



# LIMPOPO

PROVINCIAL GOVERNMENT  
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF  
**EDUCATION**

## SUPPLY CHAIN MANAGEMENT POLICY

EFFECTIVE DATE

06 MAY 2022

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## 1. ACRONYMS

The following are abbreviations used in this Policy

AA	Accounting Authority
AO	Accounting Officer
BAC	Bid Adjudication Committee
BBBEE	Broad Based Black Economic Empowerment Act, No.53 of 2003
BEC	Bid Evaluation Committee
BSC	Bid Specification Committee
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
CSD	Central Supplier Database
CPO	Chief Procurement Officer
DC	Disposal Committee
DM	Demand Management
LDoE	Limpopo Department of Education
LPT	Limpopo Provincial Treasury
NT	National Treasury
PFMA	Public Finance Management Act No. 29 of 1999, as amended No.29 of 1999
SCM	Supply Chain Management
SITA	State Information Technology
SMME	Small, Medium, Micro Enterprise
SLA	Service Level Agreement
VAT	Value Added Tax

## 2. DEFINITIONS

In this Policy, unless the context indicates otherwise -

- 2.1. **“Accounting Officer”** means an accounting authority as defined in section 1 of the Public Finance Management Act, 1999.
- 2.2. **“Bid”** means a written offer made by a bidder in response to a Request to Quote or Tender.
- 2.3. **“Bidder”** means any legal persona who herewith submits a bona fide bid (offer) in response to a Request for Bid (RFB).
- 2.4. **“Contract”** means an agreement which results from the acceptance of a bid entered between the successful bidder(s) and the Department.
- 2.5. **“Contractor”** means any natural or legal person whose bid has been accepted by the Department.
- 2.6. **“Department”** means Limpopo Department of Education (LDoE).
- 2.7. **“End User”** means an Official or Unit that requires and has the budget for the required goods/services. End User can be used interchangeably with the word “Cost Centre”.
- 2.8. **“Supplier”** means a private person or entity that provides goods, services or works. Supplier can be used interchangeably with the word “Service Provider”.

### 3. PREAMBLE

This Policy sets out procedural, institutional and administrative actions in procurement processes for goods/services (including infrastructure/construction works), management, letting and disposal of assets within the Department to ensure value for money and full compliance to SCM Legislative Framework.

The Policy is also intended to maintain the principles of honesty, fairness, equity, cost effectiveness, competitiveness and transparency in SCM Processes.

### 4. LEGISLATIVE FRAMEWORK

4.1. This Policy is premised on the following primary legislative framework within which the Department should operate:

4.1.1. The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)

In terms of Section 217 (1) of The Constitution of the Republic of South Africa, *"When an organ of state in the national, provincial or local sphere of government, or any other Department identified in 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."*

Furthermore, Section 217(2) of the Constitution provides that: *"Sub-section (1) does not prevent organs of state or Departments referred to in that sub-section from implementing a procurement policy providing for:*

*a) categories of preferences in the allocation of a contract; or*

*b) the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination."*

4.1.2. Public Finance Management Act, 1999 (Act 1 of 1999)

Section 38(1) (iii) of the Public Finance Management Act, 1999 prescribes that:

*"The Accounting Officer for a Department, trading entity or constitutional Department must ensure that the Department, trading entity or constitutional Department has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective."*

#### 4.1.3. National Treasury Regulations, 2005

- (a) National Treasury Regulations (16A) outlines processes that need to be followed for the establishment and implementation of the SCM System within organs of state.
- (b) Regulation 16.3.1 prescribes that the Accounting Officer or Accounting Authority of an institution must develop and implement an effective and efficient SCM System in his/her institution for:
  - (i) The acquisition of goods and services; and
  - (ii) The disposal and letting of state assets, including disposal of goods no longer required.

#### 4.1.4. Broad Based Black Economic Policy Framework Act, 2000 (Act 5 of 2000)

The main objective of the above-mentioned Act is to facilitate broad-based black economic empowerment through strategies that including Preferential Procurement. The Act provides for codes of good and qualification criteria for procurement and other economic activity.

#### 4.1.5. Construction Industry Development Board Act, 2000 (Act 38 of 2000)

The CIDB Act regulates the invitation, awarding and management of tenders for the public sector construction contracts.

#### 4.1.6. State Information Technology Agency (SITA) Act, (Act No. 88 of 1998, as amended by Act No. 38 of 2002)

The SITA Act prescribes that all departments must procure all Information, Communication and Technology goods and services through Sita.

- 4.2. This Policy must be read together with the following prescripts (amongst others) which influence SCM System:
- 4.2.1. Promotion of Access to Information Act, 2000 (Act 2 of 2000)
  - 4.2.2. Public Service Act, 1994 (Act 103 of 1994 as amended) and its Regulations
  - 4.2.3. State Information Technology Act, 1988 (Act 88 of 1998 as amended)
  - 4.2.4. Competition Act, 1998 (Act 89 of 1988)
  - 4.2.5. Promotion of Administrative Justice Act, 2000 (Act 3 of 2000)
  - 4.2.6. Promotion of Equality and Prevention of Unfair Discrimination Act, 2000 (Act 4 of 2000)
  - 4.2.7. Prevention and Combating of Corrupt Activities Act, 2004 (Act 12 of 2004)
  - 4.2.8. The Protected Disclosure Act, 2000 (Act No. 26 of 2000)
  - 4.2.9. National Treasury SCM Instruction Notes, Circulars and Standard Operating Procedures
  - 4.2.10. Limpopo Provincial Treasury SCM Instruction Notes, Circulars and Standard Operating

## **5. INSTITUTIONAL ARRANGEMENTS**

- 5.1. In terms of Regulation 16A.4.1, the Accounting Officer must establish an SCM Unit within the office of the CFO to implement SCM system.
- 5.2. In implementing the SCM System, the SCM Unit should perform the following main functions:
  - 5.2.1. Undertake an on-going maintenance of the SCM system to improve effectiveness and efficiencies of the system.
  - 5.2.2. Report on performance of the SCM system.
  - 5.2.3. Enforce the regulatory framework for SCM within the Department.
  - 5.2.4. Render assistance to End Users.
  - 5.2.5. Render administrative support to the Departmental Bid Committees.
  - 5.2.6. Provide training to SCM Practitioners, Bid Committee members and other stakeholders.
  - 5.2.7. Manage the procurement of goods and services for the Department.
  - 5.2.8. Manage bid administration processes which include but not limited to:
    - (a) Compilation of bid specifications and documents.
    - (b) Invitation of quotations.
    - (c) Advertisement of bids.
    - (d) Receiving and opening of quotations/bids.
    - (e) Maintaining a bid register.
    - (f) Co-ordination of evaluation and adjudication of quotations/bids.
    - (g) Administration and management of contracts.
    - (h) Maintenance and keeping of a proper audit trail for all procurement transactions.
    - (i) Regular reporting to the accounting officer on the performance of the SCM system.
    - (j) Prevention of irregularities in the procurement of goods and services.

### 5.3. Responsibilities of the End Users

It is the responsibility of the End Users to:

- 5.3.1. Understand and Plan for future needs.
- 5.3.2. Identify critical delivery dates.
- 5.3.3. Ensure that the necessary funds are available for goods and services to be procured.
- 5.3.4. Acquaint themselves with SCM procurement prescripts.
- 5.3.5. Develop draft specifications for areas that require technical skill and needs associated with their programme / sub-programme deliverables.
- 5.3.6. Timeously provide the SCM unit with all the necessary information to arrange for the acquisition of goods and services.
- 5.3.7. Provide technical advice and make presentations to Bid Committees when required.
- 5.3.8. Maintain a close and co-operative relationship with the SCM unit so that the goals and objectives of the Department are efficiently and effectively met.
- 5.3.9. Custodian of assets under their control.
- 5.3.10. Implementation of contracts and reporting performance to SCM Unit.



## 6. DELEGATIONS

The Accounting Officer shall approve Financial Delegations incorporating SCM processes to be reviewed on annual basis as follows:

- 6.1. Delegations are issued to functionaries for implementation in terms of section 44(1) of the PFMA, the Framework for SCM Regulations and the Provincial Treasury Instructions.
- 6.2. The SCM delegations are incorporated within Financial Delegations and will be reviewed on an annual basis or as and when necessary.
- 6.3. The SCM Unit shall discharge the SCM responsibilities in terms of the approved delegations without any deviation.

## 7. SUPPLY CHAIN MANAGEMENT SYSTEM

The SCM Unit should develop Standard Operating Procedures and/or Separate Policy for the implementation of the following key functions for goods and services within SCM System:

- 7.1. Demand Management
  - 7.1.1. Demand Management provides for an effective system to ensure that the resources required to support the strategic and operational plans are delivered at the right time, price and location and that the quantity and quality satisfy the needs thereof.
  - 7.1.2. Prior commencement of a Financial Year, Demand Management Unit must co-ordinate the submission of Annual Procurement Plans by End Users approval and submission to Provincial Treasury (LPT).
  - 7.1.3. Demand Management Unit must conduct market research to establish market prices for every procurement transaction to be used during evaluation and adjudication processes.
  - 7.1.4. For every procurement transaction, SCM Unit should conduct need assessment and carry out the following activities: -
    - (a) Understanding future needs.
    - (b) Identifying critical delivery dates.
    - (c) Establishing the frequency of needs.
    - (d) Linking the requirement to the budget.
    - (e) Doing an expenditure analysis based on past expenditures.
    - (f) Determining the specifications.
    - (g) Commodity and Industry analysis.

7.1.5. In order to achieve effective demand management, the department shall continuously ensure the implementation of norms and standards issued by National and Provincial Treasuries as well as Departmental Procedure Manual.

## 7.2. Acquisition Management

7.2.1. The Department must comply with the prescribed procurement thresholds as issued by National/Provincial Treasury as well as Departmental delegations.

7.2.2. Acquisition Management Unit should decide on the optimum procurement method (Sourcing Strategy) that should be selected to satisfy the need.

7.2.3. The Acquisition Management Unit should co-ordinate bid invitation process, Bid Evaluation and Adjudication Committees or process the transaction directly based on the approved delegations.

7.2.4. SCM Unit may not invite price quotations or competitive bids if no or insufficient provision is made in the budget.

7.2.5. The following are procurement methods that may be utilised:

- (a) LDoE competitive bidding process.
- (b) Participation in a Transversal Contract arranged by SITA, National or Provincial Treasury.
- (c) Participation in a contract arranged by any organ of state through a competitive process.
- (d) Utilisation of the Departmental Institutions (i.e. Public Schools and Education Multi-Purpose Centres) in terms of the Cost Containment Measures.
- (e) Written Price Quotations within the threshold/s prescribed National/Provincial Treasury.

7.2.6. The Department may also procure through other means of procurement (limited bidding) through a deviation from quotations/competitive bids under the following circumstances:

- (a) Emergency case: This applies where immediate action is necessary in order to avoid a dangerous or perilous condition or risky situation or misery or defect. Provided that the situation was unforeseen.
- (b) Urgency Case: This applies where early delivery is critical and the invitation of competitive bids is either impossible or impractical (not due to improper or poor planning).
- (c) Sole Provider: This a procurement where there is no competition and only one service provider exist.
- (d) Single source: This is a procurement where a thorough analysis of the market and transparent and equitable pre-selection process is used to decide on one supplier among a few prospective bidders to make a proposal.
- (e) Multiple Source: This is procurement where a thorough analysis of the market indicates that there is limited competition and only a few prospective bidders are requested to make a proposal.

7.2.7. In a case of other means of procurement mentioned, the following procedure should be followed:

- (a) The affected End User must submit a duly motivated application (using prescribed template) to SCM Unit detailing factors that gave rise to the kind of procurement method (i.e. sole supplier, emergency, urgency, single or multiple source).
- (b) The selected Procurement method should be approved by the Accounting Officer or a delegated official in line with the applicable deviation legislation issued by National/Provincial Treasury and Departmental Financial Delegations.

- 7.2.8. The following selection procedure shall be followed in case of sole provider, emergency and urgent cases:
- (a) Sole Supplier: The supplier shall be selected through a thorough market research and substantiated by documentary proof confirming that there is no any other supplier in the market.
  - (b) Emergency case: Selection of at least three (3) suppliers from the Central Supplier Database according to the nature of the service and delivery point. Given the emergency nature of the required service any number of the received quotations shall be process.
  - (c) Urgency Case: Selection of at least three (3) suppliers from the Central Supplier Database according to the nature of the service and delivery point. Given the urgency nature of the required service any number of the received quotations shall be process.
- 7.2.9. Stringent Checklist must be utilised to curtail reliance on procurement by other means.
- 7.2.10. The procurement by other means shall be reported to the Provincial Treasury and Auditor General of South Africa within 14 Working Days and disclosed in the Departmental Annual Report.
- 7.2.11. Quotations/bids must only be awarded to bidders that are registered on the Central Suppliers Database and whose Tax Matters are in order.
- 7.2.12. Relevant Standard Bid Documents shall be used for all quotations, bids and procurement by other means as prescribed by National or Provincial Treasury.
- 7.2.13. Competitive bids shall be advertised the Government Tender Bulletin, e-Portal and/or any other media for a minimum period of 21 days except in urgent cases when bids may be advertised for a shorter period determined by the Accounting Officer.
- 7.2.14. A bid remains valid for a period not exceeding 180 days from the closing date. This period may be extended by the Accounting Officer to a period sufficient to finalise the award.
- 7.2.15. The evaluation and adjudication criteria for quotations and bids shall be in line with the Preferential Procurement Regulations issued by the National Treasury in terms of the Preferential Procurement Policy Framework Act, 2000.

7.2.16. Where the National Treasury has not yet issued Preferential Procurement Regulations as prescribed by the Preferential Procurement Policy Framework Act, 2000 or the existing regulations are withdrawn/suspended without interim arrangement in place the following criteria will be used for evaluation and adjudication of quotations and bids:

- (a) Compliance to the minimum specifications, terms and conditions.
- (b) Functionality Scoring (where applicable).
- (c) Price Consideration: The award should be made to the bidder with the Lowest Acceptable Price.
- (d) In case bidders have quoted same prices, the quotation/bid must be awarded to a bidder that scored the highest points for functionality (where applicable). If Functionality is not part of the evaluation criteria, the award must be decided by the drawing of lots.

7.2.17. No service should be rendered without an Official Purchase Order and Formal Contract/Service Level Agreement (where applicable). Formal Contract/Service Level Agreement must be signed by successful bidders and Accounting Officer for term contracts (unlimited amount) and once-off transactions above an amount prescribed for quotations.

7.2.18. A separate Procedure Manual for Infrastructure Procurement (construction works) should be developed in terms of the National Treasury Instruction Note No. 03 of 2019/2020. The Procedure Manual must prescribe procedure to be followed for the invitation, awarding and management of tenders for the construction contracts in line with the CIDB Act, 2000.

7.2.19. Price quotations and competitive bids may be cancelled under the following circumstances:

- (a) Due to changed circumstances (there is no longer a need for the goods or services).
- (b) Funds are no longer available to cover the envisaged expenditure.
- (c) No acceptable quotation/tender is received
- (d) There is material irregularity in the quotation/tender

### 7.3. Logistics Management

Logistics Management includes the management of inventory and transport services including vendor performance and contract management as follows:

#### 7.3.1. Inventory Management

SCM Unit must manage Stores/Warehouse/s and issuing of stock and carry out the following:

- (a) Setting of inventory levels: Stock items shall be systematically replenished using the re-order point planning strategy (with minimum/maximum levels).
- (b) Placing of orders: Purchase orders must be issued using LOGIS (Financial Management System) and Asset Management Unit must be notified immediately when an asset is procured (for asset barcoding and registration).
- (c) Receiving and distribution of goods: Use of LOGIS for receiving and distribution of goods. Received goods must comply with quality/quantity and specifications.

#### 7.3.2. Contract Management

- (a) SCM Unit must develop and implement a separate Contract Management Policy and/or Procedure Manual in line with National/Provincial Treasury legislative framework/directives for management of contracts and monitoring of supplier performance.
- (b) Contract Management Section carry out the following functions amongst others:
  - (i) Assist Ender-Users to identify performance measures and draft Contracts/Service Level Agreements.
  - (ii) Ensure that all Service Level Agreements are approved by Legal Services and facilitate the contracting process by the Department and appointed supplier/s.
  - (iii) Monitor contract implementation and any changes (Variations/Price Adjustments) to ensure that the contractor fulfils its obligations.
  - (iv) Monitor vendor performance and pursue remedies in the event of poor performance or contract breach.
  - (v) Ensure the contractors are treated fairly.

- (vi) Maintain Contract Register and maintain adequate contract records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail.
  - (vii) Notification of End Users about expiry contracts to ensure early tendering process for a new contract if still necessary.
- (c) Contract Register must be developed and maintained on an ongoing basis.
- (d) The Accounting Officer may expand or vary a contract in line with the National/Provincial Treasury Legislative Framework.

#### 7.3.3. Transport Management

The SCM Unit shall implement a separate Policy and/or Procedure Manual for the management of transport services in line with the National/Provincial Legislative Framework.

#### 7.4. Management, Disposal and Letting of State Assets

- 7.4.1. Treasury Regulation 10.1 requires of the Accounting Officer to ensure that processes, manual or electronic, and procedures are in place for the effective, efficient, economical and transparent use of the entity's assets.
- 7.4.2. Proper Controls must be in place to ensure the prevention of theft, losses, wastage and misuse of assets.
- 7.4.3. An Asset Register must be developed and maintained on an ongoing basis.
- 7.4.4. SCM Unit should also develop and implement a separate Policy and/or Procedure Manual for the management, letting and disposal unserviceable, redundant or obsolete assets.

## **8. COMPLIANCE WITH ETHICAL STANDARDS**

8.1. All officials and other role players in the SCM system must comply with the highest ethical standards in order to promote mutual trust and respect and an environment where business can be conducted with integrity and in a fair and reasonable manner. These officials and role players must sign the Code of Conduct Form to acknowledge awareness and compliance to the set standards.

8.2. The Code of Conduct Form must be signed on an annual basis.

## **9. RESTRICTION FROM DOING BUSINESS WITH GOVERNMENT**

9.1. The Accounting Officer may restrict any person or company from doing business with the government for a specific period as prescribed by National/Provincial Treasury following the applicable Legislative Framework.

9.2. The restriction process shall follow the instruction notes or directives issued by National/Provincial Treasury.

## **10. BID COMMITTEE SYSTEM**

10.1. Regulation 16A.6.2 of the Treasury Regulations (2005) stipulates an SCM System must, *inter alia*, provide for the establishment, composition and functioning of Bid Specification, Evaluation and Adjudication Committees as follows. Each Financial Year the Accounting Officer shall appoint officials to serve as members of Bid Committees for that particular year as follows:

10.1.1. Bid Specification Committee responsible for the compiling of bid specifications.

10.1.2. Bid Evaluation Committee responsible for the evaluation of quotations/bids.

10.1.3. Bid Adjudication Committee responsible for adjudication of quotations/bids and depending on the delegations granted by the Accounting Officer make final award or make a recommendation to the Accounting Officer for the final award.



10.2. The Accounting Officer must establish the following Bid Committees in line with the applicable National/Provincial SCM Legislative Framework as well as Departmental Financial Delegations:

10.2.1. Head Office Level

- (a) Standing Quotation Specification Committee for quotations.
- (b) Standing Quotation Evaluation Committee for quotations.
- (c) Standing Quotation Adjudication Committee.
- (d) AD-Hoc Bid Specification Quotation Evaluation Committee.
- (e) AD-Hoc Bid Evaluation on Quotation Evaluation Committee.
- (f) Standing Bid Adjudication Committee

10.2.2. District Office Level

- (a) Standing Quotation Specification Committee for quotations.
- (b) Standing Quotation Evaluation Committee for quotations.
- (c) Standing Quotation Adjudication Committee for quotations.

10.3. The SCM Unit must, through the relevant Line Function develop a Procedure Manual to guide the following processes amongst others:

- 10.3.1. Composition, nominations and appointment of bid committee members.
- 10.3.2. Appointment of Technical Advisors/Experts.
- 10.3.3. Functions, roles and responsibilities.
- 10.3.4. Procedures of bid committees

## 11. RISK MANAGEMENT

SCM Unit shall, through the Departmental Risk Management Unit, establish an effective and efficient system to identify potential risks or internal control weaknesses within the entire SCM System and develop mitigating strategies/controls accordingly.

## **12. TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS AND STAKEHOLDERS**

- 12.1. The Accounting Officer must, through the CFO and SCM Unit, ensure that officials implementing the SCM System are trained and deployed in accordance with the requirements of the Framework for Minimum Training and Deployment issued by the National Treasury.
- 12.2. Refresher Bid Committee training must be provided every Financial Year to enhance compliance and avoidance of irregular expenditure.

## **13. EFFECTIVE DATE**

This Policy takes effect from the approval date and be implemented until the new Preferential Procurement Regulations are promulgated.

## **14. REVIEW**

This policy will be reviewed in writing as and when necessary to ensure that it is aligned with the Legislative Environment.

## **15. MONITORING, EVALUATION AND REPORTING**




- 15.1. Supply Chain Management will monitor and assess the implementation of this Policy and report on its successes in achieving the set objectives.
- 15.2. Accounting Officer, through SCM Unit must submit to Provincial SCM such information within the set timeframes as required.

**16. EXEMPTION**

The Accounting Officer may, on request, exempt an Official or End User from any or all the provisions of this Policy if:

- 16.1. it is in the interests of national security
- 16.2. the likely tenderers are international suppliers; or
- 16.3. it is in the public interest.

**17. APPROVAL**

DESCRIPTION	DEVELOPED BY	RECOMMENDED BY	APPROVED BY
DESIGNATION	CHIEF DIRECTOR	CHIEF FINANCIAL OFFICER	ACCOUNTING OFFICER
NAME	Mr KEKANA M.J	Ms MATHABATHA YSM	Ms DEDEREN K.O
SIGNATURE			
DATE	06 May 2022	06 May 2022	06 May 2022