



**Amatola**  
**Water • Amanzi**

**SUPPLY CHAIN  
MANAGEMENT POLICY**



## TABLE OF CONTENTS

<b>1.</b>	<b>DEFINITIONS</b> .....	<b>5</b>
<b>2.</b>	<b>POLICY STATEMENT</b> .....	<b>11</b>
2.1	Introduction .....	11
2.2	Goal .....	11
2.3	Objectives .....	11
2.4	Oversight .....	12
2.5	Compliance with Ethical Standards .....	12
<b>3.</b>	<b>GENERAL PROVISIONS AND APPLICATION OF POLICY</b> .....	<b>13</b>
3.1	Commencement and Review .....	13
3.2	Application of Policy .....	13
3.3	Delegations .....	13
3.4	Competency .....	14
3.5	Supply Chain Management Unit .....	14
3.6	Communication with Amatola Water .....	14
3.7	Availability of Supply Chain Management Policy .....	14
<b>4.</b>	<b>DEMAND MANAGEMENT SYSTEMS</b> .....	<b>15</b>
4.1	Introduction .....	15
4.2	Major Activities .....	15
<b>5.</b>	<b>ACQUISITION MANAGEMENT SYSTEM</b> .....	<b>16</b>
5.1	Introduction .....	16
5.2	General .....	16
5.3	Specialised Forms of Procurement .....	19
5.4	Range of Procurement Processes .....	21
5.5	General Conditions Applicable to Bids and Quotations .....	22
5.6	Competitive Bids .....	24
5.7	Formal Written Price Quotations .....	43
5.8	Written Price Quotations .....	45
5.9	Petty Cash / Procurement Card Purchases .....	45
5.10	Appointment of Consultants .....	46
5.11	Deviation from the Procurement Processes .....	47
<b>6.</b>	<b>LOGISTICS MANAGEMENT SYSTEM</b> .....	<b>50</b>
6.1	Introduction .....	50
6.2	General Logistics .....	50
6.3	Stock Logistics .....	51

<b>7.</b>	<b>DISPOSAL MANAGEMENT SYSTEM</b> .....	<b>52</b>
7.1	Goal .....	52
7.2	Disposal Management System .....	52
7.3	Transfer or Permanent Disposal of Assets and the Granting of Rights .....	52
<b>8.</b>	<b>RISK MANAGEMENT SYSTEM</b> .....	<b>53</b>
8.1	General .....	53
<b>9.</b>	<b>PERFORMANCE MANAGEMENT SYSTEM</b> .....	<b>54</b>
<b>10.</b>	<b>CODE OF ETHICAL STANDARDS</b> .....	<b>55</b>
10.1	General .....	55
10.2	Inducements, Rewards, Gifts and Favours .....	56
10.3	Sponsorships .....	56
<b>11.</b>	<b>PREFERENTIAL PROCUREMENT</b> .....	<b>57</b>
11.1	Introduction .....	57
11.2	Aim .....	57
11.3	Performance Management .....	57
11.4	Preferential Procurement System .....	57
11.5	Local Production and Content .....	64
11.6	Other Specific Goals .....	65
11.7	Remedies .....	66
11.8	Documentation .....	67
11.9	Guarantees for Due Performance .....	68
11.10	Retention .....	68
11.11	Payment Terms .....	68
11.12	Preferential Procurement Regulations, 2011 .....	69
<b>12.</b>	<b>MONITORING &amp; EVALUATION</b> .....	<b>70</b>
<b>13.</b>	<b>POLICY REVIEW</b> .....	<b>71</b>
<b>14.</b>	<b>DEVIATION</b> .....	<b>72</b>
<b>15.</b>	<b>CROSS REFERENCE TO OTHER POLICIES</b> .....	<b>73</b>

## 1. DEFINITIONS

In this Supply Chain Management Policy, unless the context indicates otherwise;

- 1.1 “Adjudication points”: means the points for price and points for B-BBEE contribution referred to in the Preferential Procurement Regulations, 2011 and the Preferential Procurement section of this policy, also referred to as “evaluation points”.
- 1.2 “All applicable taxes”: includes value-added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies.
- 1.3 “Asset”: means a tangible or intangible resource capable of ownership.
- 1.4 “B-BBEE”: means broad-based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act.
- 1.5 “B-BBEE Status Level of Contributor”: means the B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act.
- 1.6 “Bid”: means a written offer in a prescribed or stipulated form in response to an invitation by AW for the provision of goods, services or construction works through price quotations, advertised competitive bidding processes or proposals.
- 1.7 “Bidder”: means any person submitting a competitive bid or a quotation.
- 1.8 “Broad-Based Black Economic Empowerment Act”: means the Broad-Based Black Economic Empowerment Act, 53 of 2003 and Codes of Good Practice pertaining thereto.
- 1.9 “Capital Asset”: means:
  - 1.9.1 any immovable asset such as land, property or buildings; or
  - 1.9.2 any movable asset that can be used continuously or repeatedly for more than one year in the production or supply of goods or services, for rental to others or for administrative purposes, and from which future benefit can be derived, such as plant, machinery and equipment.
- 1.10 “AW”: means Amatola Water or any person(s) or committee delegated with the authority to act on its behalf.
- 1.11 “AO”: means the Accounting Officer.
- 1.12 “Closing Time”: means the time and day specified in the bid documents for the receipt of bids.
- 1.13 “Comparative Price”: means the price after the factors of a non-firm price and all unconditional discounts that can be utilized have been taken into consideration.

- 1.14 “Competitive Bidding Process”: means a competitive bidding process referred to in Regulation 12 (1) (d) of the Supply Chain Management Regulations.
- 1.15 “Competitive Bid”: means a bid in terms of a competitive bidding process.
- 1.16 “Community Based Vendor”: means a supplier of goods, services and/or construction works who resides in a target area or community, who meets the criteria for community based vendors as determined by the Director: Finance from time to time, and who is registered as such on AW’s Supplier database.
- 1.17 “Consortium”: also referred to as a “Joint Venture” (see clause 1.40 below).
- 1.18 “Construction Industry Development Board (CIDB) Act”: means the Construction Industry Development Board Act, 38 of 2000 and includes the regulations pertaining thereto.
- 1.19 “Construction Works”: means any work in connection with:
- 1.19.1 the erection, maintenance, alteration, renovation, repair, demolition or dismantling of or addition to a building or any similar structure;
  - 1.19.2 the installation, erection, dismantling or maintenance of a fixed plant;
  - 1.19.3 the construction, maintenance, demolition or dismantling of any bridge, dam, canal, road, railway, sewer or water reticulation system or any similar civil engineering structure; or
  - 1.19.4 the moving of earth, clearing of land, the making of an excavation, piling or any similar type of work.
- 1.20 “Consultant”: means a person or entity providing services requiring knowledge based expertise, and includes professional service providers.
- 1.21 “Contract”: means the agreement which is concluded when AW accepts, in writing, a competitive bid or quotation submitted by a supplier.
- 1.22 “Contractor”: means any person or entity whose competitive bid or quotation has been accepted by AW.
- 1.23 “Contract participation goal”: the value of the participation of a specific target group that a contractor must achieve in the performance of a contract, expressed as a percentage of the bid sum less provisional sums, contingencies and VAT.
- 1.24 “Day(s)”: means calendar days unless the context indicates otherwise.
- 1.25 “Delegated Authority”: means any person or committee delegated with authority by AW in terms of the provisions of the Delegation of Authority Matrix.
- 1.26 “Designated sector”: means a sector, sub-sector or industry that has been designated by the Department of Trade and Industry in line with national development and industrial policies for local production, where only locally produced services, works or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content.
- 1.27 “Emergency” means as defined under item 5.11.2.

- 1.28 “Evaluation of Bids”: in respect of bids that exceed R200 000, shall be deemed to take place when the Bid Evaluation Committee meets to make a recommendation to the Bid Adjudication Committee.
- 1.29 “Evaluation Points”: also referred to as “Adjudication Points” (see clause 1.1 above).
- 1.30 “Exempted Micro Enterprise”: means a bidder with an annual total revenue of R5 million or less (in terms of the Broad-Based Black Economic Empowerment Act).
- 1.31 “Final Award”: in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept.
- 1.32 “Firm Price”: means the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy, or tax, which, in terms of the law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract.
- 1.33 “Formal Written Price Quotation”, “Written Price Quotation”, “Quotation” or “Quote”: means a written or electronic offer to AW in response to an invitation to submit a quotation. Also referred to as “Bids”.
- 1.34 “Functionality”: means the measurement according to predetermined norms, as set out in the bid or quotation documents, of a service or commodity that is designed to be practical and useful, working or operating, taking into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a bidder. “Functionality” is also referred to as “Quality”. I.e. capability of serving the purpose well.
- 1.35 “Granting of Rights”: means the granting by AW of the right to use, control or manage capital assets in circumstances where Section 42 of the PFMA does not apply. In other words, where the granting of such rights does not amount to “transfer” or “disposal” of the asset and which includes leasing, letting, hiring out, etc, of the capital asset.
- 1.36 “Green Procurement”: is defined as taking into account environmental criteria for goods and services to be purchased in order to ensure that the related environmental impact is minimized.
- 1.37 “Imported Content”: means that portion of the bid price represented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or its sub-contractors) and which costs are inclusive of the costs abroad, plus freight and other direct importation costs, such as landing costs, dock dues, import duty, sales duty or other similar tax or duty at the South African port or entry.
- 1.38 “Impractical”: means as defined under item 5.11.1(d).
- 1.39 “In the service of AW: means:
- 1.39.1 Current employees of AW including their immediate families;

- 1.39.2 Current Board Members of AW including their immediate families;
- 1.39.3 Any employees and/or elected officials of a Government Department or Water Services Authority that has a relationship with AW;
- 1.40 “Joint Venture or Consortium”: means an association of persons formed for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract or contracts. The Joint Venture must be formalised by agreement between the parties.
- 1.41 “Local Content”: means that portion of the bid price which is not included in the imported content, provided that local manufacture does take place.
- 1.42 “Non-compliant Contributor”: means a person who does not meet the minimum score to qualify or a person who is not verified in terms of the required Sector Charter.
- 1.43 “Non-firm Prices”: means all prices other than “firm” prices.
- 1.44 “Person”: includes a natural or legal entity.
- 1.45 “Policy”: means this Supply Chain Management Policy as amended from time to time.
- 1.46 “Preference points”: mean the points for preference referred to in this Policy.
- 1.47 “Preferential Procurement Policy Framework Act” (PPPFA): means the Preferential Procurement Policy Framework Act, 5 of 2000.
- 1.48 “Preferential Procurement Regulations”: means the regulations pertaining to the PPPFA.
- 1.49 “Prime Contractor”: shall have the same meaning as “Contractor”.
- 1.50 “Promotion of Administrative Justice Act”: means the Promotion of Administrative Justice Act, 3 of 2000.
- 1.51 “Quality”: also referred to as “Functionality” (see clause 1.34 above).
- 1.52 “Rand Value”: means the total estimated value of a contract in South African currency, calculated at the time of bid invitations, and includes all applicable taxes and excise duties.
- 1.53 “Republic”: means the Republic of South Africa.
- 1.54 “Responsible Agent”: means either an internal project manager (being an employee of AW) or an external consultant (appointed by AW), as the case may be, who is responsible for the implementation of a project or part thereof.
- 1.55 “SARS”: means the South African Revenue Services.
- 1.56 “Stipulated Minimum Threshold”: means that portion of local production and content as determine by the Department of Trade and Industry.



- 1.57 “Sub-contract”: means the prime contractor’s assigning, leasing, making out work to, or employing, another person to support such prime contractor in the execution of part of a project in terms of the contract.
- 1.58 “Sub-contractor”: means any person that is assigned, leased, employed or contracted by the prime contractor to carry out work in support of the prime contractor in the execution of a contract.
- 1.59 “Supplier/Vendor”: are generic terms which may include suppliers of goods and services, contractors and/or consultants.
- 1.60 “Supplier Database”: means the list of accredited prospective providers.
- 1.61 “Targeted Labour”: means those individuals employed by a contractor, or sub-contractor, in the performance of a contract, who are defined in the contract as the target group, and who permanently reside in the defined target area.
- 1.62 “Targeted Enterprises”: means those enterprises (suppliers, manufacturers, service providers or construction works contractors that own, operate or maintain premises within the target area defined in the contract, for the purposes of carrying out their normal business operations.
- 1.63 “Tender/Tenderer”: means “bid/bidder”.
- 1.64 “Term Bid”: means a rates based bid for the supply of goods, services or construction works, which are of an ad-hoc or repetitive nature where the individual rates are approved for use over a predetermined period of time.
- 1.65 “Total Revenue”: bears the same meaning assigned to this expression in the Codes of Good Practice on Black Economic Empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act and promulgated in the Government Gazette on 9 February 2007.
- 1.66 “Transaction Value”: means the actual contract value (the bid sum or price) in South African currency, inclusive of all applicable taxes in respect of the goods, services or construction works that are contracted for.
- 1.67 “Treasury Guidelines”: means any guidelines on supply chain management issued by National Treasury;
- 1.68 “Trust”: means the arrangement through which the property of one person is made over or bequeathed to a trustee to administer such property for the benefit of another person.
- 1.69 “Trustee”: means any person, including the founder of a trust, to whom property is bequeathed in order for such property to be administered for the benefit of another person.
- 1.70 “Unsolicited Bid”: means an offer submitted by any person at its own initiative without having been invited by AW to do so.
- 1.71 “Public-private partnership agreement” means an agreement between an institution and a private party in terms of which –

- a) the private party undertakes to perform an institutional function on behalf of the institution for a specified or indefinite time;
- b) the private party receives a benefit for performing the function, either by way of:
  - i) compensation from a revenue fund;
  - ii) charges or fees collected by the private party from users or customers of a service provided to them; or
  - iii) a combination of such compensation and such charges or fees;
- c) the private party is generally liable for the risks arising from the performance of the function; and
- d) depending on the specifics of the agreement, AW equipment or other state resources may be transferred or made available to the private party.

The definition excludes an agreement or category of agreements exempted by the National Treasury.

Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include females and words importing persons shall include companies, close corporations and firms, unless the context clearly indicates otherwise.

Unless otherwise indicated, all amounts/limits stated in this document shall be deemed to be inclusive of all applicable taxes.

## **2. POLICY STATEMENT**

### **2.1 Introduction**

The Preferential Procurement Policy Framework Act requires an Organ of State to determine its Preferential Procurement Policy and to implement it within the framework prescribed. This requirement is given effect to in the Preferential Procurement section of this Policy.

### **2.2 Goal / Purpose**

The goal of this Policy is to provide a mechanism to ensure sound, sustainable and accountable supply chain management, whilst promoting black economic empowerment, which includes general principles for achieving the following socio-economic objectives:

- a) to stimulate and promote local economic development in a targeted and focused manner;
- b) to promote resource efficiency and reduce the negative environmental impact of daily operations of AW;
- c) to facilitate creation of employment and business opportunities for the people of the Eastern Cape with particular reference to Broad-Based Black Economic Empowerment;
- d) to promote the competitiveness of local businesses;
- e) to increase the small business sector access, in general, to procurement business opportunities created by AW;
- f) to be the preferred business partner of AW customers by offering superior SCM processes.

### **2.3 Objectives**

The objectives of this Policy are:

- a) to give effect to section 217 of the Constitution of the Republic of South Africa by implementing a system that is fair, equitable, transparent, competitive and cost effective;
- b) to comply with all applicable provisions published by National Treasury from time to time;
- c) to ensure consistency with all other applicable legislation and any regulations pertaining thereto, including:
  - i) the Preferential Procurement Policy Framework Act;
  - ii) the Broad-Based Black Economic Empowerment Act;
  - iii) B-BBEE Codes of Good Practice
  - iv) the Construction Industry Development Board Act;
  - v) the Promotion of Administrative Justice Act.

This Policy will also strive to ensure that the objectives for uniformity in supply chain management systems between organs of state, in all spheres, is not undermined and that consistency with national economic policy on the promotion of investments and doing business with the public sector is maintained.

## **2.4 Oversight**

The Board, as the accounting authority, has an oversight role to ensure that the AO implements this Supply Chain Management Policy.

For the purposes of such oversight, the AO shall, within 10 (ten) days of the end of each quarter, submit a report on the implementation of this Policy to the Board and, within 60 days of the end of each financial year, shall submit a similar such report to the Board.

In addition, if any serious and material problems arise in relation to the implementation of this Policy, the AO shall immediately report to the Board accordingly.

## **2.5 Compliance with Ethical Standards**

In order to create an environment where business can be conducted with integrity and in a fair and reasonable manner, this Policy will strive to ensure that the AO and all representatives of AW involved in supply chain management activities shall act with integrity and in accordance with the highest ethical standards.

All supply chain management representatives shall adhere to AW's Code of Conduct.

### **3. GENERAL PROVISIONS AND APPLICATION OF POLICY**

#### **3.1 Commencement and Review**

This Policy is effective from the date on which it is adopted by the Board.

The AO must annually review the implementation of this Policy and if she/he considers it necessary, submit proposals for the amendment of the Policy to the Board for approval.

#### **3.2 Application of Policy**

##### **3.2.1 Application**

This Policy applies to:

- a) the procuring of goods or services, including construction works and consultant services;
- b) the disposal by AW of goods no longer needed;

##### **3.2.2 Exclusions**

Unless specifically stated otherwise, this Policy does not apply if AW contracts with another organ of state for:

- a) the provision of goods or services to AW;
- b) the procurement of goods and services under a contract secured by that other organ of state, provided that the relevant supplier has agreed to such procurement.

A report shall nevertheless be submitted to the Bid Adjudication Committee seeking authority to contract with another organ of state.

The Policy provides for the following supply chain management systems:

- (1) demand management system;
- (2) acquisition management system;
- (3) logistics management system;
- (4) disposal management system;
- (5) risk management system;
- (6) performance management system.

These systems must be adhered to in all supply chain management activities undertaken by AW.

#### **3.3 Delegations**

The Board is responsible for approval and oversight of the policy.

The AO is delegated to implement the policy through the Supply Chain Management Unit and effect any amendments arising from changes in legislation.

To the extent that it may be necessary, the Board authorises the AO to delegate or sub-delegate to a staff member any power conferred on the AO.

No decision-making in terms of any supply chain management powers and duties may be delegated to an advisor or consultant.

### **3.4 Competency**

The AO shall ensure that all persons involved in the implementation of this Policy meet the prescribed competency levels, and where necessary, shall provide relevant training.

The training of officials involved in implementing this Policy shall be in accordance with any National Treasury guidelines on supply chain management training.

### **3.5 Supply Chain Management Unit**

The AO must establish a Supply Chain Management Unit to implement this Policy.

### **3.6 Communication with AW**

All correspondence with regard to this Policy shall be addressed to the Director: Finance.

### **3.7 Availability of Supply Chain Management Policy**

A copy of this Policy and other relevant documentation is available on AW's website.

## **4. DEMAND MANAGEMENT SYSTEMS**

### **4.1 Introduction**

Demand management provides for an effective system to ensure that the resources required to support the strategic operational commitments of AW are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs of AW.

AW's Strategy and five-year Business Plan are the comprehensive strategy document setting out how AW intends to tackle its development challenges in a financial year. It is on the basis of the Business Plan that the resources of AW will be allocated and on which the budget is based.

In order to achieve effective demand management, the Director: Finance shall continuously ensure:

- a) That efficient and effective provisioning and procurement systems and practices are implemented to enable AW to deliver the required quantity and quality of services to the communities.
- b) The establishment of uniformity in policies, procedures, documents and contract options and the implementation of sound systems of control and accountability.
- c) The development of a world-class professional supply chain management system which results in continuing improvement in affordability and value for money, based on total cost of ownership and quality of procurement as competition amongst suppliers is enhanced.
- d) In dealing with suppliers and potential suppliers, that AW shall respond promptly, courteously and efficiently to enquiries, suggestions and complaints.

### **4.2 Major Activities**

Demand management lies at the beginning of the supply chain and the major activities associated with identifying demand are:

- a) establishing requirements;
- b) determining needs; and
- c) deciding on appropriate procurement strategies.

Demand management accordingly shall involve the following activities:

- (1) understanding the future needs;
- (2) identifying critical delivery dates;
- (3) identifying the frequency of the need;
- (4) linking the requirement to the budget;
- (5) conducting expenditure analyses based on past expenditure;
- (6) determining requirements,
- (7) conducting commodity analyses in order to check for alternatives; and
- (8) conducting industry analyses.

## **5. ACQUISITION MANAGEMENT SYSTEM**

### **5.1 Introduction**

The objectives of this acquisition management system are to ensure:

- a) that goods and services, including construction works and consultant services are procured by AW only in accordance with the authorised procedures incorporated herein;
- b) that expenditure on goods and services, including construction works and consultant services is incurred in terms of an approved budget;
- c) that the threshold values of the different procurement procedures are complied with;
- d) that bid documentation, evaluation and adjudication criteria, and general conditions of contract are in accordance with the requirements of relevant legislation including, the Preferential Procurement Policy Framework Act, and any conditions of the Construction Industry Development Board Act; and
- e) that procurement guidelines issued by the National Treasury are taken into account.

### **5.2 General**

#### **5.2.1 Application**

This acquisition management system contains the general conditions and procedures which are applicable, as amended from time to time, to all procurement, contracts, and orders for AW.

#### **5.2.2 Supplier Database**

The AO shall ensure that AW's supplier database is updated at least quarterly and at least once per year shall, through newspapers commonly circulating locally, the website of AW, and any other appropriate ways, invite prospective suppliers of goods and services, construction works and consultant services to apply for listing as an accredited prospective supplier.

Prospective suppliers shall however be allowed to submit applications and amendments for listing on the database at any time.

The listing criteria for accredited prospective suppliers are:

- a) Name of supplier / service provider;
- b) Street address;
- c) Postal address
- d) Contact person in Sales Department
- e) Sales Department's telephone number
- f) Sales Department's fax number
- g) Sales Department's cell number
- h) Sales Department's email address



- i) Contact person in Accounts Department
- j) Accounts Department's telephone number
- k) Accounts Department's fax number
- l) Accounts Department's email address
- m) VAT registration yes/no
- n) VAT registration number
- o) Bank details
- p) Type of industry
- q) Valid certification for specialised services;
- r) Valid tax clearance certificate;
- s) CIDB registration if applicable;
- t) Valid certification in respect of Exempted Micro Enterprises or B-BBEE Status Level of Contributor
- u) Proof of Registration of the Company or Business .

The AO shall disallow the listing of any prospective supplier on AW's supplier database who does not comply with the accreditation requirements based on standards, set by any relevant control bodies that govern or regulate the category of service or industry.

The AO shall disallow the listing of any prospective supplier whose name appears on the National Treasury's List of Restricted Suppliers and/or Register for Tender Defaulters and who is therefore prohibited from doing business with the public sector.

For quotations (up to and including R200 000) bidders are required to be registered on AW's supplier database prior to the acceptance of their quotation (the issue of an official order) in respect of the goods or services required.

Where bids exceed R200 000, bidders who are not registered on AW's Supplier Database are not precluded from submitting bids, but must however be registered prior to the evaluation of bids in order for their bids to be responsive.

All parties to a Joint Venture or Consortium must comply with the requirements of preceding two paragraphs.

### **5.2.3 Combating Abuse of the Supply Chain Management Policy**

#### **5.2.3.1 Abuse of the Supply Chain Management System**

AO shall take all reasonable steps to prevent abuse of the supply chain management system and to investigate any allegations against an official, or other role player, of fraud, corruption, favouritism, unfair, irregular or unlawful practices or failure to comply with the supply chain management system and when justified in terms of administrative law:

- a) shall take appropriate steps against such official or other role player; or
- b) shall report any alleged criminal conduct to the South African Police Service;

- c) may reject a recommendation for the award of a contract if the recommended bidder or person submitting a quote, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
- d) must invalidate recommendations or decisions that were unlawfully or improperly made, taken or influenced,

#### **5.2.3.2 Cancellation of Contracts Awarded**

AO may cancel a contract awarded to a person if:

- a) the person committed a corrupt or fraudulent act during the procurement process or the execution of the contract; or
- b) an official or other role player committed any corrupt or fraudulent act during the procurement process or in the execution of the contract that benefited that person

#### **5.2.3.3 Rejection of Bids or Quotes**

The AO may reject the bid or quote of any person if that person or any of its directors has:

- a) failed, during the last five years, to perform satisfactorily on a previous contract with AW or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
- b) abused the supply chain management system of AW or has committed any improper conduct in relation to this system;
- c) been convicted of fraud or corruption during the past five years;
- d) willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
- e) been listed on the National Treasury's Register for Tender Defaulters in terms of the Prevention and Combating of Corrupt Activities Act, 12 of 2004 or has been listed on the List of Restricted Suppliers and who is therefore prohibited from doing business with the public sector.

The AO shall inform the National and Provincial Treasury of any actions taken in terms of items 5.2.3.1, 5.2.3.2 and 5.2.3.3 above.

#### **5.2.4 Appointment of Observer**

Where appropriate, the AO may appoint a neutral or independent observer in order to ensure fairness and transparency in the application of this acquisition management system.

#### **5.2.5 Contracts Having Budgetary Implications beyond Five Financial Years**

AW may not enter into any contract that will impose financial obligations beyond the five years covered in the annual budget for that financial year.

#### **5.2.6 Proudly South African Campaign**

AW supports the Proudly South African Campaign and may, where appropriate, aside from stipulating minimum local content thresholds determined by the Department of Trade and Industry in respect of designated sectors, determine minimum thresholds in respect of other sectors as well.

### **5.3 Specialised Forms of Procurement**

#### **5.3.1 Acquisition of Goods and Services under Contracts secured by other Organs of State**

The AO may procure goods or services under a contract secured by another organ of state, but only if:

- a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
- b) AW or entity has no reason to believe that such contract was not validly procured;
- c) there are demonstrable discounts or benefits for AW or entity to do so; and
- d) that other organ of state and the provider have consented to such procurement in writing.

#### **5.3.2 Acquisition of Banking Services**

Subject to Sections 7(2) and (3) of the PFMA, any contract for the provision of banking services:

- a) shall be procured through a competitive bidding process;
- b) shall be consistent with Section 7(2) of the Public Finance Management Act; and
- c) may not be for a period longer than five years.

The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.

The closure date for the submission of bids for banking services may not be less than 60 days from the date on which the advertisement is placed in a newspapers commonly circulating locally.

Bids shall be restricted to banks registered in terms of the Banks Act, 94 of 1990.

### **5.3.3 Acquisition of IT Related Goods or Services**

If the transaction value of IT related goods or services exceeds R50 million in any financial year, or if the transaction value of a single contract (whether for one or more years) exceeds R50 million, the AO must notify the State Information Technology Agency (SITA) together with a motivation of the IT needs of AW.

If SITA comments on the submission and AW disagrees with such comment, the comments and the reasons for rejecting or not following such comments must be submitted to the Board, the Provincial and National Treasury, and the Auditor-General prior to awarding the bid.

Notwithstanding the above, the AO may request the SITA to assist with the acquisition of IT related goods or services in which case the parties must enter into a written agreement to regulate the services provided by, and the payments to be made to, the SITA.

### **5.3.4 Acquisition of Goods Necessitating Special Safety Arrangements**

Goods, other than water, which necessitate special safety arrangements (for example, flammable products, poisons), may not be acquired in excess of immediate requirements unless there is sound financial justification therefor.

Where the storage of goods, other than water in bulk is justified, the AO may authorise such storage and the decision must be based on sound reason including total cost of ownership and cost advantages for AW.

### **5.3.5 Public-Private Partnerships**

Section 76(4) of the PFMA:

An institution may not proceed to issue procurement documentation unless it has obtained written treasury approval in terms of clause 16.3 of the Treasury Regulations and has obtained subsequent treasury acceptance of the procurement documentation, including at least the main terms of the proposed agreement.

16.6.2 of the Treasury Regulations; a PPP agreement must be procured in accordance with applicable procurement legislation.

16.6.3 of the Treasury Regulations; the procurement procedure must include –

- a) an open and transparent pre-qualification process;
- b) a competitive bidding process in which only pre-qualified organisations may participate; and
- c) criteria for the evaluation of bids to identify the bid that represents the best value for money.

16.6.4 of the Treasury Regulations; the procurement procedure may include –

- (1) a preference for categories of bidders, such as persons disadvantaged by unfair discrimination, provided that this does not compromise the value for money requirement; and
- (2) incentives for recognising and rewarding genuine innovators in the case of unsolicited proposals, provided that these incentives do not compromise the competitive bidding process.

#### **5.3.6 Publications in the Media**

In respect of any contract relating to the publication of official and legal notices and advertisements in the media by or on behalf of AW, there is no requirement for a competitive bidding process to be followed.

#### **5.3.7 Community Based Vendors**

The Director: Finance may request quotations directly from Community Based Vendors in a specific area or from a specific community for the procurement of goods and services for amounts less than R30 000 (including construction works).

### **5.4 Range of Procurement Processes**

Goods and services, including construction works and consultant services shall be procured through the range of procurement processes set out below.

#### **5.4.1 Competitive Bids**

Where the estimated transaction value exceeds R200 000 or for any contract exceeding one year in duration (which includes any defects liability period, if applicable).

#### **5.4.2 Term Bids**

For the supply of goods and services or construction works that is of an ad-hoc or repetitive nature for a predetermined period of time.

#### **5.4.3 Formal Written Price Quotations**

Where the estimated transaction value exceeds R10 000 and is less than or equal to R200 000.

#### **5.4.4 Written Price Quotations**

Where the estimated transaction value exceeds R3 000 and is less than or equal to R10 000.

#### **5.4.5 Petty Cash / Procurement Card Purchases**

Where the transaction value is less than or equal to R3 000.

#### **5.4.6 Procurement of Consulting Services**

Where the estimated value of fees exceeds R200 000 or where the duration of the appointment will exceed one year, a competitive bidding process shall apply.

Where the estimated value of fees is less than or equal to R200 000 and the duration of the appointment will be less than one year, a selection process as described in this Policy, as amended from time to time, shall be applied.

#### **5.4.7 Reduction in Threshold Values**

The AO may:

- a) lower, but not increase, the different threshold values specified in the acquisition management system of this Policy; or
- b) direct that:
  - i) written quotations be obtained for any specific procurement of a transaction value lower than R3 000;
  - ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or
  - iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.

#### **5.4.8 Parceling**

The provision of goods, services or construction works may not deliberately be split into parts, or items of a lesser value, merely to avoid complying with the requirements of the different range of procurement processes described in this policy.

### **5.5 General Conditions Applicable to Bids and Quotations**

AW shall not consider a bid or quote unless the bidder who submitted the bid or quote:

- a) has furnished AW with that bidder's:

- i) full name;
  - ii) identification number or company or other registration number; and
  - iii) tax reference number; and
  - iv) VAT registration number, if any;
  - v) certificate of attendance at a compulsory site inspection, where applicable;
- b) has submitted an original and valid tax clearance certificate certifying that the provider's tax matters are in order; and
- c) has indicated whether:
- i) the provider is in the service of AW, or has been in the service of AW in the previous two years;
  - ii) if the provider is not a natural person, whether any of the directors, managers, principal shareholders or stakeholders is in the service of AW, or has been in the service of AW in the previous two years; or
  - iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in sub-clause (ii) above is in the service of AW, or has been in the service of AW in the previous two years.

Irrespective of the procurement process, AW may not make any award above R15 000, to a person whose tax matters have not been declared by the SARS to be in order.

Irrespective of the procurement process followed, AW is prohibited from making an award to a person:

- (1) who is in the service of AW;
- (2) if the person is not a natural person, of which any director, manager or principal shareholder or stakeholder is in the service of the AW; or
- (3) who is an advisor or consultant contracted with AW (refer to c item 5.6.3, paragraphs 7 in this regard).

The AO shall ensure that the notes to the annual financial statements of AW disclose particulars of any award above R2000 to a person who is a spouse, child or parent of a person in the service of AW, or who has been in the service of AW in the previous twelve months, including:

- I. the name of the person;
- II. the capacity in which the person is in the service of AW: and
- III. the amount of the award.

## **5.6 Competitive Bids**

### **5.6.1 General**

The following four committees will be established to fulfill the competitive bidding process:

- a) Bid Specification Committee
- b) Bid Evaluation Committee
- c) Bid Adjudication Committee
- d) Disposal Committee

Competitive bids must be called for any procurement of goods or services, construction works, or consultant services above a transaction value of R200 000, or for any contract exceeding one year in duration.

When determining transaction values, a requirement for goods or services, construction works or consultant services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

### **5.6.2 Bid Specifications**

Bid specifications must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services.

Bid specifications must take account of any accepted standards such as those issued by South African National Standards, the International Standards Organisation, or any authority accredited or recognised by the South African National Accreditation System with which the service, equipment or material or workmanship should comply.

Of the four standards detailed in the SANS294, AW will:

- a) Adopt method 2 for construction projects (Price and Preference)
- b) Adopt method 4 for all other acquisitions (functionality/quality, price and preference)

Bid specifications shall, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design.

Bid specifications may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification.

Bid specifications may not make any reference to any particular trade mark, name, patent, design, type, specific origin or producer, unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words "or equivalent".

Bid specifications must be approved by the AO or his delegated authority prior to publication of the invitation for bids.

Where specifications are based on standard documents available to bidders, a reference to those documents is sufficient.



### **5.6.3 Bid Specification Committee**

All bid specifications and bid documentation must be compiled by an ad-hoc bid specification committee constituted for each project or procurement activity.

The Bid Specification Committee shall be comprised of at least three AW employees, an appointed Chairperson, a responsible official and at least one Supply Chain Management Practitioner of AW.

Where appropriate a representative of Internal Audit and/or Legal Services and/or other specialist advisors (internal or external) may form part of this committee.

Green procurement should ideally be incorporated as far as reasonably possible, for all specifications of goods, services and construction works.

In the development of bid specifications, innovative mechanisms should be explored to render the service or product more resource and energy efficient.

The AO, or his delegated authority, shall, appoint the members of the Bid Specification Committees.

No person, advisor or corporate entity involved with the bid specification committee, or director of such corporate entity, may bid for any resulting contracts.

Bid Specification Committee meetings must be conducted in accordance with the applicable Terms of Reference, Rules of Order and Implementation Guidelines Regulating the Conduct of Meetings of Bid Specification, Evaluation and Adjudication Committees.

### **5.6.4 Compilation of Bid Documentation**

If the bid relates to construction works as contemplated by the Construction Industry Development Board Act, then the requirements of that Act must be taken into account in the bid documentation.

General conditions of contract and supply chain management guidelines of the National Treasury in respect of goods and services must be taken into account when compiling bid documents.

Bid documentation must clearly indicate the terms and conditions of contract, specifications, criteria for evaluation and adjudication procedures to be followed where applicable, and include where, in exceptional circumstances, site inspections are compulsory.

An appropriate contract and/or delivery period must be specified for all contracts.

The requirements of the preferential procurement section of this Policy must be clearly set out in the bid documentation.

The bid documentation and evaluation criteria shall not be aimed at hampering competition, but rather to ensure fair, equitable, transparent, competitive and cost effective bidding, as well as the protection or advancement of persons, or categories of persons, as embodied in the preferential procurement section of this Policy.

The bid documentation must require a bidder to furnish the following:

- a) the bidders full name;
- b) the identification number or company or other registration number;
- c) the bidders tax reference number and VAT registration number, if any; and
- d) an original valid tax clearance from the South African Revenue Services stating that the bidder's tax matters are in order.

Bid documentation must stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation) or, where unsuccessful, in a court of South African law.

A provision for the termination/cancellation of the contract in the case of non- or under-performance must be included in the bid documentation.

Unless otherwise indicated in the bid documents, AW shall not be liable for any expenses incurred in the preparation and/or submission of a bid.

Bid documentation must state that AW shall not be obliged to accept the lowest bid, any alternative bid or any bid.

Unless AO otherwise directs bids are invited in the Republic only.

Laws of the Republic shall govern contracts arising from the acceptance of bids.

Where the acquisition in question is likely to involve an imported component which will be subject to foreign exchange rate adjustments, the bid documentation must specify that the contractor take out a forward exchange contract in order to fix the Rand based price as soon as possible after the award.

Bid documentation must compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted.

The bid documentation must require bidders to disclose:

- (1) whether he or she is in the service of AW, or has been in the service of AW in the previous twelve months;

- (2) if the bidder is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of AW, or has been in the service of AW in the previous twelve months; or
- (3) whether a spouse, child or parent of the bidder or of a director, manager, shareholder or stakeholder referred to in sub-item 5.6.4(2) above is in the service of AW, or has been in the service of AW in the previous twelve months.

Bid documentation must require bidders to complete, sign and submit, together with their bid, a certificate of independent bid determination.

Bid documentation for consultant services must require bidders to furnish AW with particulars of all consultancy services, and any similar services (to the services being bid for) provided to an organ of state in the last five years.

Bid documentation for consultant services must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, item, system or process designed or devised by a consultant in terms of an appointment by AW, shall vest in AW.

Bid documentation must state that the responsibility for registration and verification on AW's supplier database rests solely with the bidder.

#### **5.6.5 Alternative Bids**

Bid documentation may state that alternative bids can be submitted provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted.

An alternative bid shall be submitted on a separate complete set of bid documents and shall be clearly marked "Alternative Bid" to distinguish it from the unqualified bid referred to above.

Bid documentation shall state that AW will not be bound to consider alternative bids.

#### **5.6.6 Public Invitation for Competitive Bids**

On completion of the bid specification process AW shall publicly invite bids.

Bid invitation shall be by notice published in the media.

The notice shall, as soon as possible after the publication contemplated above, be posted on official notice boards designated by the AO.

The notice may require payment of a non-refundable bid fee by bidders wanting to collect bid documents. This bid fee shall be determined by the Director: Finance from time to time.

The notice contemplated above shall specify:

- a) the title of the proposed contract and the bid or contract reference number;
- b) such particulars of the contract as AW deems fit;
- c) the date, time and location of any site inspection, if applicable;
- d) the place where the bid documentation is available for collection and the times between which bid documentation may be collected;
- e) that bids may only be submitted on the bid documentation provided by AW;
- f) the deposit payable, if any;
- g) the place where bids must be submitted;
- h) the closing date and time for submission of bids; and
- i) the required CIDB contractor grading for construction work.
- j) B-BBEE requirements
- k) Functionality
- l) Eligibility Criteria

The notice shall further state that all bids for the contract must be submitted in a sealed envelope on which it is clearly stated that such envelope contains a bid and the contract title and contract or bid reference number for which the bid is being submitted.

Bid documentation shall be available for collection until the closing date of bids.

#### **5.6.7 Issuing of Bid Documents**

Bid documents and any subsequent notices may only be issued by officials designated by the Director: Finance from time to time.

Details of all prospective bidders who have been issued with bid documents must be recorded by the issuing office but shall remain **confidential** for the duration of the bid period.

Details of prospective bidders must, wherever possible, include the full name of the person drawing documents, a contact person, a contact telephone and fax number and a postal and email address.

#### **5.6.8 Site Inspections/Bid Clarification Meetings**

Site inspections/clarification meetings in respect of bids exceeding R200 000 will, in general, not be compulsory. In exceptional circumstances however, a site inspection/clarification meeting may be made compulsory with the approval of the Director: Finance, provided that the minimum bid period is extended by at least 7 (seven) days (refer to item 5.6.16, paragraphs 2 - 4 in this regard).

If site inspections/clarification meetings are to be held, full details must be included in the bid notice, including whether or not the site inspection/ clarification meeting is compulsory.

Where site inspections/clarification meetings are made compulsory, the date for the site inspection/clarification meeting shall be at least 7 (seven) days after the bid has been advertised, and a certificate of attendance signed by the Responsible Agent must be submitted with the bid.

If at a site meeting/clarification meeting, any additional information is provided or clarification of vague points is given, such additional information or clarification must be conveyed to all bidders in accordance with item 5.6.17 of this Policy.

#### **5.6.9 Two-stage (Prequalification) Bidding Process**

In a two-stage (prequalification) bidding process, bidders are first invited to prequalify in terms of predetermined criteria, without being required to submit detailed technical proposals (where applicable) or a financial offer.

In the second stage, all bidders that qualify in terms of the predetermined criteria will be shortlisted and invited to submit final technical proposals (where applicable) and/or a financial offer.

This process may be applied to bids for large complex projects of a specialist or long term nature or where there are legislative, design, technological and/or safety reasons to restrict bidding to firms who have proven their capability and qualification to meet the specific requirements of the bid, including projects where it may be undesirable to prepare complete detailed technical specifications or long term projects with a duration exceeding three years.

The notice inviting bidders to pre-qualify must comply with the provisions of public invitation for competitive bids (item 5.6.6 refers).

Once bidders have pre-qualified for a particular project, they shall be given not less than 7 (seven) days to submit a final technical proposal (where applicable) and/or a financial offer.

#### **5.6.10 Two Envelope System**

A two envelope system differs from a two-stage (prequalification) bidding process in that a technical proposal and the financial offer are submitted in separate envelopes at the same place and time. The financial offers will only be opened once the technical proposals have been evaluated (item 5.6.21 refers).

#### **5.6.11 Validity Periods**

The period for which bids are to remain valid and binding must be indicated in the bid documents.

The validity period is calculated from the bid closure date and bids shall remain in force and binding until the end of the final day of that period.

This period of validity may be extended by the Director: Finance, provided that the original validity period has not expired, and that all bidders are given an opportunity to extend such period. Any such extension shall be agreed to by a bidder in writing.

Bidders who fail to respond to such a request before the validity of their bid expires, or who decline such a request shall not be considered further in the bid evaluation process.

The Director: Finance must ensure that all bidders are requested to extend the validity period of their bids where necessary in order to ensure that the bids remain valid throughout the 21 day appeal period described in item 5.6.25.6, paragraph 1.

In the event that an appeal in terms of item 5.6.25.6, paragraph 1 is received, the validity period is deemed to be extended until finalisation of the appeal.

#### **5.6.12 Contract Price Adjustment**

For all contract periods equal to or exceeding one year, an appropriate contract price adjustment formula must be specified in the bid documents.

In general, if contract periods do not exceed one year, the bid shall be a fixed price bid and not subject to contract price adjustment.

However, if as a result of any extension of time granted, the duration of a fixed price contract exceeds one year, the contract will automatically be subject to contract price adjustment for that period by which the extended contract period exceeds such one year. An appropriate contract price adjustment formula must be specified in the bid documents.

Notwithstanding item 5.6.12, paragraph 2, if the bid validity period is extended, then contract price adjustment may be applied.

#### **5.6.13 Contracts providing for Compensation Based on Turnover**

If a service provider acts on behalf of AW to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and AW must stipulate;

- a) a cap on the compensation payable to the service provider; and
- b) that such compensation must be performance based.

#### **5.6.14 Provisional Sums and Prime Cost or Sub-contract Allowances**

Where monetary allowances in excess of R200 000 in respect of provisional sums or prime cost items have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by sub-contractors/suppliers, then one of the following processes, as determined by the Bid Specification Committee, shall be followed in respect of these allowances:

- a) An **open competitive bidding process** in which bid documents are prepared by the Responsible Agent in consultation with and to the approval of the contractor, invitations to bid are advertised in the media, and whereby the **selected sub-contractor/supplier** is chosen by the Responsible Agent together with the contractor from the responses received. The contractor must satisfy him/herself that the selected sub-contractor/supplier can meet the requirements of the sub-contract/supply agreement, and assumes the risk for the performance of the sub-contractor / supplier. The contractor may, on a reasonable grounds, elect not to employ a particular sub-contractor / supplier
- b) A **two-stage selection process**, whereby the Responsible Agent will advertise (in the media) for expressions of interest from suitably qualified sub-contractors / suppliers. From the responses received, the Responsible Agent and the contractor, in conjunction, shall compile a list of at least three (unless less than three responses were received) suitable sub-contractors/suppliers who will then be asked to submit prices for the works/items required. The contractor will assume the risk for the performance of the **selected sub-contractor/supplier** identified through this process.
- c) A **nominated process**, whereby AW instructs the contractor to appoint a particular (typically specialist) sub-contractor / supplier. In this process the sub-contractor / supplier is a **nominated sub-contractor / supplier**, and the risk is transferred from the contractor to AW. The use of this process must therefore be motivated to, and approved by, the Director: Finance prior to its implementation.

A preference point system (as described later in this policy) must be applied in all of the above selection processes.

When monetary allowances of less than R200 000 have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by sub-contractors/suppliers, the contractor must be required to obtain a minimum of three written quotations for approval by the Responsible Agent.

#### 5.6.15 Samples

Where samples are called for in the bid documents, samples (marked with the bid and item number as well as the bidder's name and address) shall be delivered separately (to the bid) to the addressee mentioned in the bid documents.

Bids may not be included in parcels containing samples.

If samples are not submitted as required in the bid documents or within any further time stipulated by the Chairperson of the Bid Evaluation Committee in writing, then the bid concerned may be declared non-responsive.

Samples shall be supplied by a bidder at his/her own expense and risk. AW shall not be obliged to pay for such samples or compensate for the loss thereof, unless otherwise specified in the bid documents, and shall reserve the right not to return such samples and to dispose of them at its own discretion.

If a bid is accepted for the supply of goods according to a sample submitted by the bidder, that sample will become the contract sample. All goods/materials supplied shall comply in all respects to that contract sample.

#### **5.6.16 Closing of Bids**

Bids shall close on the date and at the time stipulated in the notice.

For bids (excluding quotations) for goods and services the bid closing date must be at least 14 (fourteen) days after publication of the notice.

For bids (excluding quotations) for construction works the bid closing date must be at least 21 (twenty one) days after publication of notice.

Notwithstanding the above, if the project is of a complex or specialized nature, then the bid closing date can be extended to 30 (thirty) days after publication of the notice.

For banking services, the bid closing date must be at least 60 (sixty) days after publication of the notice.

For proposal calls using a two envelope system, the bid closing date must be at least 30 (thirty) days after publication of the notice.

The bid closing date may be extended by the Director: Finance if circumstances justify this action; provided that the closing date may not be extended unless a notice is published in the press prior to the original bid closing date. This notice shall also be posted on the official notice boards designated by the AO, and a notice to all bidders to this effect shall be issued.

The AO may determine a closing date for the submission of bids which is less than any of the periods specified in paragraphs 2 – 6 above, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

#### **5.6.17 Communication with bidders before bid closing**

The Bid Specification Committee Chairperson may, if necessary, communicate with bidders prior to bids closing.

Such communication shall be in the form of a notice issued to all bidders by the Director: Finance or his/her delegate by either e-mail, facsimile, or registered post as appropriate. A copy of the notice



together with a transmission verification report/proof of posting shall be kept for record purposes. Notices should be issued at least one week prior to the bid closing date, in extenuating / compelling circumstances.

Notwithstanding a request for acknowledgement of receipt of any notice issued, the bidder will be deemed to have received such notice if the procedures in the preceding paragraph have been complied with.

#### **5.6.18 Submission of Bids**

Bids must be submitted before the closing time, at the address and in accordance with the directives in the bid documents.

Each bid must be in writing using non-erasable ink and must be submitted on the official Form of Bid/Offer issued with the bid documents.

The bid must be submitted in a separate sealed envelope with the name and address of the bidder, the bid number and title, the bid box number (where applicable), and the closing date indicated on the envelope. The envelope may not contain documents relating to any bid other than that shown on the envelope. Only sealed bids will be accepted.

The onus shall be on the bidder to place the sealed envelope in the official, marked and locked bid box provided for this purpose, at the designated venue, not later than the closing date and time specified in the bid notice.

No bids forwarded by telegram, facsimile or similar apparatus shall be considered. However, photostat copies of bids or facsimiles which are submitted in the prescribed manner will be considered, provided the original Forms of Bid/Offer can be shown to have been posted or couriered prior to the close of bids.

Electronic bids will not be accepted.

The bidder shall choose a *domicilium citandi et executandi* in the Republic and unless notice of the change thereof has duly been given in writing, it shall be the address stated in the bid.

No person may amend or tamper with any bids or quotations after their submission.

#### **5.6.19 Late Bids**

A bid is late if it is not placed in the relevant bid box by the closing time for such bid.

A late bid shall not be admitted for consideration and shall be returned unopened (where feasible) to the bidder with the reason for the return thereof endorsed on the envelope.

#### **5.6.20 Opening of Bids**

At the specified closing time on the closing date the bid box shall be closed.

The bid box shall be opened in public as soon as practical after the closing time. Immediately after the opening of the bid box, all bids shall be opened in public and checked for compliance.

The official opening the bids shall read out the name of the bidder, and, if practical, the amount of the bid and the preference claimed.

As soon as a bid or technical proposal has been opened:

- a) the bid/proposal shall be stamped with the official stamps, and endorsed with the opening official's signature;
- b) the name of the bidder, and where possible, the bid sum shall be recorded in a bid opening record kept for that purpose; and
- c) the responsible official who opened the bid shall forthwith place his/her signature on the bid opening record.

#### **5.6.21 Opening of Bids where a Two Envelope System (consisting of a technical proposal and a financial proposal) is followed**

If a two-envelope system is followed, only the technical proposal will be opened at the bid opening.

The unopened envelope containing the financial proposal shall be stamped and endorsed with the opening official's signature, and be retained by him/her for safekeeping.

When required the financial offers/bids corresponding to responsive technical proposals, shall be opened by the opening official in accordance with item 5.6.20, paragraphs 3 – 4.

All bidders who submitted responsive technical proposals must be invited to attend the opening of the financial offers/bids.

Envelopes containing financial offers/bids corresponding to non-responsive technical proposals shall be returned unopened along with the notification of the decision of the Bid Adjudication Committee in this regard item 5.6.25.7, paragraph 1.

After being recorded in the bid opening record, the bids/technical proposals shall be handed over to the official responsible for the supervision of the processing thereof and that official shall acknowledge receipt thereof by signing the bid opening record.

#### **5.6.22 Invalid Bids**

Bids shall be invalid, and shall be endorsed and recorded as such in the bid opening record by the responsible official appointed by the Director: Finance to open the bid, in the following instances:

- a) If the bid is not sealed;
- b) the bid, including the bid price amount, where applicable is not submitted on the official Form of Bid/Offer;
- c) if the bid is not completed in non-erasable ink;
- d) if the Form of Bid/Offer has not been signed;
- e) if the Form of Bid/Offer is signed, but the name of the bidder is not stated, or is indecipherable; or
- f) if in a two envelope system, the bidder fails to submit both a technical proposal and a separate sealed financial offer/bid.

When bids are declared invalid at the bid opening, the bid sum of such bids shall not be read out. However, the name of the bidder and the reason for the bid having been declared invalid shall be announced.

#### **5.6.23 Bid Sum**

A bid will not necessarily be invalidated if the amount in words and the amount in figures do not correspond, in which case the amount in words shall be read out at the bid opening.

All rates, with the exception of rates only bids, and proprietary information are confidential and shall not be disclosed.

#### **5.6.24 Bid Evaluation**

##### **5.6.24.1 Bid Evaluation Committee**

An ad-hoc Bid Evaluation Committee shall be constituted for each project or procurement activity to evaluate bids received.

The Bid Evaluation Committee shall be comprised of at least three AW employees, an appointed Chairperson (who may be the same person as the Chairperson of the Bid Specification Committee), a responsible official and at least one Supply Chain Management Practitioner of AW.

Where appropriate, a representative of Internal Audit and/or Legal Services may form part of this committee, which may also include other internal specialists/experts as necessary. External specialists/experts may advise the Bid Evaluation Committee, as required.

The AO, or his delegated authority, shall appoint the members of the Bid Evaluation Committees in writing and who must in turn accept in writing.

Bid Evaluation Committee meetings must be conducted in accordance with the applicable Terms of Reference, Rules of Order and Implementation Guidelines regulating the Conduct of Meetings of Bid Specification, Evaluation and Adjudication Committees.

#### **5.6.24.2 Bid Evaluation**

The Responsible Agent shall carry out a preliminary evaluation of all valid bids received and shall submit a draft bid evaluation report to the Bid Evaluation Committee for consideration.

Any evaluation of a bid shall consider the bids received and shall note for inclusion in the evaluation report, a bidder:

- a) whose bid was endorsed as being invalid by AW official presiding over the bid opening;
- b) whose bid does not comply with the provisions for combating abuse of this Policy;
- c) who has failed to submit a certificate of independent bid determination, either with the bid, or within such time for submission stated in AW's written request to do so.
- d) whose bid does not comply with the general conditions applicable to bids and quotations of this Policy;
- e) whose bid is not in compliance with the specification;
- f) whose bid does not meet the minimum score for functionality, if applicable;
- g) whose bid is not in compliance with the terms and conditions of the bid documentation;
- h) who is not registered and verified on AW's supplier database;
- i) who, in the case of construction works acquisitions, does not comply with the requirements of the Construction Industry Development Board Act regarding registration of contractors;
- j) who has failed to submit an original and valid tax clearance certificate from the South African Revenue Services (SARS) certifying that the taxes of the bidder are in order or that suitable arrangements have been made with SARS, and
- k) who fails to comply with any applicable Bargaining Council agreements.

Bids shall be evaluated according to the following as applicable:

- (1) bid price, excluding VAT (corrected if applicable and brought to a comparative price where necessary),
- (2) the unit rates and prices,
- (3) the bidder's ability to execute the contract,
- (4) any qualifications to the bid,
- (5) the bid ranking obtained in respect of preferential procurement as required by this Policy,
- (6) the financial standing of the bidder, including its ability to furnish the required institutional guarantee, where applicable,
- (7) any other criteria specified in the bid documents.

No bidder may be recommended for an award unless the bidder has demonstrated that it has the necessary resources and skills required to fulfill its obligations in terms of the bid document.

Additional information or clarification of bids may be called for if required but only in writing.

Alternative bids may be considered, provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted. AW shall not be bound to consider alternative bids.

If a bidder requests in writing, after the closing of bids, that his/her bid be withdrawn, then such a request may be considered and reported in the bid evaluation report for decision by the Bid Adjudication Committee.

Adjudication points calculated in terms of the preference point system described in this policy must be rounded off to the nearest two decimal places.

The responsive bid that scores the highest number of adjudication points must be recommended for acceptance unless objective criteria, in addition to those specific goals contemplated in section 2 of the PPPFA, justify the acceptance of another bid.

If, after bids have been brought to a comparative price, two or more score equal total adjudication points, the recommended bidder shall be the one scoring the highest number of preference points for B-BBEE.

When functionality is part of the evaluation process and two or more bids have scored equal points, including equal preference points for B-BBEE, the recommended bidder shall be the one scoring the highest score for functionality.

If two or more bids are equal in all respects, the Bid Evaluation Committee shall draw lots to decide on the recommendation for award, or may, in the case of goods and services, recommend splitting the award proportionately, where applicable.

All disclosures of a conflict of interest shall be considered by the Bid Evaluation Committee and shall be reported to the Bid Adjudication Committee.

#### **5.6.24.3 Recommendation to Bid Adjudication Committee**

The Bid Evaluation Committee shall, having considered the Responsible Agent's draft bid evaluation report, submit a report, including recommendations regarding the award of the bid or any other related matter, to the Bid Adjudication Committee for award.

### **5.6.25 Bid Adjudication**

#### **5.6.25.1 General**

AW shall not be obliged to accept any bid.

For goods and services bids, AW shall have the right to accept the whole bid or part of a bid or any item or part of an item or accept more than one bid.

#### **5.6.25.2 Bid Adjudication Committee**

The Bid Adjudication Committee shall comprise at least four senior managers, and shall include:

- a) the Chief Financial Officer or a Manager designated by the Chief Financial Officer;
- b) at least one senior supply chain management practitioner of AW; and
- c) a technical expert in the relevant field who is an official of AW, if AW has such an expert.

The AO shall appoint the members and chairperson of the Bid Adjudication Committee. If the chairperson is absent from a meeting, the members of the committee who are present shall elect one of the committee members to preside at the meeting.

Neither a member of a Bid Specification Committee, Bid Evaluation Committee, nor an advisor or person assisting such committees, may be a member of a Bid Adjudication Committee.

#### **5.6.25.3 Adjudication and Award**

The Bid Adjudication Committee shall consider the report and recommendations of the Bid Evaluation Committee

and make a final award or make another recommendation to the AO on how to proceed with the relevant procurement.

The Bid Adjudication Committee may make an award to a preferred bidder(s), subject to the AO negotiating with the preferred bidder(s) in terms of item 5.6.25.8 of this Policy.

The AO may at any stage of the bidding process, refer any recommendation made by the Bid Evaluation or Bid Adjudication Committee back to that committee for reconsideration of the recommendation.

#### **5.6.25.4 Approval of Bid not Recommended**

If a Bid Adjudication Committee decides to award a bid other than the one recommended by the Bid Evaluation Committee, the Bid Adjudication Committee must, prior to awarding the bid:

- a) check in respect of the preferred bidder that it has the necessary resources and skills required to fulfill its obligations in terms of the bid document.
- b) notify the AO.

The AO may:

- (1) after due consideration of the reasons for the deviation ratify or reject the decision of the Bid Adjudication Committee referred to in paragraph 1 above.
- (2) If the decision of the Bid Adjudication Committee is rejected, refer the decision of the adjudication committee back to that committee for consideration.

If a bid other than the one recommended in the normal course of implementing this Policy is approved, then the AO must, in writing and within ten working days, notify the Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation.

The requirement of 5.6.25.4(b) does not apply if a different bid was approved in order to rectify an irregularity.

#### **5.6.25.5 Reconsideration of Recommendations**

The AO may, at any stage of a bidding process, refer any recommendation made by the Bid Evaluation Committee or Bid Adjudication Committee back to that Committee for reconsideration of the recommendation.

#### **5.6.25.6 Right of Appeal applicable to Open Tenders**

A person whose rights are affected by a decision taken by AW, in terms of a delegated authority, in the implementation of its supply chain management system, may appeal against that decision by giving written notice of the appeal and reasons to AO within 5 working days of the date of receipt of the notification of the decision.

Bid documents must state that any appeal in terms of item 5.6.25.6, paragraph 1 must be submitted to the AO at the address stated, and must contain the following:

- a) Bid number and title
- b) reasons and/or grounds for the appeal;
- c) the way in which the appellants rights have been affected; and
- d) the remedy sought by the appellant.

No bid shall be formally accepted until either the expiry of the 5 working days appeal period, or confirmation in writing before the expiry of the 5 working days appeal period that none of the affected parties intend to appeal, or confirmation of the satisfactory resolution of any appeals.

The appeal will, in turn, be responded to within 5 working days of receipt thereof.

#### **5.6.25.7 Notification of Decision**

If the Bid Adjudication Committee or other delegated official has resolved that a bid be accepted, the unsuccessful bidders shall first be notified in writing of this decision by the SCM Manager and the successful bidder will be notified in writing after the expiry of the appeal period.

Every notification of decision shall be faxed or sent via electronic mail to the address chosen by the bidder, with a copy of proof of transmission kept for record purposes, or shall be delivered by hand, in which case acknowledgement of receipt must be signed and dated on a copy of such notification and kept for record purposes.

#### **5.6.25.8 Negotiations with Preferred Bidders**

The AO may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders provided that such negotiation:

- a) does not allow any preferred bidder a second or unfair opportunity;
- b) is not to the detriment of any other bidder; and
- c) does not lead to a higher price than the bid as submitted.



Minutes of such negotiations must be kept for record purposes.

#### **5.6.25.9 Cancellation and re-invitation of Bids**

A bid may be cancelled, prior to award of the contract, if:

- a) due to changed circumstances, there is no longer a need for the goods, services or construction works requested;
- b) funds are no longer available to cover the total envisaged expenditure; or
- c) no acceptable bids are received.

It is a requirement that in the event of:

- (1) An **80/20** preference point system having been stipulated in the bid documents, and all bids received **exceed a value of R1 000 000**; or
- (2) A **90/10** preference point system having been stipulated in the bid documents, and all bids received **are equal to, or below a value of R1 000 000**,

then the bid must be cancelled, and new bids must be invited.

Bids cancelled in terms of item 5.6.25.9 (1) - (2) above, must be re-advertised, with the correct preference point system clearly stipulated in the bid documents.

If it becomes necessary to cancel or re-advertise formal bids, then a report to this effect shall be submitted to the Bid Adjudication Committee for decision.

If a bid has been cancelled, then all bidders must be notified in writing.

A decision to cancel a bid in terms of item 5.6.25.9 (a) – (c) above must be published in the media in which the original bid invitation was advertised.

It is not necessary to notify original bidders when calling for new bids, which will be advertised by notice published in the media..

Unless no valid bids have been received, no bid may be re-advertised before the Bid Adjudication Committee has resolved to cancel the original bid, and all bidders have been notified accordingly.

In the case of bids for construction related works, and where the Bid Adjudication Committee resolved that there were no responsive bids received, then the bid may be re-advertised forthwith.

#### **5.6.25.10 Increase in Contract Period or Contract Sum**

Any increase in the contract period or contract sum that may become necessary as a result of exceptional circumstances, or which is considered to be in the public's interest, may be approved by the Bid Adjudication Committee. Such approval must be obtained prior to the contract period expiring or contract sum being exceeded.

Any unapproved increases in the contract sum that have become necessary as a result of exceptional circumstances, or which have been considered to be in the public's interest, must be explained in a report to the Bid Adjudication Committee requesting condonation and approval for such unapproved increase.

Any unapproved increase in the contract period must be dealt with in accordance with item 5.11.1, last paragraph.

#### **5.6.26 Term Bids**

##### **5.6.26.1 General**

It is permissible to invite bids for the supply of goods and services or construction works that is of an ad-hoc or repetitive nature, for a predetermined period of time (commonly referred to as a term bid).

The general acquisition procedure for term bids shall comply with procedures contained in the acquisition management system for competitive bids.

Bid documentation, where applicable, shall state that the acceptance of term bids based on a schedule of rates will not necessarily guarantee the bidder any business with AW.

The practice of using term bids to circumvent the bid process in respect of what should be planned project work is not permissible.

Material for repairs and maintenance can be purchased on a term bid where circumstances warrant it.

Additional items included in a term bid by any bidder which are clearly not an alternative to any of the items specified shall not be considered.

##### **5.6.26.2 Evaluation and Adjudication of Term Bids**

The process for considering term bids shall be in terms of the evaluation and adjudication procedures for conventional competitive bids.

Subsequent to award, where different selections of items are required in terms of the same term bid and it is not possible or practical to separate orders for different items from different suppliers, service providers or contractors (in the case of construction works, for example), then a selection process will have to be carried out in respect of each application by the Responsible Agent. Individual orders will then be placed (or contracts awarded) on the basis of the highest total evaluation points received, per application.

If the selected supplier, contractor or service provider, in terms of the selection process specified in the term bid documentation, is unable to provide the required goods, services or construction works at the required time and confirms as such in writing then the bidder with the next highest evaluation points shall be selected. If after a contract is awarded, or an order is placed in terms of a term bid, the supplier, contractor or service provider fails to supply the goods or service required, then the remedies in terms of the contract shall apply.

## **5.7 Formal Written Price Quotations**

### **5.7.1 General**

Where AW intends to enter into any contract which is for the supply of any goods or services, or the execution of any construction work which involves or is likely to involve a transaction value over R10 000 and up to R200 000, then a minimum of three written quotes shall be obtained from providers who are suitably qualified and experienced, having the necessary resources, and who are registered and verified on AW's supplier database. Quotations may be obtained from providers who are not listed on AW's supplier database, provided that such providers must meet the listing criteria referred to in this Policy.

A preference point system, as described in the preferential procurement section of this Policy, must be applied to such quotations.

Any request for a formal written quotation which is likely to be in excess of R30 000 but not exceeding R200 000 must be advertised for at least 7 (seven) days on AW's official website and an official notice board as applicable.

Notwithstanding item 5.7.1, paragraph 1, if quotations have been invited on AW's official website, no additional quotes need to be obtained should the number of responses be less than three.

If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved by the Supply Chain Manager who must, within three days of the end of the month, report to the Director: Finance on any approvals given during that month in this regard.

The names of the potential providers and their written quotations must be recorded.

#### **5.7.2 Quotation Documentation**

All quotation documentation, where practicable, shall comply with the requirements of bid documentation contained in the acquisition management system for competitive bids.

#### **5.7.3 Validity Periods**

The provisions of item 5.6.11 of this Policy shall apply *mutatis mutandis* with regard to quotations.

#### **5.7.4 Quotation Prices**

In general, all quotations should be submitted on a fixed price basis (not subject to contract price adjustment). Only in exceptional circumstances may contract price adjustment be applied.

#### **5.7.5 Submission of Quotations**

Quotation documents issued by AW shall clearly state the place where such documents must be submitted and the date and time by when they must be submitted.

#### **5.7.6 Closing of Quotations**

Quotations shall close on the date and at the time stipulated on the request for quotations.

The closing date for quotations less than or equal to R30 000 in value must be at least 2 (two) days after publication of the request for quotations.

The closing date for quotations greater than R30 000 in value must be at least 7 (seven) days after publication of the request for quotations.

No quotations submitted after any stipulated closing date and time shall be considered.

#### **5.7.7 Opening of Quotations**

The provisions of item 5.6.20 of this Policy shall apply with regard to quotations that are required to be lodged in a tender box.

#### **5.7.8 Consideration and Acceptance of Quotations**

All orders in respect of formal written price quotations shall be approved and released by Director: Finance or delegated authority.

## **5.8 Written Price Quotations**

### **5.8.1 General**

Where AW intends to procure any goods or services, which involves a transaction value over R3 000 and up to R10 000, written price quotations shall be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the supplier database, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria referred to in this Policy.

A preference point system, as described in the preferential procurement section of this Policy, must be applied to such quotations.

If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved by the Supply Chain Manager who must, within three days of the end of the month, report to the Director: Finance on any approvals given during that month in this regard.

The names of the potential providers requested to provide quotations and their written quotations must be recorded.

All orders in respect of written price quotations shall be approved and released by the Director: Finance or his delegated authority.

## **5.9 Petty Cash / Procurement Card Purchases**

### **5.9.1 General**

Where there is a need to purchase any goods or services using a petty cash / procurement card system, which involves a transaction value up to R3 000, AW's Procedures and Guidelines for Petty Cash Purchases shall be adhered to.

The delegated official responsible for petty cash / procurement card must compile monthly reconciliation report for the Director: Finance, which must include the total amount of petty cash / procurement card purchases for that month and receipts and appropriate documents for each purchase.

## **5.10 Appointment of Consultants**

### **5.10.1 General**

In the procurement of consulting services cognizance should be taken of any National Treasury guidelines in this respect, or of Construction Industry Development Board Guidelines in respect of services relating to the built environment and construction works.

### **5.10.2 Procurement Process (over R200 000)**

Where the estimated value of the fees exceeds R200 000, or where

the duration of the appointment will exceed one year, consulting services shall be procured through a competitive bidding process.

### **5.10.3 Procurement Process (up to R200 000)**

Where the estimated value of the fees is less than or equal to R200 000 and the duration of the appointment is less than one year, the selection of a consultant to provide the required service shall follow a written price quotation or a formal written price quotation procedure as described in this Policy.

A preference point system, as described in the preferential procurement section of this Policy, must be applied to such quotations.

### **5.10.4 Single-source Selection**

National Treasury Guidelines provide for single-source selection in exceptional cases. The justification for single-source selection must be examined in the context of the overall interests of AW and the project.

Single-source selection may be appropriate only if it presents a clear advantage over competition:

- a) for services that represent a natural continuation of previous work carried out by the consultant, and continuity of downstream work is considered essential;
- b) where rapid selection is essential;
- c) for very small service appointments up to a maximum of R75 000;
- d) when only one consultant is qualified, or has experience of exceptional worth for the project.

The reasons for single-source selection must be fully motivated in a report and approved by the Bid Adjudication Committee prior to conclusion of a contract, provided that if the award is for an amount of R200 000 or less, such award shall be approved by the Director: Finance or his delegated official.

## **5.11 Deviation from the Procurement Processes**

### **5.11.1 General**

The AO may dispense with the official procurement processes established by this Policy, and procure any required goods or services through any convenient process, which may include direct negotiation, but only in respect of:

- a) any contract relating to an emergency (as described in item 5.11.2) below) where it would not be in the interests of AW to invite bids,

- b) any goods or services which are available from a sole supplier subject to the Sole Suppliers list approved by Manco ,
- c) the acquisition of special works of art or historical objects where specifications are difficult to compile;
- d) any other exceptional circumstances where it is impractical or impossible to follow the official procurement process, including:
  - i) any contract in respect of which compliance therewith would not be in the public interest;
  - ii) ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids; and
- e) AW has called for tenders but no 'acceptable' or 'appropriate' tenders were received. This includes the prices offered being too high; unsuitable technical solutions were offered; none of the tenders received complied with the specifications and conditions of the tender; and/or there has been collusion in the submission of tenders; or
- f) The use of tendering is impractical exclusively related to best value; or
- g) Reasons of national security; or
- h) AW requires professional advice or services where it is difficult to know the nature or scope of services to be performed; or
- i) Other 'impractical' situations such as the publication of notices and advertisements or the acquisition of goods at a public auction, or the purchase of certain immovable property.

The AO may condone a deviation from the procurement processes, provided that such deviation is limited to the circumstances referred to above and submitted to the Bid Adjudication Committee on a monthly basis for noting and inclusion in the contracts register.

#### **5.11.2 Emergency Dispensation**

The conditions warranting Emergency dispensation should include the existence of one or more of the following:

- a) the possibility of human injury or death;
- b) the prevalence of human suffering or deprivation of rights;
- c) the possibility of damage to property;
- d) An imminent risk of interruption in the provision of essential water services to communities;
- e) Seriously non-compliant water and waste-water quality posing a threat to human health and to the natural environment;

- f) the possibility that failure to take necessary action may result in essential water services not being rendered;
- g) the possibility that the security of the state could be compromised

The prevailing situation, or imminent danger, should be of such a scale and nature that it could not readily be alleviated by interim measures, in order to allow time for the formal procurement process. Emergency dispensation shall not be granted in respect of circumstances other than those contemplated above.

Where possible, in an emergency situation, three quotes in accordance with general acquisition management principles should be obtained and a report submitted, via the Bid Adjudication Committee, to the AO for approval. However, where time is of the essence, the emergency shall be immediately addressed, and the process formalised in a report to the AO as soon as possible thereafter.

#### **5.11.3 Participation in a Transversal Term Contract**

National Treasury facilitates the arrangement of contracts, referred to as transversal term contracts, for the procurement of goods and services required by more than one government department provided that the use of such contracts is cost-effective.

#### **5.11.4 Situations for the use of Single Source Procurement**

Single source procurement will be used when there is only one potential provider or authorised provider for the goods or services in question. This is likely to be the case in respect of protection of exclusive rights, such as patents or copy rights or the absence of competition for technical reasons. In such circumstances AW may resort to 'single source procurement' by entering into negotiations with a specific provider. AW will make use of single source procurement in the following circumstances:

- a) Circumstances relating to Intellectual Property Rights such as patents, trademarks or copyrights; or
- b) If there is an absence of competition for technical reasons and thus only one potential provider (total monopoly)
- c) Necessary and additional unforeseen work needs to be carried out under an existing contract and the work cannot be technically separated from the main contract without great inconvenience; or
- d) Repetition of similar work, that is, work originally awarded by way of competitive tender procedures. The repetition work will only be done during the construction stage prior to the issuing of Completion Certificate as defined by the General Conditions of Contracts ; or



All of the above must be reported to the next Bid Adjudication Committee to be recorded in the contracts register.

#### **5.11.5 Unsolicited Bids**

AW is not obliged to consider any unsolicited bids received outside of the normal bidding process.

AW may only consider an unsolicited bid if the following have been complied with:

- a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
- b) the product or service offered will be exceptionally beneficial to, or have exceptional cost advantages for, AW;
- c) the person or entity that made the bid is the sole provider of the product or service; and
- d) the reasons for not going through the normal bidding processes are found to be sound by the AO. A report must be submitted to the AO seeking approval to take the unsolicited bid process further stating the reasons why the normal bidding processes are not sound and should not be followed.

If the AO considers the unsolicited bid worthy of pursuing, the decision to consider such a bid must be submitted to the Board for approval.

#### **5.11.6 Ratification of Minor Breaches of the Bid Processes**

The AO may ratify any minor breaches of the procurement processes, which are purely of a technical nature, by an official or committee acting in terms of delegated powers or duties.

#### **5.11.7 Obligation to Report**

The reasons for all deviations shall be recorded and reported by the AO to FINCO and the Board at the next FINCO and Board meetings, and shall be included as a note to the annual financial statements.

## **6. LOGISTICS MANAGEMENT SYSTEM**

### **6.1 Introduction**

Logistics management must provide for an effective system in order to provide for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, maintenance and contract administration.

## **6.2 General Logistics**

### **6.2.1 Placing of Orders**

Purchase orders will be created with reference to requisitions where the supply source is either bids or quotations.

All purchase orders will be captured on AW's Enterprise Resource Planning (ERP).

Term orders will be used in cases where longer term arrangements, necessitating interim payments, are required.

Purchase order approvals will be systems based and shall be authorized by the Supply Chain Manager.

### **6.2.2 Receiving of Goods**

Goods received will be captured on AW's ERP system via a Goods Received Note with reference to the relevant purchase order. Where applicable, the Finance Division Assets Section (for asset creation) and Insurance Section (for claims) will be informed of the purchase via AW's ERP system, at the end of the procurement process, in terms of other applicable policies.

Deliveries of goods may not exceed the order quantity. Short deliveries will keep the purchase order open until the balance of the order is received or cancelled.

### **6.2.3 Expediting Orders**

The purchasing expeditor will be required to monitor and expedite outstanding purchase orders.

Reminder letters can be communicated automatically to vendors based on the reminder levels (days before delivery due date) that are set in the purchase order.

### **6.2.4 Transport Management**

AW's fleet management policy must be adhered to at all times.

## **6.3 Vendor Performance**

The ERP system will enable system-based evaluation, based on the vendors' performance with regard to certain pre-determined criteria.

This information will be available for future evaluation purposes, contract negotiations and regular feedback to the vendors.

### **6.3.1 Contract Administration**

Contract administration includes all administrative duties associated with a contract that has arisen through one of the acquisition/procurement processes described in this policy.

All contracts must be administered by a contract administration manager, who will be an internal official assigned to ensure the effective administration of the contract.

## **6.4 Stock Logistics**

### **6.4.1 Valuation of Stock**

Stock is valued on the weighted average costing method per plant and is VAT exclusive.

### **6.4.2 Setting of Inventory Levels**

Stock items shall be systematically replenished using the re-order point planning strategy.

Open reservations shall be taken into account during the replenishment run.

### **6.4.3 Issuing of Stock**

Goods will be issued from stock with reference to reservations. Goods can be issued for consumption against internal orders, cost centres, projects and assets under construction.

### **6.4.4 Stock Replenishment**

Purchase orders will be created, where applicable, with reference to replenishment requisitions in respect of term supply contracts for goods. Replenishment requisition approvals will be systems based. All replenishment will be effected via the ERP System.

### **6.4.5 Stores Management**

The stores function shall be decentralised in different districts and will operate under the jurisdiction of the SCM Department.

The SCM Department must ensure proper financial and budgetary control; uphold the principle of effective administration, proper stock holding and control, product standardisation, quality of products and a high standard of service levels.

## **7. DISPOSAL MANAGEMENT SYSTEM**

### **7.1 Goal**

To give effect to:

- a) an effective system for the disposal or letting of assets including unserviceable, redundant or obsolete assets in a manner that is efficient and beneficial to AW.

As far as possible, assets to be disposed of must be made available to recycling. Disposal to landfill is not allowed unless no recycling options are available.

## **7.2 Disposal Management System**

Subject to the provisions of the Supply Chain Management Regulations:

- a) moveable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous to AW. Preference will be given to AW employees at market related prices;
- b) immovable property may:
  - i) be sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
  - ii) let only at market related rates except when the public interest or the plight of the poor demands otherwise and provided that all charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;

In the case of the free disposal of computer equipment, to any organ of state and any other non profit organization such free disposal will be subject to the receiving organization having resources to fully utilize the donated equipment without any right of recourse to AW

## **7.3 Transfer or Permanent Disposal of Assets and the Granting of Rights**

- a) Transfer of assets will be dealt with in terms of the relevant / applicable legislation.

## **8. RISK MANAGEMENT SYSTEM**

The risks pertaining to Supply Chain Management should at all times comply with the criteria laid down in the risk management framework of AW.

### **8.1 General**

Risk Management shall provide for an effective system for the identification, consideration and avoidance of potential risks in AW's supply chain management system.

Managing risk must be part of AW's philosophy, practices and business plans and should not be viewed or practiced as a separate activity in isolation from line managers.

Risk Management shall be an integral part of effective management practice.

## **9. PERFORMANCE MANAGEMENT SYSTEM**

The AO must establish and implement an internal monitoring system in order to determine the basis of a retrospective analysis whether the authorised Supply Chain Management processes were followed and whether the objectives of this Policy were achieved.

Performance management shall accordingly be characterized by a monitoring process and retrospective analysis to determine whether

- a) value for money has been attained;
- b) proper processes have been followed;
- c) desired objectives have been achieved;
- d) there is an opportunity to improve the process;
- e) suppliers have been assessed and what that assessment is; and
- f) there has been deviation from procedures and, if so, what the reasons for that deviation are.

The performance management system shall accordingly focus on, amongst others:

- (1) achievement of goals;
- (2) compliance to norms and standards;
- (3) savings generated;
- (4) cost variances per item;
- (5) non-compliance with contractual conditions and requirements; and the cost efficiency of the procurement process itself.
- (6) Dissemination of information to existing and prospective suppliers through events such as Annual Suppliers Day;
- (7) Blacklisting of suppliers by Manco on Repudiations and poor work performance. On good cause shown such blacklist maybe lifted after a period of two (2) years.

## 10. CODE OF ETHICAL STANDARDS

### 10.1 General

In addition to this Code of Ethical Standards, the codes of conduct for Board Members and employees shall apply in the application of this Supply Chain Management Policy.

A code of ethical standards is hereby established for officials and all role players in the supply chain management system in order to promote:

- a) mutual trust and respect; and
- b) an environment where business can be conducted with integrity and in a fair and reasonable manner.

An official or other role player involved in the implementation of the supply chain management policy:

- (1) must treat all providers and potential providers equitably;
- (2) may not use his or her position for private gain or to improperly benefit another person;
- (3) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R1 000;
- (4) notwithstanding (2) above, must declare to the AO details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- (5) must declare to the AO details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, AW;
- (6) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
- (7) must be scrupulous in his or her use of property belonging to AW;
- (8) must assist the AO in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
- (9) must report to the AO any alleged irregular conduct in the supply chain management system which that person may become aware of, including:
  - i) any alleged fraud, corruption, favouritism or unfair conduct;
  - ii) any alleged contravention of this policy; or
  - iii) any alleged breach of this code of ethical standards.

Declarations in terms of (5) above must be recorded in a register which the AO must keep for this purpose.

## **10.2 Inducements, Rewards, Gifts and Favours**

No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant:

- a) any inducement or reward to AW for or in connection with the award of a contract; or
- b) any reward, gift, favour or hospitality to any official or any other role player involved in the implementation of the supply chain management policy.

The AO must promptly report any alleged contravention of paragraph 1 above to the Board for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of person prohibited from doing business with the public sector.

Paragraph 1 above does not apply to gifts less than R1 000 in value or gifts from a single source in any calendar year that does not exceed R1 000 in value.

## **10.3 Sponsorships (Received)**

The AO must promptly disclose to the Board any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is:

- a) a provider or prospective provider of goods or services; or
- b) a recipient or prospective recipient of goods disposed or to be disposed.

# **11. PREFERENTIAL PROCUREMENT**

## **11.1 Introduction**

The following procurement strategies are addressed in this section:

- a) the application of a preference point system for Exempted Micro Enterprises and B-BBEE Contributors in terms of the Preferential Procurement Regulations, 2011.
- b) the stipulation, in bid documentation, of minimum thresholds for local production and content in accordance with directives issued by the National Treasury and Department of Trade and Industry.
- c) the unbundling of large projects, where appropriate, into smaller contracts to ensure that a spread of opportunities are made available to suppliers, service providers and construction contractors of various sizes.
- d) the use of functionality/quality, where appropriate, in procurement processes in order to ensure that goods supplied are fit for purpose, or

that a minimum level of experience and competence in respect of service providers or construction contractors is attained.

- e) the increase of employment opportunities by encouraging the use of labour intensive technologies.
- f) the targeting of labour and/or enterprises from specific areas within the boundaries of the Eastern Cape.

Preferential procurement is further enhanced by provisions aimed at improved access to information, simplification of documentation, reduced performance guarantee requirements, reduced retention, reduced payment cycles and good governance.

## **11.2 Aim**

The aim of this section of AW's Supply Chain Management Policy is to give effect to, and to ensure compliance with, all applicable legislation and national directives in respect of preferential procurement and broad-based black economic empowerment.

## **11.3 Performance Management**

The level of B-BBEE contribution achieved by AW through the application of this policy will be monitored in terms of the Supply Chain Management performance management system.

## **11.4 Preferential Procurement System**

### **11.4.1 Key Principles**

The key principles of this system are:

- a) the application of an **80/20** preference point system for procurement (competitive bids or quotations) with a **Rand value of greater than R30 000 but less than or equal to R1 000 000**;
- b) the application of a **90/10** preference point system for procurement (competitive bids) with a **Rand value greater than R1 000 000**;
- c) that bids may be declared non-responsive if they fail to achieve a minimum score for functionality (quality), if indicated in the bid documents.

The preference point system shall be used in the evaluation of responsive bids for the purposes of determining preferred / recommended bidders, and for the adjudication thereof.

The preference point system is not applicable to petty cash / procurement card purchases.

### **11.4.2 Planning and Stipulation of Preference Point System**

Prior to embarking on any procurement process, the Responsible Agent must properly plan for, and, as far as possible, accurately estimate the cost of the goods, services or construction works for which bids are to be invited.



The Responsible Agent shall determine the appropriate preference point system to be used in the evaluation and adjudication of bids, and shall ensure that such is clearly stipulated in the bid documentation.

The Responsible Agent shall determine whether the goods, services or construction works which are to be procured, have been designated for local production and content by the National Treasury or Department of Trade and Industry, in which case the requirements of item 11.5 shall be followed.

### **11.4.3 Evaluation of Bids on Functionality (Quality)**

Functionality (otherwise known as quality) may be included in the bid evaluation process as a qualifying (eligibility) criterion.

If a bid is to be evaluated on functionality, this must be clearly stated in the invitation to submit a bid, and in the bid documentation.

The evaluation criteria for measuring functionality must be objective.

When evaluating bids on functionality the:

- a) evaluation criteria for measuring functionality;
- b) weight of each criterion;
- c) applicable values; and
- d) minimum qualifying score for functionality, must be clearly stipulated in the bid document.

The norm for the minimum qualifying score for functionality shall be 60% of the total possible score. For more specialised or complex projects the minimum score may, at the discretion of the Bid Specification Committee, be increased to up to 70% of the total possible score. The setting of a minimum score any higher than 70% of the total possible score must be motivated to, and approved by, the Director: Finance prior to use.

If a bid fails to achieve the minimum qualifying score for functionality as indicated in the bid document, it must be regarded as non-responsive, and be rejected (not considered any further in the evaluation process).

Bids that have achieved the minimum score for functionality, and passed any other responsiveness tests, must be evaluated further in terms of the preference point system prescribed below.

### **11.4.4 Evaluation and Adjudication of Bids**

#### **11.4.4.1 General**

An 80/20 preference point system is stipulated for bids with a Rand value of greater than R3 000, but less than or equal to R1 000 000, and a 90/10 preference point system of procurement with a Rand value of greater than R1 000 000.

This means that either 80 or 90 points, depending on the Rand value of the bid, will be awarded to the person who offers the lowest price, and proportionately fewer points are awarded to those with higher prices. Either 20 or 10 points are then available as preference points for Exempted Micro Enterprises or B-BBEE contributors, as applicable.

#### 11.4.4.2 Cancellation and Re-invitation of Bids

In the event that, in the application of the 80/20 preference point system as stipulated in the bid documents, **all** bids received exceed a value of R1 000 000, the bids must be cancelled.

If one or more of the acceptable bids received are within the prescribed threshold of R1 000 000, all bids received must be evaluated on the 80/20 preference point system.

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 R1 000 000, the bids must be cancelled.

If one or more of the acceptable bids received are above the prescribed threshold of R1 000 000, all bids received must be evaluated on the 90/10 preference point system.

Bids cancelled in terms of paragraph 1 and 3 above, must be re-invited, with the correct preference point system clearly stipulated in the bid documents.

#### *The 80/20 Preference Point System for the Procurement (Acquisition) of Goods, Services or Construction Works up to a Rand Value of R1 000 000*

The following formula must be used to calculate the points for price in respect of bids (including price quotations) with a Rand value of greater than R30 000 and up to a Rand value of R1 000 000 (all applicable taxes included):

$$Ps = 80 \left[ 1 - \frac{(Pt - Pmin)}{Pmin} \right]$$

Where :

Ps = Points scored for comparative price of the bid under consideration;

Pt = Comparative price (corrected, if applicable, exclusive of VAT) of the bid under consideration; and

Pmin = Comparative price (corrected, if applicable, exclusive of VAT) of lowest responsive bid.

The nomenclature used in the formula above may be varied to comply with prescribed standard bid documentation, provided the formula itself is not varied.

Points for preference must be awarded to Exempted Micro Enterprises or to bidders having attained a B-BBEE status level of contributor in accordance with the tables below.

B-BBEE Status Level of Contributor	Number of Points for Preference
1	20
2	18
3	16
4	12
5	8
6	6
7	4
8	2
Non-compliant contributor	0

or, in respect of Exempted Micro Enterprises (EMEs)

Black Ownership of EME	Deemed B-BBEE Status Level of Contributor	Number of Points for Preference
> 50%	3	16
≤ 50%	4	12

The points for preference scored by a bidder in terms of B-BBEE contribution status, must then be added to the points for price scored in terms of the pricing formula, in order to obtain the total number of adjudication points scored for each responsive bid.

Subject to item 5.6.24.2, paragraph 9, the contract must be awarded to (and/or order placed with) the bidder that scores the highest total number of adjudication points.

*The 90/10 Preference Point System for the Procurement (Acquisition) of Goods, Services or Construction Works with a Rand Value above R1 000 000*

The following formula must be used to calculate the points for price in respect of bids with a Rand value above R1 000 000 (all applicable taxes included).

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

Where :

$P_s$  = Points scored for comparative price of the bid under consideration;

$P_t$  = Comparative price (corrected, if applicable, exclusive of VAT) of the bid under consideration; and

$P_{min}$  = Comparative price (corrected, if applicable, exclusive of VAT) of lowest responsive bid.

The nomenclature used in the formula above may be varied to comply with prescribed standard bid documentation, provided the formula itself is not varied.

Points for preference must be awarded to Exempted Micro Enterprises or to bidders having attained a B-BBEE status level of contributor in accordance with the tables below.

B-BBEE Status Level of Contributor	Number of Points for Preference
1	10
2	9
3	8
4	5
5	4
6	3
7	2
8	1
Non-compliant contributor	0

or, in respect of Exempted Micro Enterprises (EMEs)

Black Ownership of EME	Deemed B-BBEE Status Level of Contributor	Number of Points for Preference
> 50%	3	8
≤ 50%	4	5

The points for preference scored by a bidder in terms of B-BBEE contribution status, must then be added to the points for price scored in terms of the pricing formula, in order to obtain the total number of adjudication points scored for each responsive bid.

Item 5.6.24.2, paragraph 9, the contract must be awarded to (and/or order placed with) the bidder that scores the highest total number of adjudication points.

#### **11.4.5 B-BBEE Status Level Certificates**

In order to qualify for preference points in terms of the B-BBEE contribution status, Exempted Micro Enterprises must have submitted, to AW, a certificate issued by a registered auditor, accounting officer (as contemplated in section 60(4) of the Close Corporation Act, 1984 (Act No. 69 of 1984)) or an accredited verification agency, confirming their status as such.

Bidders other than Exempted Micro Enterprises must submit, to AW, their original and valid B-BBEE status level verification certificate, or a certified copy thereof, substantiating their B-BBEE status level of contributor.

The submission of such certificates must comply with the requirements of instructions and guidelines issued by the National Treasury and be in accordance with notices published by the Department of Trade and Industry in the Government Gazette.

Bidders who fail to submit the required certificates, or certified copies thereof, will be deemed to be non-compliant contributors.

Where specific sector charters have been gazetted in terms of the B-BBEE Act, bid documentation for procurement from within such sectors, must specify that only persons verified in terms of the particular sector charter (or Code of Good Practice), or Exempted Micro Enterprises, will qualify for a preference. A status level of contributor in respect of generic Codes of Good Practice will not, in such circumstances, qualify for any preference.

Where no specific sector charter has been gazetted, persons other than Exempted Micro Enterprises must be verified in terms of the gazetted generic Codes of Good Practice in order to qualify for a preference.

For the purposes of transparency, bidders shall, in respect of all competitive bids (over R200 000), be required to claim, in their bid submission, a preference in accordance with their B-BBEE status.

Notwithstanding what is contained in the bid submission, preference points will be allocated during the bid evaluation process in accordance with the verified B-BBEE status level (or deemed status level) of contributor.

#### **11.4.6 Conditions Relating to the Granting of Preferences**

Bidders must, in the manner stipulated in the bid documentation, declare that:

- a) the information provided is true and correct;
- b) the signatory to the bid document is duly authorised; and
- c) documentary proof regarding any bidding issue will, when required, be submitted to the satisfaction of AW.

Only bidders who have completed and signed the necessary declarations may be considered.

The Bid Evaluation Committee must, when calculating comparative prices, take into account any discounts which have been offered unconditionally.

A discount which has been offered conditionally must, despite not being taken into account for evaluation purposes, be implemented when payment is effected.

A trust or joint venture will qualify for preference points for their B-BBEE status level as a legal entity, provided that the entity has submitted its verified B-BBEE status level certificate (or certified copy thereof) to AW.

A trust or joint venture will qualify for preference points for their B-BBEE status level as an unincorporated entity, provided that the entity has submitted its consolidated B-BBEE scorecard as if it is a group structure and that such a consolidated B-BBEE scorecard is prepared for every separate bid. The consolidated B-BBEE scorecard must be submitted in the form of a certificate issued by an accredited verification agency (or a certified copy thereof).

A bidder may not be awarded points for B-BBEE status level if it is indicated in the bid documents that such a bidder intends sub-contracting more than 25% of the value of the contract to any other enterprise that does not qualify for at least the points that the bidder qualifies for, unless the intended sub-contractor is an Exempted Micro Enterprise that has the capability and ability to execute the sub-contract.

A bidder that has been awarded a contract may not sub-contract more than 25% of the value of the contract to enterprises that do not have an equal or higher B-BBEE status level than the bidder concerned, unless the sub-contractors are Exempted Micro Enterprises that have the capability and ability to execute the sub-contract. Compliance with this particular requirement must be monitored by the Responsible Agent during the execution of the contract.

If a service is required that can only be provided by tertiary institutions, such services must be procured through a bidding process from the identified tertiary institutions.

The identified tertiary institutions must submit their B-BBEE status in terms of the specialized scorecard contained in the B-BBEE Codes of Good Practice.

If a service is required that can be provided by one or more tertiary institutions or public entities and enterprises from the private sector, the appointment of a service provider/contractor must be done by means of a competitive bidding process.

Public entities must submit their B-BBEE status in terms of the specialized scorecard contained in the gazetted B-BBEE Codes of Good Practice.

## **11.5 Local Production and Content**

The National Department of Trade and Industry is empowered to designate industry sectors, in line with national development and industrial policies for local production, where only locally produced goods, services or construction works, or locally manufactured goods that meet a stipulated minimum threshold for local production and content, may be used.

In the case of designated sectors, where in the award of bids, local production and content is of critical importance, such bids must be advertised with a specific condition of bidding, that only locally produced goods, services or construction works or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.

Any instructions, circulars and guidelines issued by National Treasury in the above regard must be complied with.

Where there is no designated sector, bids may include, as a specific condition of bidding, that only locally produced goods, services or construction works, or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered, on condition that such prescript and threshold(s) are in accordance with the specific directives issued for this purpose by the National Treasury in consultation with the Department of Trade and Industry.

Every bid issued in terms of item 11.5, paragraph 2 – 4 must be measurable and audited.

Where necessary, for bids referred to in item 11.5, paragraph 2 – 4, a two-stage bidding process may be followed, where the first stage involves functionality and minimum threshold for local production and content, and the second stage price and B-BBEE level of contribution, with the possibility of price negotiations only with the short listed bidder/s.

A person awarded a contract in relation to a designated sector, may not 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.

## **11.6 Other Specific Goals**

### **11.6.1 Unbundling Strategies**

In order to encourage increased participation and the sustainable growth of the small business sector, the unbundling of larger projects into smaller, more manageable, contracts is encouraged.

Unbundling must however be considered in the context of:

- a) economies of scale being lost;
- b) abortive work becoming necessary;
- c) additional demands (not only financial) being placed on AW's resources; and

- d) the risk of later phases not being completed as a result of budget cuts becoming necessary in the future.

Unbundling, and all of its associated implications, must therefore be carefully considered at the planning stage of any project and the budgets for, and design thereof, should be structured accordingly.

It is important to note that while it is AW's policy to procure goods, services or construction works in the smallest practicable quantities, the practice of parceling such procurement in order to avoid complying with the requirements of the different range of procurement processes described in this policy is not permitted.

### **11.6.2 Increasing Employment Opportunities**

One of AW's key socio-economic objectives is to facilitate the creation of employment.

Increasing employment opportunities through procurement may be achieved by specifying labour intensive technologies and/or methods of construction in the bid documents.

It is up to Responsible Agents to thoroughly investigate the options available in the above regard, to evaluate the positive versus negative impact of any proposals, and to specify labour intensive technologies and/or methods where appropriate.

### **11.6.3 Targeted Labour and/or Targeted Enterprises**

The targeting of labour and/or enterprises from specific areas within the boundaries of the Eastern Cape may be achieved, where appropriate, by specifying in the bid documents, a minimum level of participation (a contract participation goal) that must be achieved in respect of targeted labour and/or targeted enterprises in the performance of the contract.

Specified contract participation goals must be measurable and achievable, and the performance in respect of which must be monitored by the Responsible Agents during the execution of the contract.

Where a minimum contract participation goal has been specified in respect of targeted labour and/or enterprises, the contractor is obliged to meet that goal, and must be penalised if he or she does not.

Contract participation goals in respect of targeted labour and/or enterprises may not be introduced into the preference point system used for the evaluation of bids.



## 11.7 Remedies

### 11.7.1 Action in Respect of Fraud or Non-performance

The AO must, upon detecting that the B-BBEE status level of contribution has been claimed or obtained on a fraudulent basis, or that any of the conditions of the contract have not been fulfilled, act against the bidder or person awarded the contract.

The AO may, in addition to any other remedy that he may have against the bidder or person awarded the contract:

- a) disqualify the person from the bidding process;
- b) recover all costs, losses or damages it has incurred or suffered as a result of that person's conduct;
- c) cancel the contract and claim any damages which AW has suffered as a result of having to make less favourable arrangements due to such cancellation;
- d) restrict the bidder or contractor, its shareholders and directors, or only the shareholders and directors who acted on a fraudulent basis, from obtaining business from AW for a period not exceeding 10 years, after the *audi alteram partem* (hear the other side) rule has been applied; and
- e) forward the matter for criminal prosecution.

### 11.7.2 Calculation of Penalties

Penalties for failure to comply with specific terms and conditions of the contract must be clearly stipulated in the bid/contract document and must be applied should the terms or conditions not be met.

The penalty to be applied for sub-contracting more than 25% of the value of a contract to enterprises that do not qualify for at least the preference points that the prime contractor qualified for (unless the sub-contractors are Exempted Micro Enterprises) shall be as provided for in any prescribed standard contract documentation, failing which the following formula shall be stipulated:

$$\text{Penalty} = 0.5 \times E(\%) \times P^*$$

Where :

- E = The value of work (excluding VAT), executed by sub-contractors that do not qualify for at least the preference points that the prime contractor qualified for expressed as a percentage of P\*, less 25%.
- P = Accepted bid sum less provisional sums, contingencies and VAT.

The penalty to be applied for non-compliance with a specified contract participation goal, is as follows:

$$\text{Penalty} = (\text{CPG}^s - \text{CPG}^a) \times P^*$$

Where :

CPG<sup>s</sup> = The minimum Contract Participation Goal specified (expressed as a percentage).

CPG<sup>a</sup> = The Contract Participation Goal achieved (expressed as a percentage).

P\* = Accepted bid sum less provisional sums, contingencies and VAT.

### 11.8 Documentation

Within the context of preferential procurement, one of the strategies to encourage and assist entry into AW procurement by emerging businesses is to simplify and/or standardise bid/contract documentation wherever possible.

To this end, AW will prepare a suite of standard documentation and, where appropriate, simplified bid/contract documents for use in AW's procurement process as and where applicable.

Where standard bid/contract documentation is prescribed in terms of legislation (the CIDB Standard for Uniformity, for example) such standard documentation must be used for the procurement of goods, services and/or construction works, as applicable.

### 11.9 Guarantees for Due Performance

Performance guarantees for the procurement of goods and services (including consultant services) will not generally be called for, but in exceptional circumstances, where required, will be in accordance with the limits set for construction works below.

The performance guarantees required for construction works are as follows:

- a) In respect of a Rand value less than or equal to R1 000 000: **waived** (that is, no performance guarantee is required);
- b) In respect of a Rand value exceeding R1 000 000, but less than or equal to R10 000 000 : **3%** of the bid sum;
- c) In respect of a Rand value exceeding R10 000 000 : **5%** of the bid sum;

unless otherwise provided for in the standard conditions of contract prescribed.

The value of the performance guarantee required may be increased with approval of the Director: Finance.

## **11.10 Retention**

Retention will be governed in terms of the form of the contract.

## **11.11 Payment Terms**

### **11.11.1 Payment Terms for Goods and Services**

A monthly payment cycle will be the norm. All invoices received for goods and services will be paid 30 days after the invoice date or statement date (whichever is first).

Only in exceptional case(s) will payments be made on a date other than the above date after consideration of circumstance by the Director: Finance. For more information in this regard, refer to the Practice Note 1 issued by the Finance Department.

More frequent payment to suppliers is not a right in terms of this policy.

Requests for such payments will be considered at the sole discretion of the Director: Finance.

The actual payment run dates will be dependent on the number of days of the month and the influence of public holidays.

### **11.11.2 Payment Terms for Construction related Contracts**

For construction related contracts (including professional services), payment will be made within the time for payment stipulated in the contract (but not less than 30 days from date of invoice).

## **11.12 Preferential Procurement Regulations, 2011**

Where this Policy does not provide for a matter regulated by the Preferential Procurement Regulations, 2011, the provisions of the regulations will prevail in respect of a "tender" as defined in the regulations.

## **12. MONITORING & EVALUATION**

The Finance Division has the overall responsibility for the monitoring and evaluation of the implementation of this policy, through periodical reporting to MANCO.

## **13. POLICY REVIEW**

The policy may be due for review after a period of two years of implementation unless deemed necessary.

## **14. DEVIATION**

Any deviation from this policy will be approved by the Chief Executive Officer after due consideration as a result of prevention of danger to life, emergency and unforeseen circumstances or situations.

**15. CROSS REFERENCE TO OTHER POLICIES**

- a) Code of Conduct
- b) Conflict of Interest Management Policy
- c) Credit Management and Debt Collection Policy
- d) Delegation of Authority
- e) Disposal of Moveable Asset Policy
- f) Fixed Asset Management Policy
- g) Fleet or Transport Policy
- h) Fraud Prevention Strategy
- i) Risk Management Framework
- j) Sponsorship Policy