

# **PROCUREMENT POLICY**

## **1. INTRODUCTION**

The GCIS commits itself to the development of a sound procurement/acquisition policy that is consistent with the principles contained in the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000), issued by the Minister of Finance. The principles and practices set out in this policy apply to all officials tasked with the procurement of goods and services.

The department's acquisition policy emphasises accountability and is aimed at achieving the best value for money. This document takes into account the role of the subdirectorate: SCM, established to provide a procurement service to users and to streamline acquisition at head office and -provincial level. The division develops acquisition policies in line with guidelines as set out by National Treasury, concludes contracts, manages bidding processes and provides support and advice to line functions.

This policy requires all officials in the GCIS, performing duties in relation to the acquisition/procurement of goods and services, to have regard for these principles and practices, and to keep written records of any actions that are not consistent with these principles and practices and their reason for doing so (motivation for deviations).

Acquisition in the GCIS takes place in terms of the Preferential Procurement Policy Framework Act, 2000, Public Finance Management Act (PFMA), 1999 Treasury Regulations, SCM guidelines and the Broad-Based Black Economic Empowerment (BBBEE) Act, 2003 (Act 53 of 2003).

All officials are required to acquaint themselves with the prescripts underpinning the department's acquisition processes.

## **2. OBJECTIVES**

The objective of this policy is to regulate, educate users and create awareness of acquisition/procurement systems and procedures developed in terms of the Preferential Procurement Policy Framework Act (PPPFA), 2000; PFMA, 1999; BBBEE Act, 2003; SCM Policy; and Treasury Regulations.

## **3. REGULATORY FRAMEWORK**

3.1 Section 38 of the PFMA, 1999 sets out the general responsibilities of accounting officers, one of which is to ensure that the department has and maintains an appropriate supply chain management system, which is fair, equitable, transparent, competitive and cost-effective.

3.2 For the GCIS to meet these requirements, it will observe fully the five pillars of procurement as set out in the General Procurement Guidelines, which are incorporated in this document.

3.3 This policy sets out ethical and sound acquisition practices to be followed by all officials involved in acquiring goods and services within the GCIS. The Accounting Officer is authorised to amend these procedures should the need arise.

## **4. CORE PRINCIPLES**

4.1 The objective is supported by the following core principles of SCM:

- obtaining value for money
- open and effective competition
- business ethics and integrity
- accountability and reporting
- procurement/acquisition from historically disadvantaged individuals (HDIs)/BEE/BBBEE compliant suppliers.

### 4.1.1 Value for money

4.1.1.1 All GCIS officials should at all times strive for good value for money when they procure goods or services.

4.1.1.2 Value for money involves comparing alternative goods/services available in the specific market prior to a specific choice being made. This means comparing the costs against the benefits to be obtained in that specific service. The benefits should compare favourably with the price the department would be paying for those goods/services.

4.1.1.3 Value for money is an essential test against which the department must justify any procurement/acquisition outcome. It is, however, not the only factor to be considered when comparing the alternative solution.

4.1.1.4 Other factors would include the goods or service offered meeting the requirements of the department; HDI representatives and BEE status of the company bidding; the capacity of the company to deliver the required product/service within the specified period.

### 4.1.2 Open and effective competition

Open and effective competition will be the central operating principle of the entire department's acquisition process. Officials are required to ensure that:

- the requirements of the PPPFA, 2000 are observed when industry charters are in existence and their scorecard(s) should be adhered to, based on guidelines issued by National Treasury
- adequate and timely information is provided to all suppliers to enable them to bid/quote
- content of information on the specifications/task directive should be uniform to all the potential suppliers
- a fair and open process of evaluating the bids or quotations should be communicated in the bid specification/task directive or request for quote (RFQ) documents when they are

issued

- officials should seek ways of providing new entrants/suppliers an opportunity to bid, especially the companies owned by HDIs; small, medium and micro-enterprises (SMMEs); or companies that are BEE compliant.

#### 4.1.3 Ethics and fair dealing

4.1.3.1 The GCIS is committed to ensuring its officials adhere to the Public Service Code of Conduct in the execution of acquisition. The Public Service Code of Conduct C5.3, C.5.4 and C.4.6 respectively states that:

an employee does not use her or his official position to obtain private gifts or benefits for herself or himself during the performance of her or his official duties nor does she or he accept any gift or benefits when offered, as these may be construed as bribes

an employee does not use or disclose any official information for personal gain or the gain of others

an employee will recuse herself/himself from any official action or decision-making process, which may result in improper personal gain and this should be properly declared by the employee.

4.1.3.2 It is therefore the requirement of every employee of the GCIS to ensure that:

- acquisition is conducted in accordance with high ethical and moral standards
- employees must observe recognised standards of fair dealing and personal integrity
- employees should neither condone nor approve any known illegal or unethical act for any reason willfully
- confidentiality of information must be adhered to at all times
- officials involved in the acquisition process should at all times disclose any possible conflict of interest and/or fraud to the CFO or Head of SCM, i.e. with regard to acquisitions relating to bids or quotations
- impartiality in the conduct of bid evaluations.

#### 4.1.4 Acquisition from HDI/BEE suppliers

To fulfil the Government's objectives in acquisition, the following will be considered when procuring goods/services for the GCIS:

- Purchasing will strive to promote the usage of SMMEs.
- The GCIS' employees should strive to source quotations from the service-providers on the database. Where service-providers on the database are not able to provide the required service or item, the person requiring the service must ensure that the service-providers being approached complete the necessary database registration forms.
- The service-provider database is available on the intranet for obtaining quotations. The database is maintained by the SCM Unit.
- Service-providers on the database should be used on a rotational basis.

SCM Management will monitor the constant use of the same service-provider.

## **5. ACQUISITION AUTHORISING STRUCTURES**

5.1 Accounting officers are expected to ensure that their departments apply the principles of sound acquisition prescribed in the PFMA, 1999; PPPFA, 2000; Treasury Regulations; and the Constitution of the Republic of South Africa, 1996.

5.2 Section 38 (iii) of the PFMA, 1999 stipulates that the “Accounting Officer must ensure that the department, trading entity or constitutional institution has and maintains: an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective”.

## **6. ROLE OF SCM**

6.1 SCM is responsible for the development, coordination, efficient operation and maintenance of the acquisition chain policy and procedures.

6.2 To ensure that all acquisition matters are dealt with in accordance with the set out prescripts.

6.3. To maintain and update the prospective list of suppliers (database).

6.4 To manage and administer transversal contracts issued by National Treasury.

6.5 To ensure that bid procedures are adhered to at all times.

6.6 In consultation with the DCEO: CS facilitate the appointment of members of the Bid Adjudication Committee by the Accounting Officer (CEO).

6.7 To facilitate the convening of the Bid Adjudication Committee meetings and serve as its Exco.

6.8 To serve as an observer for all bid evaluation meetings.

6.9 Ensure all the GCIS creditors are paid timeously once advised by the relevant Responsibility Manager that the services have been rendered and after receipt of a certified invoice by the relevant Responsibility Manager.

6.10 Together with line functions, monitor the service rendered to the GCIS by the suppliers and reconsider their usage in the event they cease to provide expected benefits.

## **7. ROLE OF CHIEF DIRECTORATES AND DIRECTORATES**

7.1 Ensuring that quotations have delivery dates and are valid before submitting to SCM.

7.2 Ensuring that correct allocation attachments are submitted with all requests for orders.

7.3 Ensuring that requisitions are signed by the Responsibility Manager or delegated person. In cases where documents are signed by a delegated person, the letter of appointment should be forwarded to SCM for record-keeping. A specimen signature of the delegated person must

appear on the appointment letter.

7.4 Ensuring that requests/quotes/bids for requirements are submitted timeously to facilitate adherence to the core principles of SCM, including the rotation of suppliers.

7.5 Ensuring that funds are available before quotations are sourced or bids advertised.

7.6 Monitoring supplier performance by following up with service-providers when delivery dates are exceeded or invoices are outstanding.

7.7 Ensuring that agreement on the extension of delivery dates is communicated in writing to the supplier and SCM. The impact of this extension on other timelines, for example, projections, etc. should be analysed carefully.

7.8 Poor performance by service-providers should be well documented and brought to their attention. Copies of the letters sent to service-providers as well as their response should at all times be submitted to SCM.

7.9 Ensuring that service level agreements are signed by delegated officials as per the departmental acquisition delegations. Monitor the service level agreements entered into with service-providers strictly according to the original terms and conditions. Any deviation must be taken up in writing with the service-provider and a copy send to SCM.

7.10 Ensuring that service level agreements are concluded preferably within a month from the date of the award. This should also be guided by the type of services, e.g. once-off, etc.

7.11 The cancellation of orders for goods or services with service-providers should at all times be in writing. Copies of the letter should be sent to SCM to remove the said order(s) from the commitment file or attach to the relevant order.

7.12 Ensuring that they adhere to the bid schedule issued by SCM to ensure that bids are finalised timeously

7.13 In case of flights, ensure that unused tickets are submitted for refund before their expiry dates and also inform SCM of any tickets submitted for refund to ensure the funds are recovered from the travel agent.

## **8. COMPOSITION OF THE DEPARTMENTAL BID ADJUDICATION COMMITTEE**

8.1 The Departmental Bid Adjudication Committee will comprise of members appointed by the Accounting Officer or his/her delegate through the acquisition policy and delegations. The composition of the committee will be as follows:

Chairperson – DCEO: CS

Members – CFO; the chief directors of Government and Media Liaison, Communication Service Agency, Provincial and Local Liaison (P&LL), Policy and Research and CD: Corporate Services; the Director: SCM (technical adviser) and the Deputy Director :SCM

(scribe).

8.2 Other officials may be co-opted onto the Bid Adjudication Committee on account of their specialised knowledge. If the committee is divided in the awarding of a bid, the members will vote. In the event of an equal vote, the chairperson's decision will be final.

8.3 The DCEO: C&S and DCEO: P&LL will serve on the Bid Adjudication Committee as an ad hoc member. All the DCEOs will, however, be required to attend adjudication meetings where transversal campaigns and bids above R3 million are to be adjudicated.

8.4 Committee members who are not available for the meeting must send representatives. These delegations can not be delegated lower than the level of director. The person who is being delegated should be given the documents timeously. Should the chairperson not be available, the person acting in his/her capacity will serve as chairperson.

8.5 Should a member of the Bid Adjudication Committee participate in the evaluation of a bid in the evaluation committee, he/she will be exempted from participating in the adjudication of that specific bid. He/she may send a representative.

## **9. FUNCTIONS OF THE DEPARTMENTAL BID ADJUDICATION COMMITTEE**

9.1 The Bid Adjudication Committee adjudicates the recommendations of the Evaluation Committee on all acquisitions done through the bid process.

9.2 It approves regular processes on acquisition and recommends requests for *ex-post facto* approval before submitting to National Treasury.

9.3 It ensures that supply chain prescripts and procedures are adhered to and that bidding submissions comply with agreements and conditions specified in bid documents.

9.4 It ensures that minutes are taken of all the decisions of the committee. The signatures of the chairperson and secretary must confirm the minutes. The minutes must be filed in the relevant bid files that are held at SCM.

9.5 The Bid Adjudication Committee must record their decisions and the reasons for any deviations from the General Procurement Guidelines as issued by National Treasury.

9.6 In the event that the committee does not agree on appointment, the CEO will serve as arbitrator.

## **10. MEETINGS OF THE DEPARTMENTAL BID ADJUDICATION COMMITTEE**

10.1 The meetings of the Bid Adjudication Committee will take place as per schedule issued by SCM.

10.2 SCM must ensure that the schedule for the adjudication of bids is compiled for the entire

year. The schedule must be e-mailed to all committee members and their personal assistants.

10.3 A schedule for the evaluation of bids must be compiled and e-mailed to the person who commissioned the advertising of the bid.

## **11. SUBMISSION OF THE MINUTES OF THE EVALUATION COMMITTEE TO THE BID ADJUDICATION COMMITTEE**

11.1 A submission capturing the recommendations of the Evaluation Committee to the Departmental Bid Adjudication Committee should contain the following information:

- list of panel members
- declaration of interest
- introduction (reason for requesting the bid)
- background relating to the bid
- the strengths or weaknesses of each service-provider that was evaluated
- the points scored by each bidder
- recommendation.

## **12. QUORUM OF THE BID ADJUDICATION COMMITTEE**

12.1 Half (50%) plus one member of the Bid Adjudication Committee must always be present. If member(s) are not available, the relevant committee member(s) must send a representative(s).

12.2 Representatives will not be accepted for adjudication of bids exceeding R5 000 000. Exceptions will be made where the Chief Director was sitting in the Evaluation Committee of that specific bid.

12.3 As far as possible, delegation should be limited up to director level. Other cases, in instances where officials lower than director is delegated to the Adjudication Committee, will be treated on their merit.

## **13. RISK MANAGEMENT**

13.1 It is incumbent on all officials of the GCIS to address the issue of procurement risks at all times. This should be read in conjunction with GCIS' departmental Risk Management Policy Document.

13.2 Advance payments will only be made under certain conditions to service-providers. Should a need arise for such advances, payment will be processed as per pro forma invoice received. Advance payments will be considered for the following services: research, training, conference facilities, video production.

13.3 It is however, the responsibility of the relevant Responsibility Manager to assess the risk and ensure that proper systems are in place to monitor the execution of services or delivery of goods after advance payments are made. Importantly, ensure that the original invoice is received by SCM.

13.4 For amounts exceeding R100 000 per case, the Chief Directorate or Directorate should preferably enter into a service level agreement with the service-provider (refer to par. 7.10).

13.5 Where advance payments were made, it remains the sole responsibility of the relevant Responsibility Manager to ensure that the service is fully rendered as the documents would have been removed from the commitment file (0-9) kept at SCM.

13.6 Where pro forma invoices were submitted, it is the responsibility of the relevant Responsibility Manager to ensure that the original invoices are submitted to SCM.

13.7 In cases of bulk buying, the Chief Directorate, Directorate or Subdirectorate should consider splitting the requirements among different service-providers. However, this must not be applied to circumvent bidding procedures but to manage risk.

13.8 On completion of the service or delivery of the goods, the section that made the request must ensure an invoice is forwarded to the Head of SCM.

13.9 Payments should not be effected on photocopied or fax copies. Should a copy be used, it should be certified by the company as a true copy (not certified by the section itself).

13.10 However, should a double payment for the same goods or service occur as a result of the copied invoice, the Chief Directorate, Directorate or Subdirectorate will be held accountable.

13.11 Electronic invoices will be accepted provided they are on PDF format.

13.12 VAT registration numbers should be reflected on all invoices and quotations where suppliers are claiming VAT.

13.13 Payments should not be made prior to a written quotation being obtained from the service-provider. Where telephonic quotations were obtained, the signed quotation form should be attached.

13.14 Bulk purchasing in the last three months of the financial year should be avoided. This may result in roll-overs, which are subject to National Treasury approval.

13.15 All payments over the value of R500 000 should be captured on the clearing centre. All new suppliers should also be captured on the clearing centre.

13.16 No finance documents should be shredded unless they are duplicate copies.

## **14. ACCOUNTABILITY AND REPORTING**

To ensure that officials are answerable to their plans, actions and outcomes, the following aspects of reporting within the procurement framework should be observed:

### **14.1 Accountability**

14.1.1 The Accounting Officer is accountable to the minister for the overall management of procurement activities.

14.1.2 The Bid Adjudication Committee is accountable to the Accounting Officer for the adjudication of acquisition done through the bidding process.

14.1.3 SCM, the Bid Adjudication Committee, directorates and subdirectorates are accountable to the Accounting Officer and to their clients, both internally and externally for the services they provide.

14.1.4 All officials' exercising supply chain functions must adhere to these guidelines.

#### 14.2. Reporting – database

14.2.1 SCM will generate a quarterly report through the database system to determine the extent of the use of BEE suppliers in line with the BEE Act, 2003. This will be reviewed once the new guidelines on empowerment of service-providers have been issued by National Treasury.

14.2.2 The GCIS will keep one service-provider database.

14.2.3 It is the responsibility of all responsibility managers to spread expenses among different suppliers to avoid the use of only one supplier.

#### 14.3 Sole suppliers

14.3.1 In instances where a service-provider is the sole supplier of a recurring service within the organisation, the department will test the market by calling for bids. If twice in a row (year one and two), only one compliant proposal was received from the same service-provider, the bid may be renewed for the third time (year three) for a period not exceeding two years. If the bid was renewed for a period of two years, the bid will be advertised in the middle of the second year to test the market once more.

14.3.2 The proposal for the renewal or extension of the contract/bid will be presented to the Bid Adjudication Committee before any communication is sent to the service-provider.

14.3.3 The recommendation of the Bid Adjudication Committee will, however, be adhered to at all times.

14.3.4 All other requests relating to the use of sole suppliers, will be dealt with in line with National Treasury Regulation 16A.

### **15. AUDIT QUERIES/RECOMMENDATIONS**

15.1 Responsibility managers will be responsible to answer all relevant audit queries where there were deviations from the departmental guidelines and delegations as well as in the event where the resolution(s) of the Bid Adjudication Committee are not being adhered to.

## 15.2 Irregular expenditure/transactions

15.2.1 Irregular transactions/expenditure are incurred as a result of non-compliance to Treasury Regulations; PFMA, 1999; as well as departmental policies and delegations when transactions are concluded.

The following serves as examples:

acquisitions of goods or services before an official order is generated

goods or services are procured by means of price quotations where the value of the purchase exceeds the threshold values determined by National Treasury

goods or services are procured without following the competitive route, and reasons for deviation are not recorded and approved by the delegated officials/authority

procurement of goods and services is authorised by an official who is not delegated to approve the expense (all acting officials should be appointed in writing).

15.2.2 Deviations resulting in irregular expenditure are to be submitted and fully motivated to SCM. The motivation must be signed by the relevant Director and recommended by the Chief Director. The submission will then be tabled at the Departmental Bid Adjudication Committee for approval and/or recommendation to National Treasury.

15.2.3 SCM will keep a register of all irregular expenditure per financial year.

## 16. DELEGATIONS

The thresholds will be amended on receipt of an update circular from National Treasury. The core principles of procurement should be observed at all times.

16.1 R0,01 – R2 000 (VAT included)

16.1.1 An official can use petty cash to purchase goods/services to the value of R2 000. It should, however, be noted that petty cash is not meant to be used to procure assets/equipment.

16.2 R 2000,01 – R10 000 (VAT included)

16.2.1 Officials should obtain at least one written quotation prior to making an official order for the service.

16.3 R10 000, 01 – R30 000 (VAT included)

16.3.1 Officials must strive to ensure that acquisition of goods and services up to R200 000 are sourced from the list of suppliers on the database. Where there are no suitable suppliers available from the database, quotations may be obtained from other possible suppliers. Application forms (to be added to the database) need to be completed by the service-provider and forwarded to SCM to add the service-provider to the database.

16.3.2 At least three written quotations must be obtained prior to the choice being made on the service-provider to supply the services. If it is not possible to obtain at least three written price quotations, the reasons should be recorded and approved by the Responsibility Manager.

16.4 R30 000,01 – R500 000 (VAT included)

16.4.1 At least three written quotations should be obtained for services/goods exceeding R30 000,01. The principles of preferential procurement regulations/BBBEE will apply for all procurement in this category.

16.4.2 Quotes must be sourced from suppliers in writing. Quotation numbers must be acquired from SCM. The request for quotations must indicate how the quotations will be evaluated. Weight/scores must be put on the requirements.

16.4.3 The preferential procurement goals that will be considered during the evaluation of the quotes are to be indicated on the request for quotes.

16.4.4 The relevant Request for Quotation documents should be sent to service-providers for completion with the request for quotations. These are to be obtained from SCM together with a quotation number.

16.4.5 The written request for quotes should indicate the closing date of submitting quotations.

16.4.6 The quotations will be evaluated by the relevant section/cross-functional evaluation teams where possible, with SCM as observers.

16.4.7 The relevant section must draw a submission for the appointment of the successful bidder/service-provider.

16.4.8 Awarding of the quote/selection of bidder is to be approved by the relevant Chief Director and the CFO, after ensuring that the correct processes were followed.

16.4.9 An original copy of the approval of the selection of the bidder will be kept in the file of the relevant bid in SCM.

16.5 R500 000,01 and above – bid process (this must be read in conjunction with the departmental acquisition delegation document).

16.5.1 The requests within these limits are subject to bidding procedures. The specification/task directive, approved by the Chief Director or delegated official, must be submitted to the Deputy Director: SCM for input and advertising through the Tender Bulletin, the GCIS website and/or other relevant media.

16.5.2 The weight for price and the functional requirements will differ per bid depending on what aspect is critical for the Chief Directorate, Directorate or Subdirectorate at that particular time. The practice note issued by National Treasury on the appointment of consultants can be used as a guideline.

16.5.3 A task directive/specification must be compiled by an ad hoc committee for that particular requirement. The committee can comprise the relevant Directorate or Subdirectorate,

SCM and, where possible, people from other sections who are knowledgeable of the requirement/services required.

16.5.4 A week from the date of submission of the task directive/specification to SCM must be allowed for finalisation of the specification.

16.5.5 At least 21 days must be allowed for the bid to be advertised. Deviations in terms of the advertising period are to be approved by the Bid Adjudication Committee.

16.5.6 The Departmental Bid Adjudication Committee will, through its adjudication process, conclude the bids within the stipulated time frame.

16.5.7 The section requesting the advertising of the bid is to confirm in writing that funds are available. The confirmation must be submitted together with the task directive/specification.

16.5.8 Accommodation and/or conference facilities for conferences, workshops and seminars must be obtained by means of price quotations up to a limit of R500 000 per case.

## **17. URGENT CASES – UP TO AN ESTIMATED VALUE OF R400 000 (VAT INCLUDED)**

17.1 This delegation will be applicable to services/goods that are urgently required, and where going through the bidding process may result in critical services/goods being compromised.

17.2 The request must be thoroughly motivated at director's level and the recommendation approved by the relevant Programme Manager before being submitted to the Head of SCM. Goods/services are to be procured by making use of the list of suppliers on GCIS' database, unless the service is not available on the database.

17.3 This delegation should only be used in exceptional circumstances, and not as a matter of course. The chairperson of the Bid Adjudication Committee will approve the motivation for the urgent cases.

## **18. VAT INCLUDED**

18.1 This delegation will be applicable where immediate action is necessary to avoid a dangerous or risky situation.

The same conditions are applicable as with urgent cases.

18.2 The chairperson of the Bid Adjudication Committee will approve the motivation.

18.3 The motivation will be reported in the subsequent Bid Adjudication Committee meeting for endorsement and recording.

18.4 The Accounting Officer will approve any emergency acquisitions above R650 000, after

the submission has been recommended by the Bid Adjudication Committee.

## **19. FINANCIAL MISCONDUCT**

19.1 The GCIS subscribes to the approved list of acts of misconduct as approved in the Public Service Act, 1994, Resolution No. 2 of 1999, as amended. The following specific acts of misconduct relating to SCM within the GCIS are emphasised:

19.1.1 an employee cannot use her or his official position to obtain private gifts or benefits for herself/himself during the performance of her/his official duties

19.1.2 an employee cannot use or disclose any official information for personal gain or the gain of others

19.1.3 an employee will recuse herself/himself from any official action or decision-making process, which may result in improper personal gain and this should be properly declared by the employee

19.1.4 an employee should declare any business, commercial and financial interest or activities for financial gain that may raise a possible conflict of interest

19.1.5 failure to comply with Treasury Regulations.

## **20. CONCLUSION**

This policy will be subject to reviewing every two years.