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SUPPLY CHAIN MANAGEMENT POLICY

Supply Chain Management Policy

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Contents

1.	DOCUMENT REVISION CONTROL	5
2.	PURPOSE	6
2.1	Procurement Notes	6
2.2	Associated Documents	6
3.	ABBREVIATIONS AND ACRONYMS	7
4.	DEFINITIONS AND INTERPRETATIONS	7
5.	INTRODUCTION TO THE PROCUREMENT POLICY DOCUMENT	11
5.1	Background	11
5.2	Objectives of the Policy	12
5.3	The Legislative and Policy Framework	13
5.4	Other Relevant Acts	14
5.5	Procurement Principle	15
5.6	Ethical Conduct in the SCM System	15
5.6.1	Declaration and Management of Conflict of Interest	15
5.6.2	Canvassing, Corrupt and Fraudulent Practices	16
5.6.3	Confidentiality	17
5.6.4	Staff Code of Conduct	17
5.6.5	Code of Conduct Relating to Prospective Service PROVIDERS AND other Third Parties	18
5.6.6	Misconduct of Service Providers and other Third Parties	19
5.7	Deviation from the SCM Policy	19
5.7.1	Deviation Process	19
5.8	Unsolicited Bids	20
5.8.1	The criteria for the consideration of an unsolicited bid	20
5.8.2	Evaluation of an unsolicited bids	21
5.9	Cancellation of Bids	21
6.	SUPPLY CHAIN MANAGEMENT SYSTEM	21
6.1	Limits of Authority	21
6.1.1	The Supply Chain Management (SCM) Unit	22
6.1.2	The Bid Specification Committee (BSC)	22
6.1.3	The Bid Evaluation Committee (BEC)	23
6.1.4	The Bid Adjudication Committee	24
6.1.5	The Executive Management Committee (MANCO)	24
6.1.6	The Board	25
6.1.7	Summary of Key Structures in the Supply Chain Process	25
7.	PROCEDURES FOR THE PROCUREMENT OF GOODS AND SERVICES	25
7.1	Demand Management:	25
7.1.1	Needs Assessment	25
7.1.2	Specification Development	26
7.2	Acquisition Management: Determining the Procurement Strategies	27
7.3	Logistics Management System	27
7.4	Disposal Management System	28
7.5	Risk Management System	28

7.6	Performance Management System	28
8.	VARIOUS RANGES OF PROCUREMENT PROCESS.....	28
8.1	Competitive Bids	28
8.2	Term/Framework Agreement Bids.....	29
8.3	Formal Written Price Quotations (RFQ)	29
8.4	Petty Cash Purchases	29
9.	DELEGATION OF AUTHORITY ON RFQ PROCESS	29
10.	SUMMARY OF PROCUREMENT ACTIVITIES.....	30
10.1	Bid Invitation: Request for Proposal (RFP)/ Expression of Interest (Eoi).....	30
10.2	Cost of Tender Documents	30
10.3	Issuing of Bid Documents.....	30
10.4	Compulsory Clarification Meeting.....	31
10.5	Lodging of Bid Documents	31
10.6	Bids Received by Facsimile or E-mail.....	31
10.7	Closing of Submissions of Bids	31
10.8	Late Submissions of Bids	31
10.9	Validity Period.....	31
10.10	Withdrawal of Submissions	32
10.11	Safekeeping of Bid Submissions	32
10.12	Opening of Bid Documents.....	32
10.13	Attendance of Bid Submission Opening.....	32
10.14	Opening and Recording of Bid Submissions	32
10.15	Alternative Bids	33
11.	EVALUATION OF BIDS	33
11.1	Assessment / Evaluation Criteria	33
11.2	Functionality Scoring	34
11.3	EMPOWERMENT SCORING	34
11.4	Calculating Score for Tendered Price	35
11.5	Local Production and Content.....	35
12.	RIGHT OF APPEAL	36
13.	CONTRACT MANAGEMENT.....	36
13.1	Contract Management in Brief.....	37
13.2	Service Level Agreement	38
13.3	Transversal Term Contracts	38
13.4	Contract Monitoring	38
13.5	Expansions or Variation Orders	39
13.6	Extension of Contract Periods	39
13.7	Price Adjustment.....	39
13.8	Transfer and Cession of Contract	40
13.9	Transfer of Contract Payments (Cession)	40
13.10	Unsatisfactory Performance	40
13.11	Contract Cancellation / Termination	41

1. DOCUMENT REVISION CONTROL

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2. PURPOSE OF THE SUPPLY CHAIN MANAGEMENT POLICY

- (a) This Supply Chain Management Policy document establishes the policy for all AW procurement related matters.
- (b) The SCM policy also sets out the procedures to guide the implementation of the SCM processes. It specifies how the planning, monitoring and control of all procurement matters, including the lines of responsibility and management of expenditure will be structured and performed during the various stages of the life cycle of projects. In addition, this document defines the codes of conduct to be observed by all employees of AW and any related third parties in relation to procurement matters.

2.1 PROCUREMENT NOTES

- (a) The AW may, from time-to-time issue staff brief relating to National Treasury Instruction notes, resulting from changes within the SCM legislative framework, that will form part of this Policy, and which may:
 - (i) Supersede some clauses of this Policy;
 - (ii) Include new clauses to this Policy.
- (b) Such Procurement Notes shall be presented to MANCO and be duly approved by Accounting Officer or the board on those that need approval of the board prior to being implemented.
- (c) In the event of a potential conflict between some clauses of this Policy and the duly approved Procurement Instruction Notes, the Procurement Notes shall take precedence.
- (d) In the event of a material provision being introduced in Procurement Instruction Notes that might have material effect on this policy, such Procurement Instruction Note shall be approved by the Board. MANCO will assess the materiality of the provisions of the Procurement Note.

2.2 ASSOCIATED DOCUMENTS

This SCM Policy shall be read and construed in conjunction with the following AW documents:

- Delegation of Authority Document
- Code of Ethics
- Declaration of Conflict of Interest
- Fraud Prevention Strategy, as well as.
- National Treasury SCM Regulations Framework for Infrastructure Delivery and Procurement Management (FIDPM), May 2019

3. ABBREVIATIONS AND ACRONYMS

Term	Description
AW	Amatola Water Board
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
BSC	Bid Specification Committee
BEC	Bid Evaluation Committee
BAC	Bid Adjudication Committee
CEO	Chief Executive Officer
CIDB	Construction Industry Development Board
DTI	Department of Trade and Industry
EoI	Expression of Interest
EM	Executive Manager
EME	Exempted Micro Enterprise
MANCO	Management Committee
PM	Project Manager
PPP	Public Private Partnership
QSE	Qualifying Small Enterprise
RFP	Request for Proposal
RFQ	Request for Quotation
SANAS	South African National Accreditation System
SCM	Supply Chain Management
SARS	South African Revenue Service
SMME	Small, Medium and Micro Enterprises
TCC	Tax Clearance Certificate
TOR	Terms of Reference
VAT	Value Added Tax

4. DEFINITIONS AND INTERPRETATIONS

- (1) **Accredited Verification Agencies:** Enterprises that have been accredited by SANAS on behalf of the DTI to provide an independent opinion on the broad-based economic empowerment status of enterprises.
- (2) **Affordable:** Affordable in relation to a SCM POLICY agreement, means that the financial obligations to be Incurred by AW in terms of the agreement can be met
- (3) **Agents:** a Person or Entity appointed by the AW to act on its behalf in providing certain specific service for a specific duration.

- (4) **Bid:** A written offer that is submitted to the AW for the provision of goods and/or services by any person or legal entity herein referred to as a bidder, in response to an invitation to do so. Bids shall refer to all requests/responses to proposals, tenders, quotations, expressions of interest and any other method of Bid solicitation.
- (5) **BEE Status:** The BEE Status of an entity as determined by their compliance with the Generic or QSE or EME Balanced Scorecards provided for by the Codes of Good Practice issued in terms of the Broad-Based Black Economic Empowerment Act (Act No. 53 of 2003).
- (6) **Black Economic Empowerment:** Is defined as an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the number of black people who manage, own and control the country's economy, as well as significant decrease in income inequalities.
- (7) **The Board:** The Board of Directors of the AW who is the AW Accounting Authority, delegate such powers and authorities as may be necessary, to enable the Chief Executive Officer of the AW ("the CEO"), Executive Managers of the AW ("the EMs") and any other personnel of the AW to whom authority has been delegated to take and implement the decisions.
- (8) **Broad-Based Black Economic Empowerment:** Means the economic empowerment of all black people including black women, workers, youth, people with disabilities and people living in rural areas, through diverse but integrated socio-economic strategies, as defined in the B-BBEE Act (Act No. 53 of 2003).
- (9) **AW Project Manager:** Any Manager of the AW duly authorised to manage particular projects.
- (10) **Codes of Good Practice:** Refers to BEE Codes of Good Practice including all the statements as issued under Section 9 of the Broad-Based Black Economic Empowerment Act (Act No. 53 of 2003).
- (11) **The Constitution:** The Constitution of the Republic of South Africa (Act No. 108 Of 1996).
- (12) **Contract:** Unless otherwise stated, a legally binding agreement between the AW and the entity engaged to provide goods, services, engineering and construction works in return for an agreed remuneration by the AW.
- (13) **Days:** Calendar days or working days as specified from time to time.
- (14) **Demand management:** Demand management is a planning and controlled process to ensure that the resources required to support the strategic objectives are delivered at the correct time, at the right price, location, quantity and quality that will satisfy the needs. This includes market research.
- (15) **Depreciation:** Depreciation refers to the reduction in the value of assets generally from wear and tear. The consumption of capital is recognised as a cost of production and an allowance for this is made before net profit is arrived at.
- (16) **Economic principle:** Obtain the highest possible output for the lowest possible use of resources.
- (17) **Economy of scale:** Reductions in the average cost of a product in the long run, resulting from an expanded level of output.
- (18) **Entity:** Any natural or a juristic person conducting a business, trade or profession.
- (19) **Exempted Micro Enterprises:** are defined by the DTI Codes of Good Practice, as companies with an annual turnover of R10 million or less.

- (20) **Expression of Interest:** A request for bidders to register their interest in undertaking a specific contract or to participate in a project or programme and to submit their credentials so they may, in terms of the AW's evaluation criteria, be invited to submit a Bid offer should they qualify or be selected to do so.
- (21) **Fronting:** Contravention of spirit of law, provision, rule, procedure, process, system, policy, practice, or any other term/condition pertaining to BEE Codes of Good Practice. Fronting also refers to the deliberate misrepresentation of the BEE status of an entity, which results in a false or favourable BEE Status being conferred upon or claimed.
- (22) **Fruitless and Wasteful Expenditure:** Means Expenditure which was made in vain and would have been avoided had reasonable care been exercised.
- (23) **Generic Scorecard:** The Balanced BEE scorecard provided for in the Codes of Good Practice as issued in terms of the B-BBEE Act (Act No. 53 of 2003).
- (24) **Goods:** Materials, commodities, consumables including moveable assets.
- (25) **Irregular expenditure:** Means expenditure, other than unauthorised expenditure, Incurred In contravention of or that Is not in accordance with a requirement of any applicable legislation, including
- the PFMA; SCM POLICY, CIDB, SITA
 - any applicable regulations promulgated in terms of the above-mentioned Acts;
 - any applicable Instructions or practice notes issued by the National Treasury or other Institution empowered by enabling legislation to issue same;
 - any other applicable procurement legislation.
- (26) **Joint Venture:** An association of firms, companies or business combining their expertise, property, capital, efforts, skills and knowledge to execute a contract.
- (27) **Lifecycle costing:** is a technique developed to identify and quantify all costs, Initial and ongoing, associated with a project or Installation over a given period. Thus, it is a tool that forecasts the total cost of a purchase throughout its predetermined Lifecycle.
- (28) **Organ of State:** (as per Section 239 of the Constitution of the Republic of South Africa) means:
- a. Any department of state or administration in the national, provincial, or local sphere of government; and
 - b. Any other functional body or institution:
 - i. exercising a power or performing a function in terms of the Constitution or a provincial constitution; or
 - ii. exercising a public power or performing a public function in terms of any legislation but does not include a court or judicial officer.
- (29) **PFMA:** means the Public Finance Management Act, 1999 (Act No 1 of 1999) as amended.
- (30) **Prime Contractor:** A Contractor who contracts with the AW as the principal or main contractor or as a lead joint venture partner to provide goods, services or construction works.
- (31) **Previously Disadvantaged Individual:** means a South African citizen who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 110 of

- (32) **Preferred Service Provider:** A Service Provider that has satisfied the criteria for acceptance in respect of a providing a particular good and/or service required by the AW on a day-to-day basis, and which has been placed on the AW's Pool/Database of Preferred Service Providers.
- (33) **Procedures:** Standard Operating Procedures carried out by means of more detailed guidelines called "standard methods". A series of actions conducted in a certain order or manner.
- (34) **Process:** A series of actions or steps towards achieving a particular end.
- (35) **Professional Service Provider:** Any person or legal entity that is under contract to the AW for the provision of professional services. Professional services relate to the provision of knowledge-based expertise which is applied with skill, care and diligence in accordance with the provision of the Professional Service Contract.
- (36) **Proponent:** a proponent means any person, whether natural or juristic, that submits an unsolicited bid to the AW.
- (37) **Qualifying Small Enterprise (QSE):** are defined by the DTI Codes of Good Practice as companies with an annual total turnover of between R10 million and R50 million.
- (38) **QSE Scorecard:** The balanced scorecard as applied to QSE's provided for in the Codes of Good Practice as issued in terms of the B-BBEE Act (Act No. 53 of 2003).
- (39) **Quotation:** An offer by prospective Service Providers of goods or services which is not submitted in the form of a Bid document but is subject to a specification, conditions of purchase or any conditions which the AW may impose and any schedules and/or annexures.
- (40) **Restriction of Service Providers:** The process of prohibiting or denying business opportunities to those entities found to be committing the following acts:
- a. Providing the AW with incorrect or fraudulent information including fronting;
 - b. Corruption;
 - c. Canvassing; and
 - d. Non-performance of a contract.
- The restriction period will be as stipulated in the Contract or as provided for by the National Treasury and/or relevant legislation for a period not exceeding 10 years.*
- (41) **Request for Proposal:** A formal document issued by the AW requesting proposals from Service Providers and which includes Form of Proposal, Conditions of Submission, Scope of Work, Conditions of Contract, and any schedules and/or annexures.
- (42) **Risk management:** Risk management may be defined as the identification, measurement and economic control of risks that threatens the assets and earnings of a business or other enterprise.
- (43) **Rules:** Rules are enforceable and binding statements requiring that a specific action must or must not be taken in a given situation.
- (44) **Service Provider:** In this document, refers to any person or legal entity that provides goods and/or services to the AW. It is used as an all-inclusive term to encompass all Service Providers including Professional Service Providers (Professional Service Providers), building Contractors and Suppliers.

- (45) **Sector Code:** A code which is applicable to a particular sector as contemplated in the B-BBEE Act (Act No. 53 of 2003).
- (46) **Small medium and Micro Enterprise (SMME):** Is as defined in the National Small Business Act, 102 of 1996, as amended, as employing a maximum of 100 employees in any sector except manufacturing or construction where the maximum is 200 employees.
- (47) **Sourcing:** Sourcing is the process to be followed in order to identify a suitable provider of goods, service and works
- (48) **Strategic goals:** Strategic goals are areas of institutional performance that are critical to the achievement of the mission. They are statements that describe the strategic direction of the Institution. It is useful to think of strategic goals as outcome to be achieved by the Institution.
- (49) **Strategic objectives:** are more concrete and specific than strategic goals. They should give a clear indication of what AW Intends doing or producing in order to achieve the strategic goal it has set for itself. As such strategic objective would normally describe high-level outputs or "results" of actions that AW intends taking.
- (50) **Sub-Contractor:** A contractor who contracts with the Prime Contractor to provide goods and/or services.
- (51) **Supplier:** A firm that owns, operates or maintains stores, warehouses or other establishments in which materials or supplies are bought, kept in stock and regularly sold to the public in the usual course of business; and engages as its principal business, and in its own name, in the purchase and sale of goods.
- (52) **Tender:** An offer by prospective suppliers of goods and services submitted in a tender document which is issued to the prospective bidder publicly or in a closed tender process and which includes the Form of Tender, Conditions of Tender, Specification, Conditions of Contract and any other conditions or schedules and/or annexures.
- (53) **Transformation Charter:** The Sectorial transformation charters referred to in section 12 of the B-BBEE Act (Act No. 53 of 2003).
- (54) **Value for Money:** In relation to contracts and agreements, means that the performance of a private party in terms of the agreement will result in a net benefit to AW In terms of cost, price, quality, quantity, risk transfer or any combination of those factors.

5. INTRODUCTION TO THE PROCUREMENT POLICY DOCUMENT

5.1 BACKGROUND

- (i) This policy applies to the procuring of goods or services, including construction works and consultant services;
- (ii) The disposal by the AW of goods no longer needed;
- (iii) The procurement of goods and services under a current contract secured by another organ of state, provided that the relevant supplier has agreed to such procurement.
- (iv) The approach adopted in developing the SCM policy is generally in pursuance of section 217 of the Constitution of the Republic of South Africa (Act No. 108 of

1996), which prescribes that goods and services must be contracted through a system that is fair, equitable, transparent, competitive and cost-effective.

- (v) Further, the AW shall utilise its procurement process to achieve secondary objectives in support of the National Government's objective of social and economic transformation in its widest sense.
- (vi) To effect this policy, there shall be procedures to provide guidance on the steps to be followed in all procurement processes. These procedures have been simplified to maximise efficiency, enhance adherence and facilitate control and monitoring.
- (vii) This Document supersedes any document or SCM policy that may have been in place prior to the adoption of this SCM Document by the Executive Management Committee (MANCO) and the Board of Directors of the AW (Board).
- (viii) The Board has established a Supply Chain Management (SCM) Department to assist the Chief Executive Officer to implement this Policy. SCM Provides secretariat duties and/or administrative support in the procurement processes to all Bid Committees.

5.2 OBJECTIVES OF THE POLICY

The AW's SCM Policy shall recognise and seek to achieve the following:

- (i) Fitness for purpose;
- (ii) Promotion of Government initiatives particularly broad-based black economic empowerment (B-BBEE);
- (iii) Maximisation of job creation opportunities;
- (iv) A separation of responsibilities and authorities to ensure good corporate governance;
- (v) An open and transparent procurement process;
- (vi) Within the limitations imposed by the Policy, value for money will always be sought;
- (vii) Within the limitations imposed by the Policy, the optimisation of the universally accepted project management parameters of cost, time, quality and risk shall underpin all procurement decisions;
- (viii) Assessment criteria will be stated unequivocally in all documents requesting for Bids;
- (ix) Opening of Bids shall be in public, where practical;
- (x) The AW shall not be bound to accept the lowest price or any Bid; and
- (xi) Following the award of a Bid, the successful bidder will be made public via the AW's website provided this action will not infringe upon the bidder's personal rights. In accordance with the requirement for good corporate governance, this policy is to ensure that the procurement processes are uniform throughout the AW in terms of quality, price, empowerment targets and delivery of goods and services.

5.3 THE LEGISLATIVE AND POLICY FRAMEWORK

The Amatola Water Board and the administration is committed to adhering to and applying the prescribed legislative environment as it affects SCM.

a) **The Constitution of the Republic of South Africa (Act No. 108 of 1996)**

- (i) Section 217(1) of the Constitution of the Republic of South Africa (Act No. 108 of 1996) provides that:

"When an organ of state or any other institution that is identified in the national legislation contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective."

- (ii) Section 217(2) of the Constitution stipulates that the system should nevertheless not prevent the organ of state from implementing a Procurement Policy that provides for categories of preference in the allocation of contracts and protection or advancement of persons or categories of persons disadvantaged by unfair discrimination.
- (iii) In implementing Section 217(2) of the Constitution and in line with the provisions of the Promotion of Access to Information Act (Act No. 2 of 2000) and Promotion of Administrative Justice Act (Act No. 3 of 2000), an organ of state is obliged, upon request, to advance reasons to any bidder for not awarding a particular contract to him/her.

b) **The Preferential Procurement Policy Framework Act (Act No.5 of 2000)**

- (i) The SCM POLICY gives effect to Section 217(2) of the Constitution by providing a framework for the implementation of the procurement policy embedded in the Constitution. The regulations developed in response to the SCM POLICY describe specifically how the computation of points in the awarding of contracts must be implemented. The Act prescribes the use of a 90/10 or 80/20 points award system in respect of contract award values above or below R50m respectively.
- (ii) The Act also provides that a contract must be awarded to the bidder who scores the highest overall points unless objective criteria justify an award to a bidder that did not score the highest number of points.

c) **The Broad-Based Black Economic Empowerment Act (Act No. 53 of 2003)**

- (i) The B-BBEE Act (Act No. 53 of 2003) establishes a legislative framework for the promotion of black economic empowerment. In terms of Section 10 of this Act, every organ of state and public entity must take into account and as far as is reasonably possible, apply any relevant code of good practice issued in terms of this Act.
- (ii) When developing and implementing a preferential procurement policy;
- (iii) The AW shall deal with all Service Providers in accordance with the requirements of the B-BBEE Act (Act No. 53 of 2003).

d) The Public Finance Management Act (PFMA) (Act No. 1 of 1999)

- (i) The Public Finance Management Act (Act No. 1 of 1999 as amended by PFMA Act, No. 29 of 1999) requires that all Public Entities comply with three key requirements namely:
- (ii) To have an appropriate procurement system for all goods, services and works which is fair, equitable, transparent, competitive and cost-effective; and
- (iii) To have an evaluation system to properly evaluate major capital projects prior to making a final decision on the project.
- (iv) The Act also provides for the National Treasury to make regulations or issue instructions concerning the determination of a framework for an appropriate procurement system.

e) The Construction Industry Development Board Act (Act No. 38 of 2000)

- (i) The CIDB Act (Act No. 38 of 2000) provides for the establishment of the Construction Industry Development Board (CIDB) as a statutory body "to provide strategic leadership to construction industry stakeholders to stimulate sustainable growth, reform and improvement of the construction sector".
- (ii) The CIDB has established a Code of Conduct for all construction-related procurement and all participants in the procurement process. Regulation 24(b) of the CIDB Regulations issued in terms of the Act, requires every public sector employer who is soliciting tenders in the construction industry to do so in accordance with the Standard for Uniformity in Construction Procurement.
- (iii) The AW shall align its procurement documents with the CIDB Standard for Uniformity and Code of Conduct. All construction and engineering projects in excess of R200,000 including VAT must be registered with the CIDB using the i-tender@cidb (Register of Projects). For construction contracts, the AW shall consider only those bidders who have proof of active CIDB registration at the tender evaluation stage.

5.4 OTHER RELEVANT ACTS

Cognisance must be taken of the following legislation that will impact on the supply chain environment:

- Promotion of Administrative Justice Act, Act No 3 of 2000 (PAJA).
- Promotion of Access to Information Act, Act No 2 of 2000 (PAIA)
- Protected Disclosure Act, Act No 26 of 2000.
- The Competition Act, Act No 89 of 1998.
- SITA Act
- Prevention of Corrupt Activities Act 12 of 2004
- Protection of Personal Information Act, No 4 of 2013 (POPI Act)

5.5 PROCUREMENT PRINCIPLE

All procurement shall only be effected against accurate and sufficient budget to cover the value of the work in a particular financial year and sufficient provision for the following years. For multi-year projects to have a provision for spending for other years until the project is completed. All goods and services budgeted and approved for purchase must be in terms of the corporate objectives of the AW.

5.6 ETHICAL CONDUCT IN THE SCM SYSTEM

In conducting its business, the AW is committed to upholding the highest principles of business conduct. Honesty, integrity and openness are integral to the business practice of anyone associated with the AW.

5.6.1 Declaration and Management of Conflict of Interest

- a) The AW considers that there is a conflict of interest where any entity submitting or intending to submit a Bid has:
 - (i) an association with an AW member of staff;
 - (ii) an association with a relative of an AW member of staff;
 - (iii) an association with a member of the Board; or
 - (iv) an association with a relative of the member of the Board.

- b) A conflict of interest also exists where an appointed Professional Service Provider of the AW that is participating in the Bid process has an association with a prospective bidder.

- c) The management of conflict of interest shall be by:
 - (i) All AW staff / Board members must declare, in writing, their interests every year and/or whenever there are changes in the interests thereafter;
 - (ii) All AW Agents must declare, in writing, their conflict of interests before they are engaged by the AW in any project or procurement process;
 - (iii) the AW and the member of staff / Board shall both acknowledge the association in writing and shall clarify the extent of the association prior to a submission being made or as soon as they become aware of the submission in which they have vested interests; and
 - (iv) The prospective bidder shall both acknowledge the association in writing and shall clarify the extent of the relationship prior to a submission being made.

- d) Any person with a conflict of interest in any AW Bid or proposed contract shall recuse himself or herself from the evaluation and/or adjudicating and/or decision making in that matter, including the management of that contract.
- e) The Bid Adjudication Committee (BAC) will then evaluate the Declaration of Conflict of Interest and decide whether or not to disqualify the bidder on the following bases:
 - (i) In the event that the bidder or the employee failed to disclose the conflict of interest, BAC may disqualify the submitted bid.
 - (ii) In the event that the Conflict of Interest was declared by the employee or the bidder has completed the Compulsory Declaration of Interest form and declared the interest, BAC cannot disqualify the submitted bid, but may require the declarant to take no further part in the decision-making process.

5.6.2 Canvassing, Corrupt and Fraudulent Practices

- a) If in the opinion of the AW, there is any evidence of corrupt or fraudulent practices or canvassing, the AW will take action against the culprit(s).
- b) *Canvassing* is defined as an attempt to influence the outcome of the procurement process by communicating with a member(s) of the AW staff or AW Agent; and such communication can be direct or indirect (that is through a third party) and include verbal exchanges, telephonic exchanges and written exchanges.
- c) *Corrupt practice* is defined as the offering, giving, receiving or soliciting of any advantage by a bidder or any third party to influence the action of an employee or agent of the AW in the selection process or in contract execution; and the offering, giving, receiving or soliciting of any advantage by an AW employee or AW Agent to influence the action of a bidder in the tendering / pricing / selection process or in contract execution.
- d) *Fraudulent practice* is defined as a misrepresentation of facts in order to influence a selection process and/or the execution of a contract to the detriment of the AW; and collusive practices amongst prospective bidders and/or bidders prior to, or after submission of, Bids designed to establish prices at artificial non-competitive levels and deprive the AW and its clients of the benefits of free and open competition.
- e) The AW encourages "whistle blowing" by members of staff who might be under pressure from other members of staff or external parties to indulge in corrupt or fraudulent practices or canvassing. Where a member of staff is aware that another member of staff is indulging in corrupt or fraudulent practices or is being canvassed, then that member of staff is encouraged to report the circumstances to his/her immediate superior. The AW will act accordingly in terms of the Protected Disclosures Act (Act No. 26 of 2000).

**The AW Hotline Number to report any improper practices is as follows:
Tip-Offs Anonymous
Stop: Theft/Fraud/Dishonesty/Blackmailing/Intimidation
Call Toll-free number 24/7: 0800203287**

5.6.3 Confidentiality

- a) The AW employees and AW Agents should be aware of the sensitivity of procurement issues, and the possible repercussions to the AW if information regarding procurement processes and outcomes were disclosed to the public or third parties without due consideration or process.
- b) All matters pertaining to procurement shall be treated by every AW employee and AW Agent as confidential and due diligence must be exercised when handling procurement documentation and information.
- c) In the event of any employee being found to have acted contrary to clause (a) and or (b) such conduct shall constitute a dismissible offence. Similarly, in the event of an AW agent being found to have breached clause (a) and or (b) this will constitute ground for the termination of the agency agreement with the AW.

5.6.4 Staff Code of Conduct

All the AW personnel engaged in any stage of any SCM process shall maintain the highest ethical standards by adhering to the requirements set out hereunder.

- a) Ensuring that the AW's funds and all funds managed by the AW on behalf of the third parties are spent efficiently and effectively and in accordance with the AW's mandate;
- b) Ensuring that all procurement procedures are implemented at all times with complete transparency within the AW;
- c) Maintaining confidentiality at all times by ensuring that no information on a procurement process is given to any unauthorised persons outside of the AW;
- d) Specifying generic descriptions of goods wherever possible in lieu of brand names when compiling specifications;
- e) Purchasing without fear, favour or prejudice;
- f) Prohibit orders for identical goods or services to be split or variations to be made in order to circumvent the approved delegations of authority. If, in the opinion of the Supply Chain Manager or delegated person and/or Bid Adjudication Committee, there is an attempt to circumvent this rule, the matter shall be brought to the attention of MANCO.
- g) Ensuring that all potential suppliers are provided with adequate and identical information upon which to base their Bids;
- h) Making awards on the basis of empowerment and price and not necessarily on the basis of price alone;
- i) Refraining from indulging in any canvassing, corrupt or fraudulent practices as defined in this Policy;

- j) Members of AW personnel must not, during the Bid and/or adjudication stages of any Bids, communicate with members of the public or third parties with regards to that Bid until the successful Service Provider has been appointed and notified;
- k) No member of AW personnel shall publish or publicise the final outcomes of any procurement process with the exception of Supply Chain Manager or his/her delegated person, whose consent to such publication or publicising must be obtained;
- l) Should any member of the public attempt to canvass a member of staff or AW Agent of AW prior to or during the bidding stage or Bid adjudication stage, that member of staff or AW Agent shall notify the Supply Chain Manager, in writing, of that event. This notification must state the name of the individual who canvassed, the entity and/or bidder with which that individual is associated, the date/s on which the canvassing took place, and the Bid to which the canvassing relates. Further, such notification shall state the specific details of the communication that amounts to canvassing;
- m) The member of staff shall lodge this written notification with the Supply Chain Manager, with a recommendation as to whether or not to disqualify the prospective Bidder concerned. The member of staff may, if the canvassing has occurred in the early stages of an adjudication process, make a written recommendation to the Supply Chain Manager that the prospective bidder involved be disqualified from any further consideration in the procurement process to which the Bid relates;
- n) The Supply Chain Manager shall elevate these recommendations to the Chairperson of the Bid Adjudication Committee for its consideration and decision. Any decision to disqualify the fraudulent bidder shall be notified to MANCO in the ordinary course; and
- o) Where a person has, on the AW's behalf, entered into an agreement in contravention of the approved procedures or abused their position of authority in any way, any disciplinary action instituted will be without prejudice to any other course of action available to the AW at civil or criminal law.

5.6.5 Code of Conduct Relating to Prospective Service providers and other Third Parties

The following rules apply and must be communicated to the relevant parties:

- a) AW Agents who are involved in the procurement processes (e.g. specification development, evaluation and adjudication) must declare their conflict of interests before their engagement;
- b) Telephonic communications between any AW member of staff or AW Agents and any third or external party with regards to Bids under adjudication is prohibited;
- c) All queries or requests for information relating to a Bid must be in writing and must be addressed to the Supply Chain Manager. The AW shall not be held responsible for the authenticity of any communications not reduced to writing between any bidder and the Supply Chain Manager.
- d) From the day the Bid has been advertised until the successful bidder has been officially notified, bidders or their representatives or acquaintances must not communicate in any manner whatsoever with members of the AW staff concerning the Bid except the nominated person(s) mentioned in the bid document.;

- e) Any attempts by bidders or representatives of the bidders or their acquaintances to influence the outcomes of the procurement process at such communication will prejudice them and may lead to disqualification of their Bid.

5.6.6 Misconduct of Service Providers and other Third Parties

- a) If, in the opinion of the AW, any Service Provider has engaged in corrupt or fraudulent practices or has canvassed in competing for or in executing an awarded contract, the AW will, with immediate effect, seek appropriate redress which may involve termination of the contract. The disqualification or termination of the contract must be in writing.
- b) The AW may also decide to fully pursue the case of the law in terms of prosecution. If, in the opinion of the AW, the Service Provider has engaged in corrupt or fraudulent practices or canvassing, they may be declared ineligible to provide any goods and/or services to the AW or to participate in any programmes or projects managed and administered by the AW on behalf of its clients for a period as determined by the National Treasury and/or the Prevention and Combating of Corrupt Activities Act (Act No. 12 of 2004).

5.7 DEVIATION FROM THE SCM POLICY

In cases where special conditions make it necessary to deviate from the standard supply chain process a clear process must be adhered TO WHICH is guided by the **SCM** regulations, SCM Policy and the SCM Standard Operating Procedures.

- a) Any End User Department of the AW seeking a deviation from the SCM policy shall submit a written request to CEO, citing reasons why such deviation is sought this can be done after the event has occurred in case of emergency.
- b) Should the request be acceptable, MANCO must evaluate the deviations to ensure that they are within the required prescripts and are not leading to irregular expenditure.
- c) The Supply Chain Manager shall keep a Register of all instances where deviations have taken place. A copy of this Register shall be presented to MANCO for review before submitted to the Board for its notification thereof.

5.7.1 Deviation Process

Should it be impossible or impractical to invite competitive Bids via an open process, a deviation procurement strategy shall be adopted. The CE/Delegated Person/Authority must only deviate from inviting competitive under the following circumstances:

- a) where the goods and/or services required can only be obtained from a sole supplier because of legal or propriety rights such as patents, registered designs and licences and/or the specialised and complex nature of the goods or services required.

- b) where goods and services are required to respond to an emergency. Emergency cases are cases where immediate action is necessary in order to avoid a dangerous or risky situation or misery and can arise from (but not limited to) instances such as:
 - (i) the possibility of serious damage to property or financial loss;
 - (ii) the possibility of loss of human life or injury; or
 - (iii) the possibility of interruption of essential services.
- c) In emergency cases, the PM and/or his/her representative may after in principle approval by CEO in writing on recommendation from Supply Chain Manager, proceed with procurement provided that within 10 working days a deviation confirmation report shall be submitted to the Supply Chain Manager which shall be forwarded to BAC and MANCO for consideration and/or ratification.
- d) Under no circumstances shall permission be granted to enter into a negotiated bidding process other than those contemplated or stated in (a) and (b) above. Lack of proper planning or failure to act does not constitute an urgent or emergency case.
- e) Any other deviation will be allowed in exceptional cases, where it's impossible or impractical to follow the normal tender process, subject to the prior written approval from National Treasury on recommendation by the CE/His Delegate/Delegated Authority.
- f) The CE/his Delegate/Delegated Authority may condone a deviation from the procurement processes, provided that such deviation is limited to the circumstances referred to in (a) and (b) above and is recommended by Bid Adjudication Committee (BAC). All condonations to be reported to the Board on quarterly basis for noting.

5.8 UNSOLICITED BIDS

An unsolicited bid means any bid received by the AW outside its normal procurement process and such submission must be innovative, unique and provided by a sole supplier.

5.8.1 The criteria for the consideration of an unsolicited bid

The AW is not obliged to consider unsolicited bids received outside a normal bidding process. If the AW decides to consider an unsolicited bid, it may do so only if:

- a) the product or service offered is a unique innovative concept that will be exceptionally beneficial to, or has exceptional cost advantages;
- b) the person who made the offer is the sole provider of the product or service;
- c) the need for the product or service has been established during the organisation's strategic planning and budgeting processes; or
- d) is in pursuit of AW's emergent strategy.

5.8.2 Evaluation of an unsolicited bids

The unsolicited bid must contain the following information in terms of the proponent:

- a) The proponent's name, address, identification or registration number (if a corporation), VAT registration number and the contact details of its authorised representative;
- b) Identification of any confidential or proprietary data not to be made public;
- c) The names of other South African Institutions that have received a similar unsolicited bid;
- d) A proof that the proponent's Tax matters with SARS are in order and in the case where the proponent is a consortium or joint venture, each member's Tax matters with SARS must be in order;
- e) A declaration of Interest containing the particulars set out in Standard Bid Document (SBD 4), issued by the National Treasury;
- f) A declaration of the proponents past supply chain practices containing the particulars set out in SBD 8, issued by the National Treasury, and
- g) A declaration from the proponent to the effect that the offering of the unsolicited bid was not as a result of any non-public information obtained from officials of the AW or any other institution.

5.9 CANCELLATION OF BIDS

- a) The AW may, prior to the award of a Bid, cancel a Bid if:
 - (i) due to changed circumstances, there is no longer a need for the goods and/or services tendered for; or
 - (ii) funds are no longer available to cover the total envisaged expenditure;
 - (iii) no acceptable Bids are received; or
 - (iv) There is material irregularity in the process;
 - (v) If a market-related price is not agreed upon after negotiations with the three highest scoring tenders, where applicable.

The responsible End User shall be required to notify the BAC, in writing, the reason(s) for the cancellation. The Supply Chain Management Unit shall notify the public and/or potential bidders of the cancellation in writing.

6. SUPPLY CHAIN MANAGEMENT SYSTEM

6.1 LIMITS OF AUTHORITY

- a) The levels of authority for requisition of goods and services are governed by the Delegation of Authority (DoA). Only personnel with the corresponding level of authority identified in the DoA may enter into a contract, raise an order or effect a modification to a contract or Purchase Order.

- b) No one person may procure goods and/or services, approve and authorise payments towards them.

6.1.1 The Supply Chain Management (SCM) Unit

The SCM Unit is established to play a centralised key function of ensuring that all End User Department comply with this SCM Policy and to assist in its implementation thereof. The implementation includes, but not limited to the following:

- (a) Provide secretariat duties and/or administrative support in the procurement processes;
- (b) To maintain a data base of Pre-qualified Service Providers to be used as and when required;
- (c) Draft calls for Expression of Interest (Eoi) for preferred and pre-qualified potential bidders and sign off Bid advertisements;
- (d) Disseminate information on Preferred Service Providers and Prequalified Service Providers to the END USERS and to the general public;
- (e) Co-ordinate the activities of the Bid Specification Committee (BSC), Bid Evaluation Committee (BEC) and BAC;
- (f) Issue Purchase Orders and procurement contract numbers;
- (g) Responsible for Closing and Opening of Bids;
- (h) Monitor contract compliance requirements of Service Providers on procurement matters;
- (i) Report to MANCO on the procurement performance;
- (j) Process requisitions, obtain quotations, place orders, and monitor payments;
- (k) Record keeping of all procurement matters;
- (l) Issue approved Procurement Notes from time to time;
- (m) Advise BAC and MANCO of any legislative changes or Treasury Regulations issued on procurement matters;
- (n) Assist the END USER/Programme with procurement submissions;
- (o) Prepare regret and appointment letters;
- (p) Initiate price negotiations with recommended bidders.

6.1.2 The Bid Specification Committee (BSC)

- (a) The CEO shall appoint a standing BSC Chairperson and Deputy Chairperson which at least one of them should always be present in the Bid Specification Committee for a specific period

- (b) Then other members of the Bid Specification Committee shall be appointed on an adhoc basis depended to the item the committee is dealing with by the CEO prior the sitting of that specific items.
- (c) The Bid Specification Committee shall be comprised of at least three AW employees on ad hoc basis, an appointed Chairperson, a responsible official and at least one Supply Chain Management Practitioner of AW.
- (d) 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.
- (a) The Bid Specification Committee (BSC) shall review the Procurement Plans from END USERS, prior to Bids being invited. The review will be in terms of the extent to which the provisions of the SCM Policy would be followed.
- (b) Where necessary, the BSC will give input in refining the proposed procurement strategy.
- (c) Where necessary, the BSC will obtain input from any specialists required the reviewing of the Bid specifications.
- (d) The BSC shall take and record minutes of their meetings for audit purposes.
- (e) The BCS Chairperson shall present the specification to the BEC or BAC as and when it is needed

6.1.3The Bid Evaluation Committee (BEC)

- (a) The CEO shall appoint a standing BEC Chairperson and Deputy Chairperson which at least one of them should always be present in the Bid Evaluation Committee for a specific period

Then other members of the Bid Evaluation Committee shall be appointed on an adhoc basis depended to the item the committee is dealing with by the CEO prior the sitting of that specific items. The Bid Evaluation Committee shall be comprised of at least three AW employees on ad hoc basis, 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.

- (b) The BEC shall be responsible for evaluating bids received, using the three (3) AW standard stages of evaluation, namely;
 - (i) Responsiveness Assessment - check whether all required mandatory requirements have been met by the bidders;
 - (ii) Quantitative Assessment - scoring of bidders as per the advertised scoring criteria on price and empowerment; and
 - (iii) Qualitative Assessment check the capability/ability of the bidder to execute the contract.

- (c) Bids must only be evaluated in accordance with the criteria specified in the bid documents.

6.1.4 The Bid Adjudication Committee

- (a) The BAC considers reports and recommendations made by the Bid Evaluation Committee (BEC).
- (b) Membership of the Bid Adjudication Committee (BAC) shall be as governed by the BAC Terms of Reference. The BAC shall meet at regular intervals to evaluate the Procurement submissions from END USER/Programmes and award or make recommendations for awards as per its limits of authority. The BAC may also meet on an ad hoc basis where, for reasons of urgency, awards need to be made timeously.
- (c) The members of BAC, including the Chairperson, are appointed by the Chief Executive Officer of AW for a limited period of time to be determined by CEO.
- (d) Each Client representative present at BAC must complete and sign a conflict-of-interest declaration prior to the commencement of the adjudication process.
- (e) The Bid Adjudication Committee is mandated to approve procurement submissions above R 1 000 000.00 (Vat Inclusive).
- (f) The BAC may refer issues that pose certain risks due to their complexity to the CEO even if they are within their approval limit.
- (g) The BAC will record their decisions and inform the respective END USER of the outcomes accordingly.
- (h) The BAC shall also act as an advisory body to the CEO on all procurement related matters. Within the framework of the DOA, the BAC will, among others:
 - (i) review and revise the procurement procedures;
 - (ii) review the adjudications of Bids submitted by END USERS in respect of submissions from bidders;
 - (iii) establish, within the limits set out in the DOA, that the Bids meet the requirements of the AW SCM Policy;
 - (iv) Consider and approve/reject requests for variation and extension of time on existing contracts; and
 - (v) make recommendations on necessary actions in the event of the non-performance by any Service Provider.

6.1.5 The Executive Management Committee (MANCO)

The key responsibilities of MANCO in relation to procurement shall include the following:

- (a) Entertain appeals from End User Departments regarding the decisions made by BAC and make rulings;
- (b) Review SCM Policies for final approval by the Board; and
- (c) Consider issues referred by BAC which might pose risk due to their complexity.

6.1.6 The Board

- (a) The final approval of Supply Chain Management Policies lies with the Board.
- (b) The board shall approval certain SCM Procurement Notes instructed by National Treasury that are delegated to the Accounting Authority
- (c) Deviations to the SCM policy shall be presented to the board on a quarterly basis
- (d) Contract expansion or variations that exceed the delegation of the CEO shall be approved by Accounting Authority/Board

6.1.7 Summary of Key Structures in the Supply Chain Process

The following structures play key centralised functions in reviewing, evaluating and adjudicating Bids for all procurement with values above R1 million

Table 1: Procurement Structures

Committee	Function / Responsibilities	Composition
Bid Specification Committee (BSC)	Review specifications and Bid conditions prior to the advertisement being placed.	At least a minimum of three people which include the SCM representative.
Bid Evaluation Committee (BEC)	Evaluate Bids submitted by bidders BEC submits to the BAC a report and recommendations regarding the award of the Bids.	At least a minimum of three people which include the SCM representative.
Bid Adjudication Committee (BAC)	BAC considers recommendations from BEC and adjudicate as per delegation for competitive bids	BAC membership is contained in the Terms of Reference and each member is appointed for a period as determined by the Chief Executive.

7. PROCEDURES FOR THE PROCUREMENT OF GOODS AND SERVICES

7.1 DEMAND MANAGEMENT:

The first phase in the SCM process is to undertake a comprehensive needs assessment to identify the need and establish what to procure.

7.1.1 Needs Assessment

- (a) The needs assessment shall be conducted by the relevant END USERS and may include the following:
 - (i) analysis of the current and future needs;
 - (ii) identification of the frequency of needs;
 - (iii) identification of critical delivery dates;
 - (iv) linking the requirements with the budget estimates;
 - (v) analysis of past expenditure;
 - (vi) determination of requirements;
 - (vii) checking for alternatives; and
 - (viii) analysis of industry trends.

- (b) After completing a needs assessment, the End User shall motivate for the procurement of goods and/or services as per the allocated funds according to approved budget. The End User shall be responsible for ensuring that sufficient funds are available before inviting for any Bids.

7.1.2 Specification Development

For all procurement with an estimated value of above R1 million, the End User shall be required to develop specifications of the requirements which meet the following conditions:

- (a) must be drafted in an unbiased manner to allow the potential bidders to offer their goods or services;
- (b) must take into account any generally accepted (local or international) standards or an authority accredited or recognized by the South African National Accreditation System whose standards shall be complied with;
- (c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
- (d) may not create trade barriers in contract requirements in the form of specifications, plans, drawings, designs, testing and test methods, packaging, marking, or labelling of conformity certification;
- (e) may not make reference to any particular trademark, 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 term "or the equivalent".
- (f) must indicate the point scoring system to be used for evaluation.

7.2 ACQUISITION MANAGEMENT: DETERMINING THE PROCUREMENT STRATEGIES

The objectives of this acquisition management system are to ensure:

- (i) that goods and services, including construction works and consultant services are procured by the AW only in accordance with the authorised procedures incorporated herein;
- (ii) that expenditure on goods and services, including construction works and consultant services is incurred in terms of an approved budget;
- (iii) that expenditure on goods and services, including construction works and consultant services is incurred in terms of an approved budget;
- (iv) that the threshold values of the different procurement procedures are complied with;
- (v) that bid documentation, evaluation and adjudication criteria, and general conditions of contract are in accordance with the requirements of relevant legislation including,
the SCM POLICY and its Regulations, and any conditions of the CIDB Act and its Regulations where applicable; and
- (vi) It is a requirement for all Suppliers to be registered on the National Treasury Web Based Central Supplier Database (CSD) that can be accessed at <https://secure.csd.gov.za>.

7.3 LOGISTICS MANAGEMENT SYSTEM

Logistics management 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, supplier performance, maintenance and contract administration.

- (a) Purchase orders will be created with reference to requisitions where the supply source is either bids or quotations.
- (b) In respect of goods and services (with the exception of professional services where there are other mechanisms in place for accepting a bid), no work shall commence, or goods be delivered before an official order has been placed with the supplier.
- (c) Deliveries of goods may not exceed the order quantity.
- (d) Short deliveries will keep the purchase order open until the balance of the order is received or cancelled.
- (e) The Supply Chain Management Department will 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.

7.4 DISPOSAL MANAGEMENT SYSTEM

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 the AW.

7.5 RISK MANAGEMENT SYSTEM

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

- 7.5.1. Managing risk must be part of the AW's philosophy, practices and End Users plans and should not be viewed or practiced as a separate activity in isolation from line managers.
- 7.5.2. Risk Management shall be an integral part of effective management practice.
- 7.5.3. The key principles on managing risk in supply chain management include early and systematic identification of risk on a case-by-case basis, analysis and assessment of risks, including conflicts of interest and the development of plans for handling them.

7.6 PERFORMANCE MANAGEMENT SYSTEM

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

- 7.6.1. value for money has been attained;
- 7.6.2. proper processes have been followed;
- 7.6.3. desired objectives have been achieved;
- 7.6.4. there is an opportunity to improve the process;
- 7.6.5. suppliers have been assessed and what that assessment is; and
- 7.6.6. there has been deviation from procedures and, if so, what the reasons for that deviation are.

8. VARIOUS RANGES OF PROCUREMENT PROCESS

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

8.1 COMPETITIVE BIDS

Where the estimated transaction value exceeds R1 million, or for any contract exceeding one year in duration (which includes any defects liability period, if applicable).

8.2 TERM/Framework AGREEMENT BIDS

For the supply of goods and services or construction works that is of an adhoc or repetitive nature for a predetermined period of time whether awarded to a single supplier or the establishment of panels requiring secondary competitive procedures.

8.3 FORMAL WRITTEN PRICE QUOTATIONS (RFQ)

Where the estimated transaction value exceeds R2 000 and is less than or equal to R1 million (Vat Inclusive).

8.4 PETTY CASH PURCHASES

Where the transaction value is less than or equal to R2 000.

9. DELEGATION OF AUTHORITY ON RFQ PROCESS

The levels of authority for requisition of goods and services are governed by the MANCO. Only personnel with the corresponding level of authority identified in the MANCO may enter into a contract, raise an order, or effect a modification to a contract or Purchase Order. No one person may procure goods and/or services, approve and authorise payments towards them.

Threshold Value	Method
Not exceeding R30 000 (Vat Inclusive) Approver of Purchase Orders: Senior Buyer	Formal written price quotation template must be prepared. A minimum of three quotations is required and the respondents must be drawn from the Central Supplier Database (CSD).
From 30,001 to R100 000 (Vat Inclusive) Approver of Purchase Orders: Lead Acquisition Specialist or delegated person or delegated person within the SCM Management.	A formal RFQ documents template must be prepared and approved by the SCM Manager or delegated person. The RFQ will be advertised on the Amatola Website for a minimum period of seven (7) days. However, where clarification meeting is necessary RFQ must be advertised for the period of fourteen days (14 days).
From R100 001 to R1000 000.00 (Vat Inclusive) Approver of Procurement Strategy: Supply Chain Manager and Approver of Purchase Orders above the value of R100 001-R 1 000 000 (Vat Inclusive) SCM Manager Approval of the RFQs From R500 001 - R1 000 000 (vat inclusive) Approver of RFQ Award: Chief Financial Officer (CFO)	A Procurement Strategy template must be completed and approved by the SCM Manager. The RFQ will be advertised on the Amatola Website for a minimum period seven (7) days. However, where clarification meeting is necessary RFQ must be advertised for the period of fourteen days (14 days). However, where clarification meeting is necessary RFQ must be advertised for the period of fourteen days (14 days).

10. SUMMARY OF PROCUREMENT ACTIVITIES

10.1 BID INVITATION: REQUEST FOR PROPOSAL (RFP)/ EXPRESSION OF INTEREST (EOI)

The END USER / Programme must prepare a Request for Proposals (RFPs) or Expression of Interest (Eoi) which shall include at least the following:

- a) Fully completed advert;
- b) Tender documents;
- c) Scope of Services;
- d) Special conditions to bidders; and
- e) Evaluation Criteria.

10.2 COST OF TENDER DOCUMENTS

Non-refundable standardised tender fees/deposits shall be charged for the collection of Tender documents for all invited Tenders as may be determined from time to time by the SCM Unit in consultation with MANCO.

The tender fees will be reviewed annually.

No tender fees shall be charged for invited Bids/Contacts and for Requests for Proposals or for Quotations.

Payment for Bid documentation shall either be via electronic transfer or as specified in the Bid advertisement, payable to the Amatola Water by the bidder.

10.3 ISSUING OF BID DOCUMENTS

- (a) For an open Bid invitation, the End User will ensure that the Bid documentation are available for issue to prospective respondents at the place, time and date specified in the advertisement.
- (b) The AW will accept no responsibility for mailing Bid documentation. After payment, bid documents shall either be:
 - (i) collected in person by the prospective bidder or his/her authorised representative; or
 - (ii) downloaded from the AW's website.

10.4 COMPULSORY CLARIFICATION MEETING

- (a) Bid Clarification Meetings shall be either be non-compulsory or compulsory depending on the nature of project and such decision will be taken by BSC.
- (b) Should a Bid Clarification Meeting be deemed unnecessary by the END USER/Programme, he/she must provide reasons in their motivation to the BSC for approval.
- (c) The Bid Clarification Meetings shall have an attendance register and at times have minutes and the copies of these documents will be distributed to all parties in attendance.

10.5 LODGING OF BID DOCUMENTS

- (a) Bids must be submitted in sealed envelopes at the venue prescribed in the advert and the Contract Number and Title of Contract must be clearly indicated on the envelope.
- (b) Bids must be deposited by the Bidder or his/her representative into the Tender box located at the AW reception area.
- (c) The Tender box shall be opened by the SCM Unit after Bid closure.
- (d) The person submitting the Bid must register his/her name on the Lodging Sheet.

10.6 BIDS RECEIVED BY FACSIMILE OR E-MAIL

Bids, except for Quotations, received by telegram, facsimile or e-mail will not be considered and they will be deemed non-responsive, unless determined otherwise by the Supply Chain Manager.

10.7 CLOSING OF SUBMISSIONS OF BIDS

A Supply Chain Official is required to be present at every Bid Closing and Opening. He/she will be present at the reception desk at least thirty (30) minutes prior to the closing time of the Bid submission period.

10.8 LATE SUBMISSIONS OF BIDS

A Bid is considered late if it is not lodged and/ or placed in the relevant bid box by the closing date and time for such bid. All late Bid submissions shall be recorded on the Lodging of Submissions Form, clearly marked "Late submission" and will be returned back to the bidder.

10.9 VALIDITY PERIOD

- (a) The period for which bids are to remain valid and binding is ninety (90) days, thereafter the contract lapses or expires. As soon as the validity period of the tender expires without the award having been made, the tender process ceases.

- (b) 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.
- (c) This period of validity may be extended in writing by the End User in consultation with Supply Chain Management Unit, provided that the original validity period has not expired, and that all bidders are given an opportunity to extend such period.
- (d) The Project Manager must ensure that all bids remain valid throughout the appeal period or until the appeal is finalized.

10.10 WITHDRAWAL OF SUBMISSIONS

(a) An acceptable notice / request to withdraw a Bid submission before award must:

- (i) be presented on an original company letterhead;
- (ii) be signed by a duly authorised signatory; and
- (iii) state the Contract number, the Title of the Contract, and the reasons for withdrawal.

10.11 SAFEKEEPING OF BID SUBMISSIONS

The Supply Chain Manager will be responsible for ensuring that Bids are kept safe in a lockable room and untampered with between the time of submission and the time of opening them for evaluation.

10.12 OPENING OF BID DOCUMENTS

- (a) The Supply Chain Manager will designate one meeting room as the venue for the formal opening of Bid submissions.
- (b) As soon as is practically possible after the closure, the Supply Chain Manager will ensure that all submissions received before the stipulated date and time are opened.

10.13 ATTENDANCE OF BID SUBMISSION OPENING

The opening of Bids shall be attended by the SCM representative, Project Manager/End User Representative, and an Administrator to assist with the opening and recording of submissions. There may be an external person such as the respective End User Professional Service Providers who must sign a Confidentiality Agreement before he/she offers the services.

10.14 OPENING AND RECORDING OF BID SUBMISSIONS

- (a) Opening of Bid submissions shall be managed by the SCM Unit. The designated Administrator will record the sequential opening of submissions.

- (b) Upon completion of the opening of the submissions, AW officials will counter-sign the Opening of Submissions Form which will be retained by the Supply Chain Manager.
- (c) An original set of documents will be returned to the SCM Unit and will be placed in a safe and secure place.

10.15 ALTERNATIVE BIDS

- (a) 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.
- (b) 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.
- (c) Bid documentation shall state that the AW will not be bound to consider alternative bids.
- (d) Where the alternative bid is not accompanied by the original bid such submission will be declared non-responsive and shall not be evaluated.

11. EVALUATION OF BIDS

- (a) All Bid submissions will be evaluated by a minimum of three (3) designated Evaluators of which one must be from the Supply Chain Management Unit. The End User may designate one external assessor from an independent entity where necessary provided that there is no conflict of interest.
- (b) The PM through the Procurement Plan shall motivate to the BSC in respect of all proposed external Evaluators. The criteria for identification of the proposed external Evaluators shall include:
 - (i) independence; and
 - (ii) authority/expertise.

11.1 ASSESSMENT / EVALUATION CRITERIA

- (a) The evaluation criteria, with appropriate weightings according to either the 90/10 or the 80/20 Scoring System in terms of this document, must be determined by the End User in consultation with the BSC and must be stipulated in the Bid documentation.
- (b) The points system for scoring and allocation of scores will be structured as follows:

Table 1: Preference Point System

ELEMENTS	SCORES	
	90:10	80:20
PP Price	90	80
Ss Empowerment	10	20
	100	100

11.2 FUNCTIONALITY SCORING

- (a) "Functionality" means the measurement according to predetermined norms of a service or commodity designed to be practical and useful, working or operating, taking into account quality, reliability, viability and durability of a service or commodity.
- (b) The need to invite and evaluate bids based on functionality depends on the nature of the required commodity or service, as will be determined by the END USER/Programme in conjunction with the BSC.
- (c) When functionality is utilized as an evaluation criterion a minimum threshold must be set and a bid must be disqualified if it fails to meet the minimum threshold for functionality as per the bid invitation.

11.3 EMPOWERMENT SCORING

- (a) The AW shall evaluate bidders' submissions based on their BEE status achieved in accordance with the DTI Codes of Good Practice on BEE. In this respect, bidders to whom the Generic Balanced Scorecard or the Qualified Micro Enterprise (QME) Balanced Scorecard apply, will be required to make available together with their bid submissions, certified copies of BEE Verification Certificates which indicate their BEE status. Exempted Micro Enterprise (EME) are allowed to be measured in terms of the QSE scorecard should they wish to maximise their points and move to the next procurement recognition level. Sufficient evidence of qualification as an Exempted Micro Enterprise is Sworn Affidavit issued by the Commissioner of Oath or a certificate from the Verification Agency.
- (b) Only certified valid BEE certificates obtained from SANAS accredited Verification Agencies or Sworn Affidavit from Commissioner of Oath in case of QSE/EME, will be acceptable for empowerment points purposes. Entities / bidders that fail to submit BEE Verification Certificates / Exemption Certificate / Sworn Affidavit shall forfeit their preference points.
- (c) A Trust, Consortium or Joint Venture will qualify for points for their B-BBEE status level as an unincorporated entity, provided that the entity submits their consolidated B-BBEE scorecard as if they were a group structure and that such a consolidated B-BBEE scorecard is prepared for every tender.

- (d) A person must not be awarded points for the B-BBEE status level if it is indicated in the tender documents that such tenderer 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 such a bidder qualifies for, unless the intended sub-contractor is an Exempted Micro Enterprise (EME) that has the capability and ability to execute the sub-contracted work.
- (e) A person awarded a contract may not sub-contract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level than the person concerned, unless the contract is sub-contracted to an exempted Micro Enterprise (EME) that has the capacity and ability to execute the sub-contract.

11.4 CALCULATING SCORE FOR TENDERED PRICE

- (a) The score for price will be determined as follows:

$$Ps = 90 \frac{[1 - (Pt - Pmin)]}{Pmin}$$

Where:

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

Pt = Price (corrected, if applicable, inclusive of VAT) of the bid under consideration;
and

Pmin = Price (corrected, if applicable, inclusive of VAT) of lowest responsive bid.

- (b) The total tender price shall be used in all calculations for determining score for price.
- (c) The use of cost estimates as benchmarks to exclude bidders from bidding and/or rendering them non-responsive shall not be permitted.

11.5 LOCAL PRODUCTION AND CONTENT

11.5.1. The Department of Trade and Industry may, in consultation with the National Treasury designate a sector, sub-sector or industry or product in accordance with the national development and industrial policies for local production and content, where only locally produced services or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content taking into account economic and other relevant factors and stipulate a minimum threshold for local production and content. The National Treasury must inform the AW of any designations made through the issue of a circular.

11.5.2. In the case of designated sectors, such bids must be advertised with a specific condition of bidding that only locally produced goods or locally manufactured goods, meeting the stipulated minimum threshold for local production and content will be considered.

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

11.5.4. Where there is no designated sector, bids may include, as a specific condition of bidding, that only locally produced goods 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 85 accordance with the specific directives issued for this purpose by the National Treasury in consultation with the Department of Trade and Industry.

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

11.5.6. A bid that fails to meet the minimum stipulated threshold for local production and content is an unacceptable bid.

12. RIGHT OF APPEAL

- (a) An aggrieved bidder may appeal against a decision by giving written notice of the appeal and the reasons to the CE or his delegate within seven (7) days of the date of receipt of the notification of the decision.
- (b) The written notice must contain the following information;
 - (i) basis or reasons for the appeal;
 - (ii) the way in which the aggrieved bidder's rights have been violated; and
 - (iii) the remedy sought by the aggrieved bidder.
- (c) The appeal must be sent to: Appeals@amatolawater.co.za or hand delivered to Amatola Head Office Reception, 6 Lancaster Street, Vincent, East London, 5219. For ease of reference, the envelope must be marked "Appeal" and provide the bid number and description, for the attention of the CE or his delegate.
- (d) No tender shall be formally accepted until either the expiry of the seven (7) day appeal period, or confirmation in writing before the expiry of the seven (7) day appeal period that none of the affected parties intend to appeal, or confirmation of the satisfactory resolution of any appeals.
- (e) If BAC has resolved that a bid be accepted, the successful and unsuccessful bidders shall be notified in writing of such decision. The successful bidder shall, in addition, be advised of the seven (7) day appeal period and be notified that no rights accrue to him/her until the tender is formally accepted in writing.

13. CONTRACT MANAGEMENT

The Contracts Manager shall ensure that all contracts are recorded and ensure that all signed contracts are filed with the Contracts Management Unit (CMU). These documents form the basis for Contract management and shall be kept for future reference.

An effective document control system shall be implemented to manage the flow of documents. All relevant procurement contract documentation shall be kept in the archives for five (5) years from date of expiry of the contract.

13.1 CONTRACT MANAGEMENT IN BRIEF

- (i) Contract Management can be defined as an end-to-end process to ensure that the contracts entered into by the organisation are managed in a manner which minimises service delivery risk and maximise intended benefits, contractual obligations are fulfilled, roles and responsibilities are clearly defined, and social value is realised.
- (ii) Contract Management Unit takes responsibility for maintaining original contract documentation, contract administration, monitoring, amendments and termination.
- (iii) The relevant user division in line with contract management unit takes responsibility for day-to-day management and monitoring of a contract in line with the contractual conditions
- (iv) Formal Contracts must form part of the bid document/s
- (v) Formal Contracts are concluded only where it is stated as a requirement in the bid document/s
- (vi) If Formal Contract is concluded, an order must be placed with the successful bidder / supplier / contractor.
- (vii) Orders are to be placed in accordance with the contract.
- (viii) Transversal Term Contracts – Contracts will be designated

A binding contract is concluded when the bidder's offer is accepted unconditionally by Amatola Water. By signing the letter of acceptance, the contract is concluded.

The Contract Management unit must draw up the contractual documentation in line with the recommendations approved by Bid Adjudication Committee (BAC) / relevant Award Structure. It is the responsibility of SCM Unit to determine under which circumstance to solicit legal assistance.

The letter of acceptance should not contain any condition or imply acceptance of condition which the BAC / relevant Award Structure has not approved as being part of the condition of the contract to be concluded. Any special conditions set by the bidder which he has not withdrawn, as well as any special condition which have been approved must also be included in the letter of acceptance to form part of the conclusion of the contract.

Both parties to the contract shall sign the contract form or formal contract. The signing of the contract from or formal contract where applicable serves to enhance the contract established.

The Contract Form to be signed is in terms of SBD 7.1 Purchase of Goods / Works and SBD 7.2 for Rendering of Services.

After the awarded bidder's signature has been obtained, the Contract Management Unit will submit the Contract Form or Formal Contract to the official with the authority to commit the organisation through a signature.

Legal and Contract Documents copies shall be kept in a safe place for judicial reference.

13.2 SERVICE LEVEL AGREEMENT

- (i) A Service Level Agreement (SLA) may be compiled and signed if required.
- (ii) A Service Level Agreement (SLA) is a document, which defines the relationship between two parties: the provider and the recipient and spells out services to be rendered, due dates and turnaround time.
- (iii) The contract is concluded at the time that the letter of acceptance is posted even if the contract form and formal contract is only signed at a later date, unless stated otherwise in the quotation/bid documents. See par 31.2 of the GCC.

13.3 TRANSVERSAL TERM CONTRACTS

- (i) Contracts which will be designated as transversal in nature will be facilitated centrally by the relevant Treasuries.
- (ii) Once a contract has been designated as a transversal in nature, government institutions will be obliged to participate in such transversal contracts.
- (iii) The National Treasury will facilitate the arrangements of all transversal term contracts for Goods and services that have been designated by the National Treasury as being transversal in nature.
- (iv) Provincial Treasuries may, after consultation with the National Treasury, facilitate transversal term contracts for goods and services for their provincial institutions other than for goods and services for which a transversal terms contracts have been concluded by National Treasury.
- (v) Participation on Transversal Term Contract should be through National Treasury approval for all the RT Contracts.

13.4 CONTRACT MONITORING

- (i) Constant monitoring of contracts is essential to ensure that contractual obligations are met and that contracts run with as little disruption as possible.
- (ii) Contract Management Unit is responsible for notifying the user division timely of contract expiry that will allow the user division sufficient time to decide whether to renew the contract or to re-advertise the requirement.

- (iii) The user division must ensure that the contractor / supplier / service provider performs according to the stipulations of the contract in delivering the goods or services on time in the correct quantity and to the required standard.
- (iv) Regular site inspections, where applicable and/or regular meetings with contractors supplier / service provider to discuss progress, foreseeable problems and/or amendments must be held during the contract period.

13.5 EXPANSIONS OR VARIATION ORDERS

- (i) Any extension / variation / modification / amendment of the contract will be done according to the Accounting Officer's delegated powers to achieve the original objective of the contract.
- (ii) Contracts may not be expanded or varied by more than 20% or R20 million (including VAT) for construction related goods, works and/or services and 15% or R15 million (including VAT) for all other goods and/or services of the original value of the contract, whichever is the lower amount.
- (iii) Any deviation in excess of these prescribed thresholds will only be allowed in exceptional cases subject to the prior written approval of the relevant treasury.
- (iv) Amendments may not materially alter the original objective as such amendments should form part of a new bid.
- (v) All contractual parties must agree to the amendment.
- (vi) No contract can be amended after the original contract ceases to exist.

13.6 EXTENSION OF CONTRACT PERIODS

- (i) The extension of a contract shall be finalized before the current expiry date of the contract.
- (ii) Where prices are amended, the reasonableness of the prices must be established.
- (iii) Contracts may not be extended by more than 20% or R20 million (including VAT) for construction related goods, works and/or services and 15% or R15 million (including VAT) for all other goods and/or services of the original value of the contract, whichever is the lower amount.
- (iv) Any deviation in excess of these prescribed thresholds will only be allowed in exceptional cases subject to the prior written approval of the relevant treasury.

13.7 PRICE ADJUSTMENT

- (i) The contractual conditions shall stipulate the circumstances under which price adjustments shall be considered, the intervals for adjustment, the base date for adjustments as well as the price adjustment formula and the process to be followed in such circumstances.
- (ii) No price adjustments should be considered for a contract period less than twelve (12) months.

- (iii) The prescribed formula will be used for adjustment of prices due to the fluctuation of the indices.
- (iv) Indices compiled by Statistics South Africa will be used for price adjustments.
- (v) Rate of Exchange (ROE) fluctuations are only allowed on the imported content of the commodity.

13.8 TRANSFER AND CESSION OF CONTRACT

- (i) The contractual conditions should stipulate the conditions under which transfer of contract shall be considered and the process to be followed in such circumstance.
- (ii) Contracts may be transferred only with the approval of delegated authority.
- (iii) Application for the cession must be completed and signed by both the Cedent and the Cessionary and countersigned by two witnesses.
- (iv) Full reasons for the transferring of the contract must be provided and the parties ability to carry out the contract must established.

13.9 TRANSFER OF CONTRACT PAYMENTS (CESSION)

- (i) Application for the transfer of contract payments may be approved by the on Delegated authority, where in the best interest of the organisation.
- (ii) Favourable consideration will result only where it is in the best interests of the organisation and each application must be dealt with on its own merits.
- (iii) Applications for transfer/ cession of payments, received directly from third parties should not be entertained, unless it is acknowledged by the initial relevant contractor and accompanied by a formal application from the initial relevant contracting party.
- (iv) The project manager/ user division must comment on/motivate the viability of the application and submit the request via the SCM Unit to the delegated authority for consideration. This application (memorandum) should include inter alia the following:
 - Purpose
 - Background of the project
 - Motivation: "Best interest of the Department" with clear breakdown of the "bill of quantities" and the split between transferor and transferee (if applicable).

13.10 UNSATISFACTORY PERFORMANCE

- (i) The contractual conditions should stipulate the conditions under which unsatisfactory performance shall be dealt with and the process to be followed in such circumstance.
- (ii) Unsatisfactory performance should be communicated to contractors in writing, compelling him/her to perform according to the contract and thus to rectify or to restrain from unacceptable actions.

13.11 CONTRACT CANCELLATION / TERMINATION

- (i) The Delegated Authority must cancel a contract awarded to a provider:
- (ii) If the provider committed any proven corrupt or fraudulent act during the bidding process or the execution of that contract; or.
- (iii) If any official or other role player committed any proven corrupt or fraudulent act during the bidding process or the execution of that contract that benefited that provider.
- (iv) Treasury Regulation 16A9.1(f) in the cancellation of contracts shall be taken into account for all Contracts.
- (v) Contract termination should be effected if allowed for in the contractual conditions and if both parties agree to the termination in writing.
- (vi) Termination of a contract may be considered for a variety of reasons, as stipulated in paragraph 21.6, 23 and 26 of the GCC, such as delayed deliveries, failing to perform and any other contractual obligation or if the supplier has engaged in corrupt and fraudulent practices and insolvency.