SUPPLY CHAIN MANAGEMENT POLICY
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1. BACKGROUND

Constitutional requirements Section 217 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) requires an organ of state to contract for goods or services in accordance with a system that is:

- Fair
- Equitable
- Transparent
- Competitive, and
- Cost effective.

NATIONAL LEGISLATION PRESCRIPTS AND GUIDES ON WHICH POLICY IS BASED

Legislation that underpins SCM This procurement policy is in support of the following legislation, regulations and guidelines:

- The Public Finance Management Act, 1999 (Act No. 1 of 1999) [PFMA]
- Treasury Regulations: SCM Chapter 16A
- The Framework for Supply Chain Management dated December 2003, issued by National Treasury
- National Treasury’s Supply Chain Management Guide for Accounting Authorities, dated February 2004
- The Broad-Based Black Economic Empowerment Act, (Act No. 53 of 2003), and its codes of good practice as promulgated on 9 February 2007
- The Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
- Promotion of Access to Information Act, 2000 (Act No. 2 of 2000)

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Director-General
The purpose of this policy on Supply Chain Management (SCM) is to give effect to the five pillars of procurement, i.e. it must be fair, equitable, transparent, competitive and cost effective, as well as to give effect to the enabling legislation, regulations and strategies to modernise procurement, provisioning and related functions.

2. GLOSSARY

Introduction

The following terms and explanations apply in this policy:

<table>
<thead>
<tr>
<th>Term</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acceptable bid</td>
<td>Any bid that complies in all respects with the specification and conditions set out in the procurement document</td>
</tr>
<tr>
<td>DEA</td>
<td>Department of Environmental Affairs</td>
</tr>
<tr>
<td>Bid (or tender)</td>
<td>A written offer in a prescribed form in response to an invitation by the Department of Environmental Affairs for the provision of services, works or goods</td>
</tr>
<tr>
<td>Departmental Adjudication committee (DAC)</td>
<td>The Departmental Adjudication Committee that is responsible for adjudicating the award of bids</td>
</tr>
<tr>
<td>Bid evaluation committee</td>
<td>Committees approved by the respective DDGs that are responsible for assessing bids with a view to submitting a recommendation or evaluation report to the Departmental Adjudicating Committees for the award of the contract to the preferred bidder</td>
</tr>
<tr>
<td>Goods and services</td>
<td>Goods to be included in goods and services (petrol, coal, small tools and equipment, stationery, foodstuff and electricity, services will include hotels, restaurant, transport, communication, banking, business services, consultants' fees, market research and staff training, as well as rental of buildings, other fixed structures, equipment and vehicles. Payments for research, design costs, bursaries to government employees and consultants' fees are also considered purchases of services and as such are classified under goods and services.</td>
</tr>
</tbody>
</table>

                      Director-General
<table>
<thead>
<tr>
<th>Term</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>HDI</td>
<td>A &quot;Historically Disadvantaged Individual&quot; is a South African citizen who:</td>
</tr>
<tr>
<td></td>
<td>1. Because of the apartheid policy that was in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983, or the Constitution of the Republic of South Africa, 1993, and/or</td>
</tr>
<tr>
<td></td>
<td>2. Is a female, and/or</td>
</tr>
<tr>
<td></td>
<td>3. Has a disability – , provided that a person who obtained South African citizenship on or after the coming into effect of the Interim Constitution, is deemed not to be an HDI.</td>
</tr>
</tbody>
</table>
| Organ of State | • Any department of state or administration in the national, provincial or local sphere of government, or  
|              | • Any other functionary or institution exercising a:  
|              | o power or performing a function in terms of the Constitution or a provincial institution, or  
<p>|              | o public power or performing a public function in terms of any legislation, but does not include a court or a judicial officer.                                                                                       |
| PFMA       | The Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended by Act No. 29 of 1999                                                                                                                |
| PPPFA      | The Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000), which regulates preference points to HDIs                                                                                         |
| Bid documents | The bid documents are all SBD forms and TORs to be distributed to prospective bidders during the Department of Environmental Affairs' solicitation of bids from bidders. These documents contain the information required for bidders to submit their bids to the Department |
| Substantial | Bidder to submit all documents and information as per the criteria                                                                                                                                            |
| Urgent cases | Are where early delivery is of critical importance and the invitation of competitive bids is either impossible or impractical                                                                                   |
| Emergency cases | Are where immediate action is necessary in order to avoid a dangerous or risky situation.                                                                                                               |
| SCM regulations | Regulations in terms of the Public Finance Management Act, 1999: Framework for Supply Chain Management (Government Gazette Number 25767 of 5 December 2003) |</p>
<table>
<thead>
<tr>
<th>Term</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCM unit</td>
<td>The Department of Environmental Affairs' Supply Chain Management unit that falls under the auspices of the Chief Financial Officer (CFO), as per Treasury Regulation 16A4</td>
</tr>
<tr>
<td>Scoring models</td>
<td>The models used to evaluate bids. Scoring models apply the evaluation criteria identified in the Procurement Documents to competing bids</td>
</tr>
<tr>
<td>Supplier register</td>
<td>The Department's database of suppliers</td>
</tr>
<tr>
<td>Treasury</td>
<td>National Treasury</td>
</tr>
<tr>
<td>Accounting Officer</td>
<td>The head of the Department of Environmental Affairs</td>
</tr>
<tr>
<td>DDG</td>
<td>Deputy Director-General</td>
</tr>
<tr>
<td>CFO</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>COO</td>
<td>Chief Operating Officer</td>
</tr>
</tbody>
</table>

Director-General
3. INTRODUCTION

What is SCM? Supply Chain Management is an integrated part of financial management, intended to introduce international best practices.

Definition SCM is a collaborative strategy to integrate procurement and provisioning processes so as to eliminate non-value added cost, infrastructure, time and activities in a way that will serve end users better and more competitively.

Key aspects include integrated planning of operations, tactics and strategies.
4. ELEMENTS OF SCM

SCM comprises the following elements:

1. Demand management

   This is the beginning of the supply chain where:
   - A need assessment to ensure that goods or services are acquired in order to deliver the agreed service is done;
   - Specifications are precisely determined;
   - Requirements are linked to the budget; and
   - The supplying industries have been analysed.

2. Acquisition management (procurement)

   This is almost all the focus of procurement activities including:
   - Which market will be approached;
   - Establishing the total cost of ownership of a particular type of asset;
   - Ensuring complete bid documentation including evaluation criteria;
   - Evaluating bids in accordance with published criteria; and
   - Ensuring that proper contract documents are signed.

3. Logistics management

   This aspect addresses the following:
   - Setting of inventory levels.
   - Receiving and distribution of materials.
   - Stores, warehouse and transport management, and
   - Review of vendor performance.

4. Disposal management

   At this stage consideration should be given to:
   - Obsolescence planning;
   - Maintaining a database of redundant material;
   - Inspecting material for re-use;
   - Determining a disposal strategy; and
   - Executing the physical disposal process.

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Director-General

8
5. Supply chain performance

This is the monitoring process, undertaking a retrospective analysis to determine whether proper processes have been followed and whether the desired objectives were achieved.

6. Risk management

Risk in the case of SCM will include ensuring on a case by case basis that risks such as price or currency fluctuations are allocated to the appropriate party in unambiguous contract documents or that guarantees or insurance arrangements are in place.

Each is discussed in greater detail below.

5.1 DEMAND MANAGEMENT

This is the beginning of the supply chain where the following happens:

<table>
<thead>
<tr>
<th>Stage</th>
<th>Entity responsibility</th>
<th>Action responsibility/Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Branch Management SCM Unit</td>
<td>Performs a needs assessment to ensure that goods or services are acquired in order to deliver agreed services</td>
</tr>
<tr>
<td>2</td>
<td>Branch Mgt SCM Unit</td>
<td>Determines specifications precisely</td>
</tr>
<tr>
<td>3</td>
<td>Branch Mgt/Finance SCM Unit</td>
<td>Links requirements to ensure that funds are available</td>
</tr>
<tr>
<td>4</td>
<td>Branch Mgt SCM Unit</td>
<td>Analyses the supplying industry</td>
</tr>
</tbody>
</table>

The outcome from this stage is that value for money is achieved.
5.2 ACQUISITION MANAGEMENT

The acquisitioning management (or procurement) process includes the following:

<table>
<thead>
<tr>
<th>Stage</th>
<th>Entity responsibility</th>
<th>Action responsibility/Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Branch Mgt assisted by SCM Unit</td>
<td>Decides on how the market will be approached</td>
</tr>
<tr>
<td>2</td>
<td>SCM Unit</td>
<td>Establishes the total cost of ownership of a particular type of asset (life cycle costing)</td>
</tr>
<tr>
<td>3</td>
<td>SCM Unit</td>
<td>Ensures that bid documentation (including evaluation criteria) is completed</td>
</tr>
<tr>
<td>4</td>
<td>Bid Evaluation Committee</td>
<td>Evaluates bids in accordance with published criteria.</td>
</tr>
<tr>
<td>5</td>
<td>Branch Management assisted by Legal Services</td>
<td>Ensures that proper contract documentation is signed.</td>
</tr>
</tbody>
</table>

The outcome from this stage is that value for money is achieved.
5.3 LOGISTICS MANAGEMENT

Logistics management includes the following:

<table>
<thead>
<tr>
<th>Stage</th>
<th>Entity responsibility</th>
<th>Action responsibility/Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SCM Unit</td>
<td>Sets inventory levels</td>
</tr>
<tr>
<td>2</td>
<td>SCM Unit</td>
<td>Receives and distributes material</td>
</tr>
<tr>
<td>3</td>
<td>SCM Unit</td>
<td>Manages stores, warehouse, issuing of orders and transport</td>
</tr>
<tr>
<td>4</td>
<td>SCM Unit</td>
<td>Reviews vendor performance</td>
</tr>
<tr>
<td>5</td>
<td>Finance Division</td>
<td>Activates the financial system to generate payments</td>
</tr>
</tbody>
</table>

5.4 DISPOSAL MANAGEMENT

The following happens during this stage:

<table>
<thead>
<tr>
<th>Stage</th>
<th>Entity responsibility</th>
<th>Action responsibility/Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SCM Unit Disposal Committee</td>
<td>Carries out obsolescence planning</td>
</tr>
<tr>
<td>2</td>
<td>SCM Unit Disposal Committee</td>
<td>Maintains a database of redundant material</td>
</tr>
</tbody>
</table>
| 3     | SCM Unit               | • Analyses potential for re-use of material;  
|       |                        | • Determines a disposal strategy;  
|       |                        | • Executes the physical disposal process; and  
|       |                        | • Updates the asset register |

..................................................  
Director-General
5.5 SUPPLY CHAIN PERFORMANCE

Here a monitoring process and an undertaking of a retrospective analysis takes place to determine whether the proper process is being followed and whether the desired objectives are achieved.

<table>
<thead>
<tr>
<th>Stage</th>
<th>Entity responsibility</th>
<th>Action responsibility/Duty</th>
</tr>
</thead>
</table>
| 1     | Branch Mgt SCM Unit, Finance Division | Assesses:  
- Achievement of goals;  
- Compliance with norms and standards; and  
- Savings generated |
| 2     | SCM Unit | Assesses:  
- Stores efficiency; and  
- Cost variance per item and contract breach, etc. |
| 3     | SCM Unit | Calculates cost efficiency of the procurement process (i.e. the cost of the process itself) |
| 4     | SCM Unit assisted by Branch Mgt | Determines whether supply chain objectives are consistent with the Government’s policy focus  
- Determines whether the principles of corporate governance as expounded in the Constitution are observed  
- Determines whether the reduction of regional economic disparities is promoted |

5.6 RISK MANAGEMENT

Risk management forms an integral part of the SCM process. This stage considers the following:

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<tr>
<th>Stage</th>
<th>Entity responsibility</th>
<th>Action responsibility/Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Risk Management</td>
<td></td>
</tr>
</tbody>
</table>
- Identifies procurement risk  
- Channels risk where it is best placed and mitigated  
- Exercises risk management in a proactive manner  
- Clearly stipulates in contract documentation to whom the risk is allocated |

[Signature]

Director-General
6. SEPARATION OF DUTIES

Policy

In order to provide a clear distinction between the SCM recommendation and the approval functions, the following institutional arrangements shall be implemented:

- No official in the Department of Environmental Affairs shall execute any power in terms of delegated authority if he/she was a member of a committee which recommended the execution of such a power.
- If an official is a member of an evaluation committee where a recommendation is made, that official is not allowed to be part of the Departmental Adjudication Committee.

7. SCM POLICY OBJECTIVES

The primary objective of this policy is to create an environment that enables the Department to procure goods, services and works in a manner that is fair, equitable, transparent, competitive and cost effective.

Inherent in this objective are the principles of good corporate governance (through a code of conduct), and the promotion of socio-economic objectives that require a disciplined management approach to procurement.

Scope of the policy

This policy provides a uniform approach to all procurement processes that will result in a contract between the Department and bidders and is applicable to:

- Consulting services (professionals and other consultants); and
- General goods and services (provisioning).

Pre-determined need

Within the context of SCM, the following are triggered by a pre-determined need:

1. Demand Management;
2. Acquisition Management (Procurement);
3. Logistic Management; and
4. Disposal Management (sale of assets)
8. GENERAL CONDITIONS FOR PROCUREMENT OF GOODS AND SERVICES

The following general conditions shall apply to the SCM process:

Local manufacture
In the adjudication of bids, the Department of Environmental Affairs shall give particular consideration to procuring locally manufactured products. Preferences in this regard may be accommodated within the ambit of the 80/20 or 90/10 point systems.

Complete bids
Only a bid that has the declaration part of the documentation completed and signed may be considered for preference points.

Substantiation of claims
Before a bid is adjudicated – or at any time – DEA may require a bidder to substantiate claims it has made with regard to any information provided in the bid.

Discounts
When calculating comparative prices, DEA shall take into account any discounts that have been offered unconditionally.

Firm prices
All prices should be regarded as firm prices unless qualified in the bid.

GENERAL POLICY

<table>
<thead>
<tr>
<th>SUBJECT</th>
<th>POLICY</th>
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</thead>
<tbody>
<tr>
<td>Price adjustments</td>
<td>Only price adjustments provided for in the in the contract with the service provider will be allowed subject to adequate documentary proof being provided. Where price adjustments for currency fluctuations are provided for the elements of the price which are subject to currency fluctuations must be defined in the contract. Provision must be made for the Department to also obtain the benefit of currency fluctuations which can reduce the price of the goods or services. Price adjustments are considered in terms of the contract conditions, which state the circumstances under which contractors may claim price increases. In case of exchange rate fluctuations, contractors are compensated for actual expenses proven as additional expenses, provided that the relevant exchange rate used for the calculation of the budget provisioning, as well as the amount which must be remitted abroad, are indicated in the bid. Where applicable, any advantage due to favourable exchange rates must be passed on to the Department. Documented proof must be submitted together with the request for price adjustment.</td>
</tr>
</tbody>
</table>

[Signature] Director-General
<table>
<thead>
<tr>
<th>SUBJECT</th>
<th>POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment of accounts</td>
<td>Officials must consider and certify the satisfactory provision of goods and services as soon as possible after receipt so as to ensure that the service provider can be paid within 30 (thirty) days of receipt of the goods and services. If goods or services are unsatisfactory, the service provider must be informed in writing within 21 (twenty one) days of the receipt of the goods and services of the shortcomings and requested to rectify such. Exceptions to this rule must be provided for in the contract with the service provider. Payments can only be made in accordance with contractual conditions. Advance payments can only be provided for in a contract if the service provider is prepared to provide adequate guarantees that will be redeemed in the case of default by the service provider. The Department must pay accounts timeously and avoid penalties for late payments in the form of interest.</td>
</tr>
<tr>
<td>Transfer of contracts/payment</td>
<td>Contracts may be transferred on request of either the Department or the contractor and must be approved by the DG, provided that the transfer is not to the detriment of the Department. If a contract was awarded as a result of the application of the point preference system for HDI's/ women equity ownership, the transferee should also similarly qualify under the same principles. Transfer of contract payments may be considered in cases where a contractor makes a written request, signed by an authorised person, for monies due to him/her to be paid to another person or organisation, such as a bank or supplier. When a request is received from a contractor's supplier, bank or attorney, written confirmation must be requested from the contractor.</td>
</tr>
<tr>
<td>Unsatisfactory performance</td>
<td>Unsatisfactory performance occurs when performance is not in accordance with contract terms and conditions. Before action is taken, the contractor must be warned in writing (with a registered letter) that action will be taken against him/her unless he/she complies with the contract conditions and delivers satisfactorily within a specified reasonable period. If the contractor does not perform satisfactorily despite the warning, a recommendation may be made to the DG to cancel the contract. If, during the guarantee period, a supplier does not comply with the requirements due to faulty material or otherwise, the contractor must be requested without delay to repair or replace the faulty material at his/her cost. This must be guaranteed for the same period as the original supplies. Record must be kept of details of all cases of non-performance by contractors. If rejected supplies are in the possession of the Department, the contractor must be requested to collect the supplies at his/her own expense, failing of which the goods will be sent back and the cost will be for the contractor's account.</td>
</tr>
</tbody>
</table>

Director-General
<table>
<thead>
<tr>
<th>SUBJECT</th>
<th>POLICY</th>
</tr>
</thead>
</table>
| Termination/Cancellation of contracts | If acceptable reason exists, the DDGs/COO may give the Department approval to withdraw from a contract.  
Termination/Cancellation of contracts may be considered for a variety of reasons, such as:  
- wrong preferences claimed;  
- non-compliance with contract conditions;  
- delayed deliveries;  
- bribery;  
- death; or  
- sequestration/liquidation of the contractor  
Serious thought must be given when considering cancellation. Clarity must be reached beforehand on the question of whether the contractor will have a claim against the Department, and if so, whether cancellation can be justified. The following must also be addressed beforehand:  
- What further arrangements will be made for completing the contract?  
- Whether additional costs will be recovered from the contractor.  
There may be other avenues of action, which might result in lower additional costs. Thought must be given to the possibility of considering the next acceptable bid received in response to the particular bid invitation. Alternatively, a new bid may be invited. However, account must be taken of the effect of cancellation on the department’s part. |
| Restrictions | When DEA is of the opinion that a contractor has acted improperly, such a contractor may be restricted from doing business with the Department for a particular period not exceeding 10 (ten) years. It is important that before such a decision is made, the DAC has all the facts and is fully informed of the contractor’s reactions to warnings that must have been issued. Furthermore, care must be taken that the prescribed procedures as prescribed in the SLA have been followed, since the court may find that an administrative action, such as the imposition of a restriction, is not valid in cases where the person has not been given a reasonable time to state his/her side of the case, or has not been fully informed of the results of his/her failure to react. |
9. BLACK ECONOMIC EMPOWERMENT (BEE)

Effect of BBBEE

DEA shall award points for preference objectives in accordance with the PPPFA and its Regulations. With the use of scoring models, DEA shall determine the ratio of points for HDI development in the achievement of its pre-determined goals and targets for BBBEE.

Principles of BBBEE

DEA aims to meet the principles of Broad Based Black Economic Empowerment as stipulated in the BBBEE Act and the codes of good practice. Note: preference will be scored in accordance with the:

- PPPFA as prescribed by the Act, and
- The DTI balance scorecard as prescribed in the codes of good practice.

Threshold scoring model

The PPPFA and its regulations were promulgated to prescribe a framework for a preferential procurement system. This Act and its regulations incorporate the "80/20" and "90/10" scoring models, which DEA will apply as required.

Points scored (price/functionality) shall be added to points scored for preference, and the contract is usually awarded to the bidder who scores the highest points.

The 80/20 model

The 80/20 model applies to all bids below R500 000. It provides for:

- 80 points to be allocated for price as outlined in National Treasury Practice note dated 3 September 2010. 20 Points for goals as outlined in the PPPFA.

The 90/10 model

The 90/10 model applies to all bids equal to and above R500 000. It provides for:

- 90 points to be allocated for price as outlined in National Treasury Practice note dated 3 September 2010. 10 Points for goals as outlined in the PPPFA.
10. RESPONSIBILITIES

Responsibility
The Director: Supply Chain Management is responsible for the implementation of the policy.

Supply Chain Management Unit
The Supply Chain Management Unit operates under the auspices of the Chief Financial Officer and fulfills a central implementation and facilitating role over the procurement process.

Responsibility of the Supply Chain Management Unit
The Supply Chain Management Unit is responsible for:

- Implementation of this policy;
- Monitoring the volume of procurement and the spending of budget over the budget cycle;
- Maintaining the supplier register;
- The integrity of procurement information and reporting;
- Ensuring compliance with the directives and standard operating procedures;
- Facilitating and supporting the bid committee process;
- Maintaining the policy and its delegations;
- Providing direction through directives and standard operating procedures; and
- Monitoring the implementation of the policy through an information system.

11. VALUES AND CODE OF CONDUCT

Principle
DEA expects that all employees involved in the procurement processes adhere to the departmental code of conduct for supply chain management at all times.

Acting contrary to the principle
Any employee suspected of acting contrary to the abovementioned principle shall be dealt with in terms of the DEA disciplinary procedure.

Director-General
The behaviour of all employees shall be based on:

- Open, honest and co-operative business relations with colleagues and vendors;
- Confidentiality of both government and commercial information;
- Avoidance of conflict of interest or a perception of bias and disclosure of such to the Head of the SCM unit;
- Fair dealings and impartial conduct in the evaluation of bids;
- High standard of professionalism and competence as well as the encouragement of similar standards amongst colleagues;
- Mutual trust and respect;
- An environment where business can be connected with integrity and in a fair and reasonable manner; and
- The best interests of the state.
12. **BID ADMINISTRATION**

**Responsibility** The SCM unit has overall responsibility for all functions pertaining to SCM Bid Administration in DEA.

**Before advertising** Before a bid is advertised, the SCM Unit, Branch Manager and the Chief Financial Officer must scrutinise and approve the:

- Terms of reference; and
- Evaluation criteria

**Bid documents** Bid documents shall be ready for distribution 4 (four) working days before advertisement.

Bid documents may be posted to potential bidders or bidders may collect documents.

**No bid documents shall be distributed by consultants.**

**Closing period** The normal closing period for bids is 21 (twenty one) days. However, in case of urgent/emergency bids the closing date may be shortened if approved by the Accounting Officer.

**Cut-off time** The cut-off time for all DEA’s bids is 11:00 on the day indicated in the bid documents.

**After evaluation** After evaluation of bids, the Departmental Adjudication Committee must adjudicate the recommendations for appointing the preferred bidder.

**Year-end restrictions** Bids shall not be advertised and close during the period 15 December to 10 January as most firms are closed during this time.

**Bid validity periods** The validity period of bids will be 90 (ninety) days except if the bidder agrees in writing to the extension of the validity period.

**If the 90/10 principle fails** In the event that in the application of the 90/10-preference point system as stipulated in the bid documents, all bids received are equal to, or below the Rand value of R500 000 (Five hundred Thousand Rand), the bid invitation must be cancelled.

**Cancellation of a bid** Prior to the award of a bid, DEA may cancel the bid under the following circumstances:

- Funds are no longer available;
- Goods/services are no longer needed; or
- No acceptable bids have been received.

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Director-General
13. **POLICY ON ACQUISITION OF GOODS AND SERVICES BY PRICE QUOTATIONS**

- The procurement of goods and services will be executed within the threshold values determined by National Treasury which must be read with the approved Supply Chain and Financial delegations.

14. **ACCOMMODATION AND CONFERENCES**

**Policy**

Accommodation and/or facilities for conferences, seminars, workshops, "lekgotlas" etc. shall be obtained by competitive bidding whenever possible.

If it is impossible or impractical to follow the normal competitive bidding process, then accommodation and/or conference facilities shall be obtained by means of written quotations.

Reservations for conferences/seminars/strategic planning sessions and workshops may only include bed, breakfast, dinner). Officials must settle accounts for personal accommodation needs (including liquor or any alcoholic beverages, tips and private telephone calls) to be paid directly to the accommodation establishments concerned before departure failing which, the department will deduct such expenditure from their salaries. **This must be read with the finance and supply chain delegations.**

**PARTICIPATION BY DEA IN OTHER CONFERENCES, WORKSHOPS, SEMINARS AND EXHIBITIONS**

When the Department is required, requested or invited to participate in any of the above and payment is required, for example for floor space, subscription or registration, no procurement procedures have to be followed. Instead, such requirements or requests must be referred to the Finance Directorate directly for the payment of fees.

**NOTE:** Should additional goods or services be required, e.g. exhibition stands, publications, etc., these must be obtained through normal procurement procedures. However, if certain limitations or restrictions are placed by the host (for example utilisation of host's own database.), Directorates must motivate, provide proof and give substantial reasons for deviating from normal procurement procedures. The approval of the relevant DDG's/COO must be obtained before proceeding.

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Director-General
15. BID EVALUATION METHOD

Background
This policy:

- Adopts the standard bid evaluation methods prescribed by the PPPFA.
- Prescribes the award of preference points that must be aligned with the legislative principles of this policy.

Policy
A minimum of 80/20 or 90/10 of the score shall be allocated for a combination of price and RDP goals, whilst functionality will be dealt with in terms of the National Treasury Practice note dated 3 September 2010.

Principles
The following principles apply:

- The scoring model and the ratio to be used for the division between functionality and price shall be determined and approved by the relevant Deputy Director-General/Chief Operating Officer.
- DEA shall score all acceptable bids.
- The combined percentages allocated for functionality, price and BEE shall total 100%.
- The price shall include all duties, taxes, percentage fees for cost reimbursable contracts and other levies.

Criteria in bid documentation
Bids shall be evaluated only in accordance with the evaluation criteria stipulated in the bid documentation.

Criteria for an “acceptable” bid
A bid is regarded as acceptable if:

- It complies in all respects with the specification and conditions of the bid;
- The bidder completed and signed all the prescribed bid forms to enable the project manager to evaluate the submitted bid;
- The bidder submitted the required original tax clearance certificate; and
- The bidder has the necessary capacity and ability to execute the contract.

Criteria for award
The Departmental Adjudication Committee (DAC) shall award the contract within the period of the validity of bids to the bidder who meets the appropriate standards of capability and resources and whose bid has been determined to be:

- substantially responsive to the bidding documents; and
- the highest on points.

Director-General
The bidder with the highest number of points

According to the prescripts of the PPPFA and its regulations, a contract may be awarded only to the bidder who scored the highest number of points. A contract may on reasonable and justifiable grounds, be awarded to a bidder that did not score the highest number of points.

Should the award be made to another bidder, then the Departmental Adjudication Committee (DAC) must be prepared to defend the decision not to award the bid to the bidder who scored the highest number of points in a court of law.

Director-General
Points for price and functionality

The Preferential Procurement Policy Framework Act prescribes that:

- The total combined points allowed for functionality and price may in respect of bids with an estimated rand value equal to, or below, R500 000, not exceed 80 points for price whilst functionality will be treated separately in terms of the National Treasury Practice note dated 3 September 2010.

- The total combined points allowed for functionality and price may in respect of bids with an estimated rand value above R500 000, not exceed 90 points for price whilst functionality will be treated separately in terms of the National Treasury Practice note dated 3 September 2010.

Director-General
16. EXCEPTIONS TO THE BIDDING PROCESS (OTHER MEANS)

Urgent or emergency procurement

DEA officials may procure the required goods and services by other means provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the Accounting Officer by means of quotations by preferably making use of the database of prospective suppliers other than bids in the case of:

- urgent or emergency procurement, or
- Where it is in the interest of DEA to approve deviations from competitive bid processes as follows:
  - from R500 001 to R750 000: COO
  - and from R750 001 and unlimited: Accounting Officer

The Accounting Officer is required to report within 10 (ten) working days to Treasury and the Auditor-General all cases where goods and services above the value of R1 million VAT inclusive were procured in terms of Treasury Regulation 16A6.4.

Approval and recording of reasons for irregular expenditure

IRREGULAR EXPENDITURE TO BE APPROVED BY THE ACCOUNTING OFFICER:

- Expenditure incurred as a result of procuring goods or services by means other than through competitive bids and where reasons for deviation from inviting competitive bids have not been recorded and approved by the Accounting Officer (contravention of Treasury Regulation 16A6.4). (See also finance and SCM delegation).
- Expenditure incurred as a result of non-compliance with the Financial and Supply Chain Management Delegations.

IRREGULAR EXPENDITURE TO BE APPROVED BY NATIONAL TREASURY:

- Expenditure related to a Public Private Partnership without obtaining the prior written approval of the National Treasury (Treasury Regulation 16.4.2)
- Expenditure incurred in the procurement of goods by means of price quotations where the value of the purchase exceeded the threshold values determined by the National Treasury for price quotations (contravention of Treasury Regulation 16A6.1)

17. ACCEPTING A BID

Letter of acceptance

SCM Unit shall advise successful bidders in writing of the acceptance of their bid. Unsuccessful bidders are informed through publications in the Government Tender Bulletin and other media by which the bids were advertised.

Signing the contract

By signing the Service Level Agreement (SLA), the bidder has effectively signed the contract, which is binding on all parties.

Orders

Orders will be issued upon receipt of the signed SLA.

Director-General
18. APPOINTMENT OF PROFESSIONAL SERVICE PROVIDERS/CONSULTANTS

When contracting professional or consultancy services prior to the invitation of bids, Directorates are required to motivate and obtain approval from the Accounting Officer that the Department is not capable of rendering the required service from its own ranks, owing to a lack of expertise. The Accounting Officer's approval must be obtained well in advance, regardless of the amount (buying of capacity).

18.1 GUIDELINES ON THE USE OF CONSULTANTS

- DEA must undertake an institutional assessment of capacity to absorb outside assistance, to give effect to the implementation of proposals and manage the consultants before bids are issued.
- Alternative ways of addressing needs, such as to train staff and build more capacity, to recruit new employees or to extend working hours and pay overtime must be explored.
- Consultants should only be engaged when the necessary skills and/or resources to perform a project/duty/study are not available internally and the Accounting Officer cannot be reasonably expected either to train or to recruit people in the time available.
- DEA must prepare sound and realistic bid specifications, which match the ability to implement and sustain the outcomes of projects.
- Criteria should be developed against which consultants are rated. This may include relevant experience.
- Skills transfer should be included in the contracts and must be monitored.
- Skills should be transferred to more than one employee to ensure the retention of skills even when certain employees to whom skills were transferred are leaving the Department.
- Consultants are required to engage and involve these personnel in all aspects of the project and provide hands-on training, mentorship and ensure effective skills transfer.
- Intellectual property issues must be clarified in the contracting stage.
- DEA must assess the total cost of using consultants in relation to cost-effectiveness before a decision is made to appoint a consultant (Refer to DPSA rates).
- DEA should complete and retain close-out reports to ensure that information is available to which the Department could refer back to when future procurement decisions are taken.

18.2 GUIDELINES ON DEVELOPMENT OF THE TERMS OF REFERENCE (TOR)

- A clear description of the project, its objectives and anticipated outcomes and deliverables to enable consultants to respond to the invitation to bid.
- An explanation of what is expected of the consultants.
- A description of the importance and complexity of the work.
- A guide to both the consultant and the Department on what they are accountable for and how the project will be managed.
- A clear indication of the expected outcomes.
- An estimation of the hours and time required by the consultants.
• The period during which the consultants would be required.
• A detailed skills development plan for each official should be developed that will ensure their effective integration into the project and against which progress will be reported on regularly.
• Penalty clauses should be included in the contract and enforced when necessary to limit the extensions of contracts.

Criteria for selection

The method of selection of consultants is determined by the:

• Scope and complexity of the assignment;
• Quality of the service; and whether
• Assignment is non-standard or routine in nature.

Possible selection methods

The following selection methods may be used to select consultants (see Guide for Supply Chain Management Accounting Officers dated February 2004):

• Quality and cost based selection;
• Quality based selection;
• Selection under fixed budget;
• Least cost selection; and
• Single source selection.

19. CONSULTANT BID EVALUATION

The 80/20 or 90/10 principle

The evaluation of bids from consultants must be consistent with that of the evaluation of goods and services i.e. evaluation by using the 80/20 and the 90/10 PPPFA preference point system.

Director-General
The relevant DEA DDGs/COO shall approve the specifications and bid evaluation results before the recommended supplier is approved and appointed.

20. ESTABLISHING OF A LIST OF PROSPECTIVE SERVICE PROVIDERS

List of prospective service providers
A list of prospective service providers for rendering of goods are established through advertisement on local media. These suppliers are on the Database.

List of approved providers
Once the list of approved service providers has been established, I only the providers who are on the list.

How the process works
The list shall be updated regularly.

21. DECLARATIONS OF INTEREST BY THE BIDDER

Requirement for the bidder
A bidder must declare that:

- The information provided is true and correct;
- The signatory to the tender document is duly authorised including the certificate of Independent Bid Determination (SBD 9), and
- Documentary proof regarding any tendering issue will, when required, be submitted to the satisfaction of DEA.

22. LATE BIDS

Policy
Late bids will not be accepted by DEA and will be returned unopened to the bidder.
23. **PAYMENT OF SUPPLIER ACCOUNTS**

**Principle**
Suppliers are entitled to payment on time for services duly rendered. The General Conditions of Contract prescribe that for all contracts concluded, unless otherwise stated in the contract, or other agreements, all payments due to creditors must be settled within 30 (thirty) days from receipt of an invoice.

24. **DEVIATIONS FROM NORMAL POLICIES AND PROCEDURES**

Any deviation from the approved Departmental policies and procedures will require the written approval from the Accounting Officer of the Department or his/her delegate before payment is processed.

Failure to comply with the prescribed Departmental policies and procedures may result in the institution of disciplinary procedures in terms of the stipulated human resources policies and procedures of the Department.

**DATE OF EFFECT OF POLICY**

Policy or amendments thereto will be implemented from date of approval by the Accounting Officer or his/her delegate.

APPROVED / NOT APPROVED

DIRECTOR-GENERAL

DATE: 31/2/2011