



LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

**DEPARTMENT OF
ROADS AND TRANSPORT**

SUPPLY CHAIN MANAGEMENT POLICY

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1. DEFINITIONS AND ABBREVIATIONS

DTC Departmental Tender Committee

DSTC Departmental Sub-Tender Committee

RFQ Request for proposal

TOF Terms of Reference

GCC General Condition of contracts

SBD Standardised Bidding Documents

PSA Public Service Act

PPPFA Preferential Procurement Policy Framework Act

PFMA Public Finance Management Act

BBBEE Broad-Based Black Economic Empowerment

Ad hoc contracts: A contract requiring supply of goods or/and services only once.

General period contracts: Contracts arranged by the central procurement committee for the supply of goods and/or services.

Price quotation: A written offer by the supplier in the prescribed forms without going on tender.

Tender: written offers on official tender document after being advertised in the tender bulletin.

Tenderer: Any natural or legal person submitting an offer in response to the tender advertised or request for quotation.

Departmental Tender Committee (DTC): a committee appointed by the Head of Department and the MEC to ensure the procurement of the department is fair, equitable, transparent, competitive and cost effective.

Departmental sub-tender committee (DSTC): a committee appointed by the Head of Department to adjudicate the price quotation up to a predetermined limit.

2. PURPOSE OF THE POLICY

- To promote uniformity in the procurement of goods and services in the department.
- To comply with the PFMA and the constitution on the procurement of goods and services.
- To provide guidance in handling the procurement of the department.

3. POLICY CONTEXT

This policy should be read and used in conjunction with the SCM Practice Notes issued by National Treasury and Provincial Treasury from time to time. The practice notes provide clarity on certain aspects of the Supplier Chain Management. This policy is developed in line with the broad policies and regulations of the Government and should be read and used in conjunction with the following:

- The Constitution of the Republic of South Africa
- The Preferential Procurement Policy Framework Act, 5 of 2000
- The Public Finance Management Act, 1999 as amended
- National Treasury Regulations issued in terms of PFMA
- Supply Chain Management Act, A Guide To The Accounting Officer
- Provincial Treasury Instruction On Supply Chain Management
- Supply Chain Management, Practise notes (Provincial and National)
- Policy strategy to guide uniformity in procurement reform processes in government

4. RESPONSIBILITIES

- The accounting officer delegates the powers to the departmental tender committee and the sub-tender committees.

5. RISKS

- Procurement of goods and services at uneconomical prices.

- Procurement of goods and services without considering strategic objectives of the Department.
- Legal claims or court case by the bidders or tenderers because of unfairness, nepotism and lack of transparency in tendering/bidding process.
- Manipulated tender process
- Service provider may be fronting to be awarded contracts on the preferential procurement objectives.
- Unfair discrimination of suppliers due to fraudulent activities such as bribe and forgery.
- Quality may be comprised by the lowest prices of some goods and services, thus resulting in financial loss to the Department.
- Lack of consistency in the adjudication processes of goods and services.
- Lack of skills capacity on the part of the officials to handle the procurement processes in terms of the new standards/legal mandates e.g PPPF Act, etc.

6. MANAGEMENT's OBJECTIVE

- To archive fairness in the procurement system.
- To procure goods and services at the most economic prices.
- To ensure procurement is planned to avoid unnecessary delays in service delivery.
- To safe guard and ensure efficient use of government resource.
- To develop sound organizational and institutional arrangement that will result in a public procurement system, which becomes more effective and efficient.
- To ensure that there is a database of suppliers within the department to facilitate roster system.

7. DEPARTMENTAL TENDER (BID) COMMITTEE (DTC) AND DEPARTMENTAL SUB-TENDER COMMITTEE

- The departmental tender committee should consist of:
 - Preferably the departmental CFO as a chairperson the principle being a neutral high level official.
 - The Head of departmental procurement support office without voting rights.
 - Two other departmental officials who are part of management.
 - Co-opted technical experts in an advisory capacity only, if required and approved by the Accounting Officer.
- DTC will approve all the tenders as delegated by the Central Procurement Committee.
- DSTC will approve all the procurement quotation up to a predetermined limit by the Head of Department.
- DSTC will submit monthly reports to the Procurement Support Office at head office on or before the 5th of every month.
- The Chairperson of the DTC will submit report of the committee to the accounting officer and Management of the Department on monthly basis.
- DSTC and DTC must keep proper record of minutes of their meetings and decision properly numbered and signed by all members present in the meeting.
- All document of the committee should be marked “**confidential**” at all times.
- All members of the committees should all sign **Confidentiality Agreement** binding them not to disclose any information to anyone.
- All members must sign **Declaration of Interest** every time when a tender/bid is to be awarded. This declaration should be signed for individual tender/bid.
- DTC and DSTC member shall include in their Performance Agreement their functions as members of the committee.

8. SUPPLY CHAIN MANAGEMENT MODEL

This policy is dealing with demand management, acquisition, logistics and supply chain performance. The disposal management will be dealt with in a separate policy dealing with asset management in total.

8.1 DEMAND MANAGEMENT

Diagram 2: Demand Management

This is the planning stage of the Supply Chain Management. It is where the needs are identified and analysed ensuring they are delivered at correct times, price and place. Market research will also take place.

- Identify and understand the future needs in line with the legal mandates and strategic objective of the department.
- Identify the needs for goods and services to be procured.
- Identify the delivery period with relevance to the strategic plan.
- Cost the need and identify funding in the budget.
- Determine the specification of the service or goods required.
- Communication the need to acquisition management unit with a written requisition signed by the requisitioning officer and authorized by programme managers.
- Requisition should be processed to procurement at least **two weeks** in advance in case of quotations and items available on contracts, **five months** in advance in case where a tender needs to be advertised to allow time to prepare.
- The person authorizing the request shall satisfy himself/ herself that a
 - Real need really exist
 - Sufficient funds are available in the budget
 - It is in line with the strategic plan
- The Description of need (items/service needed) on the purchase requisition should be clear, precise and comprehensive and be attached to the requisition form.
- The requisition form must be signed by the designated budget-holder (manager in charge)

- The requisition must indicate the allocation to be used, where applicable it must indicate Tender Contract Number.

8.2 ACQUISITION MANAGEMENT

Diagram 3: Acquisition Management

At this stage the department prepare for the bidding processes until the awarding of the contract.

- Establish and update a database of suppliers for all types of services or goods on regular basis.
- Identify the preferential procurement policy objective that should be met through specific contracts.
- Assess the market for the availability of the goods or services required.
- Determine the strategy for acquiring or sourcing goods or services for the needs identified by the user by investigating the following:
 - availability of the goods or service from another department that can provide them for our use.
 - availability of goods or services on Transversal term contract.
 - availability of goods or services on the Departmental term contract
 - bidding process (monetary limits for each process is set by National Treasury from time to time)
 - ❖ One quotation from database (roaster)
 - ❖ Three quotations from Database
 - ❖ Competitive bidding through tender
- If goods or services required are available on the Transversal term contract or Departmental term contract, obtain the quotation from the contract.
- If not, start with the bidding process as outlined below.

8.2.1 BIDDING PROCESS (one quotation from Database)

- Goods and services that are required do not cost more than R10 000 (Ten thousand rand).
- Capture the requisition from the user in the Departmental Procurement Electronic Database to create the Request for Quotation (RFQ)
- The database will automatically select a supplier and print a RFQ form. The RFQ should be signed by the requisitioning officer and authorizing officer.
- Deliver the form to the supplier and request them to provide their quote.
- Quotation from the supplier should have a Tax clearance certificate attached if the rand value of the requirements is above R15 000. Verify certificate with SARS to ensure it is valid.
- Alteration of the price on the RFQ must be initialed by the supplier.
- Correction fluid or correction tapes must never be accepted at any point in time.
- Assess the reasonableness of the quoted amount in relation to the goods or service to be provided.

8.2.2 BIDDING PROCESS (three quotation)

- Where goods and services that are required cost more than R10 000 (Ten Thousand rand) but less than R200 000 (Two hundred thousand), three written price quotations should be invited.
- Capture the requisition from the user in the Departmental Procurement Electronic Database to create the Request for Quotation (RFQ).
- The database will automatically select three suppliers and print a RFQ form. The RFQ should be signed by the requisitioning officer and authorizing officer.
- Deliver the form to the supplier and request them to provide their quote.
- The suppliers must deposit their quotation in the Tender box.
- The quotation will be open for a period not more than seven days, and the period should be stipulated on the RFQ.

- Quotation from the supplier should have a Tax clearance certificate attached. Verify certificate with SARS to ensure it is valid and that the supplier is registered with the registrar of companies.(addition)
- Where a price quoted is above or equal to R30 000, 80/20 preferential points system will be used to determine the point for awarding the bid.

8.2.3 Bidding Process (open Tender)

- When goods and services that are required cost more than R200 000 and above, competitive bids should be invited.
- Bids for goods or services which have a cost below R500 000 shall be advertised and adjudicated on 80/20 preferential points system.
- Bids for goods or services which have a cost above R500 000 shall be advertised and adjudicated on 90/10 preferential points system.

8.2.4 Exception to the bidding process

- Where it is not possible to obtain three quotations, each case should be dealt with on its own merits. In all instances, reasons must be recorded and approved by the Head of the Department.
- Urgent and emergency cases.
 - A case is urgent if the early delivery is of critical importance and invitation of competitive bid is impossible or impractical. (This excludes cases resulting from poor planning)
 - Emergency case is where immediate action is necessary in order to avoid danger or risky situation.
 - The reason for the above should be clearly recorded and approved by the Head of the Department.

8.2.5 Compiling bid documents

- All bids shall be based on General Condition of Contract (GCC) issued by National Treasury.
- GCC may not be altered.
- If there are aspects not covered by the GCC, Special Contract Condition (SCC) may be drafted separately to supplement the GCC. SCC should never be in conflict with the GCC.

- The basis of bid evaluation and selection should be clearly outlined in the instruction to bidders or in the specification.
- Standardised Bidding Documents (SBD) must be used at all time.
- Minimal changes approved by the Accounting Officer and Provincial Treasury can be made, except on SBD 2 and 5.
- The following SBD's are available
 - SBD 1 : Invitation to Bid
 - SBD 2 : Application for tax clearance certificate
 - SBD 3.1 to 3.3 : Pricing schedules
 - SBD 4 : Declaration of interest
 - SBD 5 : National Industrial Participation Programme
 - SBD 6.1 to 6.12 : Preference claim forms in terms of Preferential Procurement Regulations
 - SBD 7.1 to 7.3 : Formal Contracts
- SBD 7.1 to 7.3 should not form part of bidding document issued to prospective bidders, but should be made available to the successful bidder after adjudication.
- The bidding documents should also show the type of contract to be entered into.
- The bidding documents should clearly state the type of work to be carried out or goods to be delivered, the location, minimum performance requirement, etc.
- The bidding document should be specifying any factors that will be taken into account in evaluating the bids and how such factors will be quantified.
- When distributing the bid document it should be stated as a condition that the original Tax clearance certificate should be submitted.
- The specification should never mention a name of a brand.

- The validity period of the bid must be included in the bidding documents. Any extension of shall be requested from all bidders in writing.

8.2.6 Invitation and receiving of the competitive bids

- The preferential system and adjudication criteria to be used on the tender shall be included in the request for bid advertisement.
- The bid shall be advertised at least in the Government Tender Bulletin and any other newspaper.
- Bids will be advertised for a period of 30 (thirty) days. In exceptional cases the Head of Department shall approve such deviations.
- All bids will close and be opened at 11:00 am on the date specified on the advertisement. No late bids will be accepted.
- Tender box should be opened by at least two authorized officials.
- After the closing of the bids, all information will be treated as confidential.

8.2.7 Adjudication and awarding of bids

- The accounting officer shall appoint the members of the Bid evaluation committee in writing. Members of the DTC may not be members of this committee.
- Bids will be evaluated in terms of the criteria stipulated in the bidding documents.
- The suppliers shall be assessed for possible risk on ability to fulfill the terms of contract.
- Any tender amounting to R10 million and above awarded should be cleared with Department of Trade and Industry.
- Before awarding the contract, the supply chain management unit will ensure that the recommended bidder is not listed as company, person or directors restricted to do business with the Public Sector.
- After the bid has been approved both parties shall sign a written contract.
- The contracts awarded shall be monitored on regular basis.

8.2.8 Appointment of consultants

- The term consultant includes among others auditors, consulting firms, procurement agents, inspection agents, management firms, construction managers, non-governmental organizations and individuals.
- Consultants may only be appointed if there is a lack of necessary skills or expertise within the department to render the required service.
- Normally consultants are appointed through competitive bidding process except on emergency and urgent cases.
- There are various methods of selecting consultants namely; quality and cost-based selection (QCBS), quality based selection (QBS), selection under a fixed budget, least cost selection and single source selection. The details of how each method is applied are as stipulated in National Practice Note No. 3 of 2003.
- The scope of service required should be compatible with the available budget.
- The terms of reference (TOR) should clearly indicate the methodology, objectives, goals and the scope of service required to enable the consultant to prepare a responsive bid / proposal.
- Bids / proposals for appointing consultants are evaluated on the basis of functionality (quality) and price as well as the achievement of specified RDP goals.
- The procedures for adjudication and awarding of bids / proposals are similar to any normal bid as reflected in para. 8.2.7 above.

8.3 Logistics management

At this stage inventory levels are set, preparing orders, goods are received and distributed, store management office management services and vendor performance monitoring is done.

8.3.1 Ordering

- All approved expenditure authority must be referred to logistics.
- Prepare the order requisition and attach the expenditure authority.
- Order requisition must be registered and forwarded to approving officers as delegated by the Head of Department.

- After approving order requisition, the approving officer shall process it to purchasing section in finance to generate an official order.

8.3.2 Accounts payable

- All invoices from suppliers shall be referred to logistics for preparation of payment.
- Logistics must keep a register of invoices received, payment vouchers process.
- Invoices received must be signed and date- stamped.
- Prepare payment voucher within two days of receiving invoices.
- Before preparing a payment voucher, an analysis of invoice and comparison with an official order and delivery note shall be done as follows:-
 - Verifying the term of invoices received and whether it was signed by the responsible official.
 - Comparing invoice prices with those on the order and quotations.
 - Verifying additions and other calculations.
 - Checking discounts and conditions thereof.
 - Confirming that the details on the invoice are in full agreement with the terms and conditions of the original official order.
- Approval of the payment vouchers shall be done by official delegated to do so by the Head of Department.
- The approving official shall process the approved payment voucher directly to accounts payable in finance section for final payment.

8.3.3 Office services

- Logistics will provide the following services:
 - management of telephone and cellular phone of the department
 - management of contracts of office machinery and usage there off

- Logistic shall make sure all the payments relating to this functions is done within 30 days

8.4 Supply chain performance

- Monthly reports must be submitted to the provincial treasury supply chain management unit on the performance of the supply chain management unit

8.5 Segregation of duties

- There should be segregation of duties in ordering section, receiving section, procurement section and accounts payable section to prevent errors, fraud, corruption and mismanagement of funds.

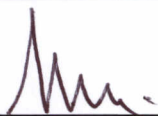
9. CONCLUSION

- Non compliance with this policy will be considered a financial misconduct in terms of the PFMA.

9. POLICY REVIEW

The policy will be reviewed annually or when necessary.

ENDORSED



HEAD OF DEPARTMENT

18/02/09

DATE

Note: This policy document is a blue print of the original policy that was approved by MEC Stan Motimele on 21.09.2008.