	2
Non-compliant contributor	0	0

A bid must not be disqualified from the bidding process if the bidder does not submit a certificate substantiating the B-BBEE status level of contribution or is non-compliant contributor. Such a bidder will score 0 out of a maximum of 10 or 20 points for B-BBEE.

8.15 CALCULATION OF TOTAL POINTS SCORED FOR PRICE AND B-BBEE STATUS LEVEL OF CONTRIBUTOR.

10.15.1 The points scored for price must be added to the points scored for B-BBEE status level of contributor to obtain the bidder's total points scored out of 100.

8.16 EVALUATION OF BIDS THAT SCORED EQUAL POINTS.

- 8.16.1 In the event that two or more bids have scored equal total points, the successful bid must be the one that scored the highest points for B-BBEE.
- 8.16.2 If two or more bids have equal points, including equal preference points for B-BBEE, the successful bid must be the one scoring the highest score for functionality if functionality is part of the evaluation process.
- 8.16.3 In the event that two or more bids are equal in all respects, the award must be decided by the drawing of lots.

8.17 CANCELLATION AND RE-INVITATION OF BIDS

- 8.17.1 In the application of 80/20 preference point system, if all bids received exceed R1 000 000, the bid must be cancelled. If one or more of the acceptable bid(s) received are within the R1 000 000 threshold, all bids received must be evaluated on the 80/20 preference point system.
- 8.17.2 In the application of the 90/10 preference point system, if all bids received are equal to or below R1 million, the bid must be cancelled. If one or more of acceptable bid(s) received are above R1 million threshold, all bids received must be evaluated on the 90/10 preference point system.
- 8.17.3 If a bid was cancelled as indicated above, the correct preference point system must be stipulated in the bid documents of the re-invited bid.

An AO may, prior to the award of a bid, cancel the bid if:

- 8.17.4 Due to changed circumstances, there is no longer a need for the services, works of goods requested. [AO must ensure that only goods, services or works that are required to fulfill the needs of the institution are procured]; or
- 8.17.5 Funds are no longer available to cover the total envisaged expenditure. [AO must ensure that the budgetary provisions exist prior to inviting bids]; or
- 8.17.6 No acceptable bids are received. [If all bids are rejected, the institution must review the reasons justifying the rejection and consider making revisions to the specific conditions of contract, design and specifications, scope of the contract, or a combination of these, before inviting new bids].

ITEM	PERSON RESPONSIBLE	TIME ALLOCATION
13. Opening and Welcoming Address	District Manager	08H30-08H40
14. Purpose of the Workshop	Mrs. N. Mabusela- Morrison	08H40-09H00
15. Presentation by Policy Originators : ICT Policies	Mr. Mahlangabeza	09H00- 10H00
16. TEA BREAK	ALL PARTICIPANTS	10H00-10H15
17. Presentations by Policy Originators : Procurement Policy	Mr. S.Mzana	10H15 – 11H00
18. Presentations by Policy Originators: Code of Conduct for Procurement Officials Policy	Mr.S.Mzana	11H00 – 12H00
19. Presentation by Policy Originators: After Care Funding Policy	Mr. W.Ncipal	12H00-13H00
20. LUNCH BREAK	ALL PARTICIPANTS	13H00-14H00

8.18 AWARDING OF CONTRACTS.

- 8.18.1 A contract must be awarded to the bidder who scored the highest total number of points in terms of the preference point system.
- 8.18.2 In exceptional circumstances a contract may, on reasonable and justifiable ground, be awarded to a bidder that did not score the highest number of points. The reasons for such a decision must be approved and recorded for audit purposes and must be defensible in a court of law.

8.19 SALE AND LETTING OF ASSETS

10.18.1 The Preference Procurement Regulations, 2011 is not applicable to the sale and letting of assets.

10.18.2 In instances where assets are sold or leased by means of a bidding process, the bid must be awarded to the bid with the highest price.

10.18.3 If a bid was invited in terms of the evaluation criteria prescribed in the Preferential Procurement Regulations, 2001 (prior to the date of coming into effect of the Preferential Procurement Regulations, 2011) but will only be evaluated and awarded after the date of coming into effect of the Preferential Procurement Regulations, 2011, the bid must be evaluated and awarded in terms of the evaluation criteria prescribed in the Preferential Procurement Regulations, 2001 and in terms of the conditions contained in the bid documents.

9. BID EVALUATION COMMITTEE

The Bid Evaluation Committees (BEC) is appointed by the accounting officer and 1 member is appointed as the chairperson of the committee. The BEC will be constituted of at least five cross functional members, of whom at least one should be a SCM practitioner and, When it is deemed necessary, independent experts may also be co-opted to a BEC in an advisory capacity and under control of the officials. The roles of the BEC include:

- 9.1.1 Evaluation based on pre set criteria and in accordance with the provisions of the PPPFA.
- 9.1.2 Verification of the ability of bidders to carry out a contract successfully.
- 9.1.3 Consideration of the acceptance of a bid with acceptable deviations from the specification.
- 9.1.4 Consideration of the acceptance of alternative offers.

- 9.1.5. Consideration of the acceptance of bids which is not the lowest in price but represents an improvement on the specification.
- 9.1.6. Communication with bidders where information is incomplete or where a lack of clarity exists about technical aspects of the offer; and
- 9.1.7. Communication with bidders to obtain confirmation of prices or preference claims in cases where it is obvious that a written or transcription error or an error in the unit price has been made.

10. BID ADJUDICATION COMMITTEE.

10.1. Establishment of the Committee

The Bid Adjudication Committee (BAC) of the Department shall comprise of at least five members of whom at least one should be a SCM practitioner. The Chairperson of the committee may be the Chief Financial Officer or his/her delegate. The Head of Department can delegate the chairing of BAC meetings to a senior official of the Department that had knowledge of the procurement prescripts. The Accounting Officer shall approve the appointment of the members to serve on the Committee in a manner that seeks to promote representatively across various sections in the Department. However, cognizance will be given to the need to ensure that the required mix of skills and expertise in this field is achieved. The members of this Committee should be cleared at the level of "confidential" and should on an annual basis, declare their financial interest.

10.2 The Mandate and Code of Conduct of the Bid Adjudication Committee

BEC is mandated to take full responsibility for all decisions regarding the procurement of all goods and services required by Department through the competitive bidding process. The Bid Committee will follow corporate policies and goals set by the National Treasury. Their responsibilities include the following:

- 10.2.1. To perform their duties efficiently, effectively and with integrity so as to ensure that public resources are administered responsibly.
- 10.2.2. To ensure that bid documents include the evaluation criteria and that the bid was evaluated against the criteria (no deviation)
- 10.2.3. To ensure that disqualifications are justified
- 10.2.4. To ensure that scoring was fair, consistent and correct

- 10.2.5. To ensure that vendors declaration of interest were noted
- 10.2.6. May disregard a bid if the bidder has failed to perform on any previous contracts
- 10.2.7. Approval of the acceptance of bids which is not the lowest in price but represents an improvement on the specification.
- 10.2.8. The Committee may finalize and recommend bids up to R 5 million (including VAT), and will recommend bids exceeding R5 million (including VAT) to the IBEC (Interim Bid Evaluation Committee) for recommendation and the Accounting officers approval.

11. LOGISTIC MANAGEMENT

Logistics Management – It is the process of determining when goods and services are procured, how they are received, how they are stored and how they are distributed.

Logistics management aspects pertains to coding of items, setting of stock levels, placing of orders, vendor performance, warehouse management, issuing of stores items, stock taking, transport management, and the management of surpluses and losses.

11.1 The objective

To provide efficient procurement, storage and transportation of goods and services.

11.2. Stock levels

Provisioning management should establish which items and quantities should be kept in stock and the minimum/maximum levels to be kept in stock based on consumption figures or inputs from users. A safety margin should be added to the minimum level to cover unforeseen circumstances.

11.3. Placing of orders

An order should be placed either when a pre-determined stock level is reached or when a request is received from an end-user for an item which is not held in stock.

11.4. Order processing

Quotations should be sent to the verifier for approval before an order can be processed.

11.5. Warehouse management

Goods received should be checked on arrival by the transit clerk. Goods should be stored in accordance with legal stipulations. Access to the stores should be limited to the store keeper.

11.6. Issuing and distribution of items

An issue voucher should be generated for all goods issued. Consumable stores items should not be recorded after issue. Non-consumable items should be recorded from receipt to disposal.

11.7. Stocktaking

Stocktaking should be done on regular intervals to determine variances. Stocktaking of all assets in stock or in distribution shall be conducted at least once a year. Differences should then be accounted for.

11.8. Accounts payable

Payments should be made promptly to avoid interest charges. Logistics must ensure that relevant documentation is submitted to activate payment. No incomplete transactions should be paid.

11.9. Losses/surpluses

Losses should be prevented by making sure that no assets are transferred or removed from stores without proper documentation and authorization. Where possible, surpluses should be avoided by making use of methods such as just-in-time and/or setting optimum pre-determined stock levels.

12. DISPOSAL MANAGEMENT

Disposal Management – Disposal is the structured management of assets no longer usable, not economical to maintain or are not required anymore.

Policy of Disposal of all unserviceable, redundant or obsolete assets must be in place and it is covered on asset policy. The disposal unit in consultation with the disposal committee develops a disposal plan for the identified items listed in the disposal database. The disposal database is developed from the stock-taking report.

The items are recorded and kept separately and an approval is obtained from the Accounting Officer with an appropriate strategy relating to the manner in which items are to be disposed off such as:

- 12.1. Transfer of items to another institution in terms of PFMA.
- 12.2. Transfer to another institution free of charge.
- 12.3. Selling per price quotation, Competitive Bid or Auction or
- 12.1.3. Destroying such Assets like Fire Arms after an approval in terms Fire Arm Act
- 12.1.4. Donation.

After disposal both the asset register and the procurement plan should be updated.

13. Risk Management

Risk Management- Risk is defined as '...the uncertainty of the event occurring that could have an impact on the achievement of objectives'. Risk is measured in terms of consequences and likelihood.

Risks are identified and analyzed its impact to the organization as well as the causes in all elements of SCMU.

If the likelihood of occurrence is high and the impact is high, there must be a response plan to mitigate a risk into an acceptable level.

Risk Assessment Committee of the organization must be in place. Risk profiles must be in place for each element of SCM. Risk must be reviewed quarterly. This function resides in the Head of Department's section.

14. SUPPLY CHAIN PERFORMANCE MEASUREMENT

Supply Chain Management Performance - SCMU ensures that procurement processes are implemented and managed effectively, efficiently and economically. Ensure that the right goods and services, right quality from the supplier, at the right time and price is delivered to the right location. Evaluate the reasons of not following the procurement processes and check whether an approval has been obtained for such deviation from the Accounting Officer.

Performance measurements need to be focused on what factors add to total performance, total value achieved or total cost. The principle performance indicator is customer service. Broader performance indicators will cover the following issues:

- a. Compliance with norms and standards.
- b. Consistency with Government's broader policy.

14.1 Performance Indicators of availability

Stock-out frequency: how many times does demand for a specific product exceed its Availability.

Fill rate: how much of a specific product is available to satisfy customer demand.

Orders complete: how often is customer demand fully met.

14.2. Operational performance indicators

- 14.2.1. Speed: order cycle time.
- 14.2.2. Flexibility: ability to handle extraordinary customer requests.
- 14.2.3. Malfunction recovery: contingency plans for recovering from service failures.
- 14.2.4. Savings generated
- 14.2.5. Cost efficiency of the procurement process.

15.3. Reliability performance indicators

- 15.3.1. Ability to comply to planned inventory availability
- 15.3.2. Capability and willingness to provide accurate and timely customer logistical information.
- 15.3.3. Commitment to continuous service quality improvement.

15.4 Vendor Performance

The reliability of suppliers should be monitored in terms of whether they honour their generally accepted delivery period, and that they deliver goods according to specifications; i.e. quality and quantity.

16. TRAINING

To fully achieve the objectives of the SCM policy, the SCM unit must have access to a dedicated, well-trained, professional team of people. It is the responsibility of the Accounting Officer to ensure that the SCM personnel are adequately trained and deployed in accordance with the requirements of Framework for Minimum Training and Deployment issued by the National Treasury

17 RECOMMENDATIONS AND APPROVALS

Recommended/ ~~Not Recommended~~



Head of Department, Dept of Social
Development & Special Programmes.

24.04.2012
Date

Approved/ Not Approved



Member of the Executive Council (MEC); Dept of Social
Development & Special Programmes

30/04/2012
Date