

SECTION D

**SUPPLY CHAIN MANAGEMENT POLICY
APRIL 2018**

Table of Contents

1. PREAMBLE	4
2. PURPOSE.....	4
3. LEGISLATIVE FRAMEWORK.....	4
4. ADMINISTRATIVE ACTIONS	4
5. INSTITUTIONAL ARRANGEMENTS.....	4
6. DELEGATION OF SUPPLY CHAIN MANAGEMENT (SCM) POWERS AND DUTIES.....	5
7. CORE PRINCIPLES OF PROCUREMENT	5
7.1. VALUE FOR MONEY.....	5
7.2. OPEN AND EFFECTIVE COMPETITION.....	5
7.3. ETHICS AND FAIR DEALING.....	5
7.4. ACCOUNTABILITY AND REPORTING	5
7.5. EQUITY	6
8. SUPPLY CHAIN MANAGEMENT SYSTEM	6
9. TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS AND ROLE PLAYERS	6
10. BID COMMITTEES	6
11. PARTICIPATION OF EXTERNAL ADVISORS.....	6
12. CODE OF CONDUCT FOR SUPPLY CHAIN MANAGEMENT PRACTITIONERS AND OTHER ROLE PLAYERS.....	6
13. DEMAND MANAGEMENT	7
14. PROCUREMENT PLANNING	7
15. PREFERENTIAL PROCUREMENT.....	7
16. CENTRAL SUPPLIERS DATABASE (CSD).....	7
17. ACQUISITION MANAGEMENT.....	7
18. ADVERTISEMENT OF BIDS	7
19. BID VALIDITY PERIODS	8
20. TAX COMPLIANCE REQUIREMENTS.....	8
21. TRANSVERSAL CONTRACTS	8
22. PROCUREMENT OF GOODS, WORKS OR SERVICES UNDER CONTRACTS (EXCLUDING TRANSVERSAL CONTRACTS) SECURED BY OTHER ORGANS OF STATE.....	8
23. PROCUREMENT OF IT RELATED ITEMS	8
24. PROCUREMENT OF WORKS AND OTHER INFRASTRUCTURE PROJECTS	9
25. DEVIATIONS, EXTENSIONS AND EXPANSIONS.....	9
26. UNSOLICITED BIDS	9
27. PROJECT OR SERVICES FUNDED BY GRANTS IN ACCORDANCE WITH A TECHNICAL ASSISTANCE AGREEMENT	9
28. PUBLICATION OF BIDS.....	9

29. LOGISTICS MANAGEMENT.....	9
30. CONTRACT ADMINISTRATION AND MANAGEMENT.....	10
31. PAYMENT OF SUPPLIERS.....	10
32. DISPOSAL MANAGEMENT.....	10
33. SUPPLY CHAIN MANABGEMENT PERFORMANCE MANAGEMENT.....	10
34. REPORTING OF SUPPLY CHAIN MANAGEMENT INFORMATION AND INTERNAL CONTROL MEASURES.....	10
35. RISK MANAGEMENT AND INTERNAL CONTROLS.....	10
36. AUTHORITY.....	10

1. PREAMBLE

- a) The objective of this policy is to establish an effective and efficient supply chain management system in the Provincial Government.

2. PURPOSE

- a) The purpose of this Policy is to provide a framework within which Section 217 of the Constitution of the Republic of South Africa, 1996, the Public Finance Management Act (PFMA), 1999, the Preferential Procurement Policy Framework Act, 2000, and other provincial and national supply chain management prescripts should be implemented in the Provincial Administration, Public Entities and Legislature to ensure a uniform approach to Supply Chain Management in Limpopo.

3. LEGISLATIVE FRAMEWORK

- a) A supply chain management system must –
 - i. be consistent with the Constitution of the Republic of South Africa, 1996;
 - ii. be in compliance with the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999);
 - iii. be consistent with the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and its associated regulations as amended;
 - iv. be consistent with the Broad Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);
 - v. for contracts relating to information communication technology, be in compliance with the State Information Technology Act, 1998 (Act No. 88 of 1998)
 - vi. be consistent with Competition Act, 1998 (Act No. 89 of 1998);
 - vii. be consistent with The National Small Business Act 1996 (Act No. 102 of 1996);
 - viii. be consistent with The Prevention and Combatting of Corrupt Activities, 2000 (Act No. 12 of 2000);
 - ix. be consistent with the Occupational Health and Safety Act, 1993 (Act no. 85 of 1993 as amended)
 - x. be consistent with the Promotion of Administrative Justice Act 2000 (Act No. 3 of 2000);
 - xi. be consistent with the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000);
 - xii. for contracts relating to construction procurement, be in compliance with the Construction Industry Development Board Act 2000, (Act No. 38 of 2000); and
 - xiii. be consistent with all applicable National Treasury SCM Regulations and Practice Notes.

4. ADMINISTRATIVE ACTIONS

- a) The Accounting Officer/Accounting Authority or staff member duly delegated must ensure that when supply chain management practitioners execute an administrative action, the following considerations are made:
 - i. all relevant and lawful facts and circumstances were taken into consideration;
 - ii. adherence to the regulatory framework;
 - iii. the administrative action falls within the ambit of delegation or legislative power;
 - iv. the result of the administrative action will serve a legal permissible purpose;
 - v. the result of the administrative action falls within the ambit of that institution's budget, budget description and strategic objectives; and
 - vi. all rules of administrative justice were applied.

5. INSTITUTIONAL ARRANGEMENTS

- a) The Accountability of Accounting Officer/Accounting Authority or staff member duly delegated:
 - i. Should establish a supply chain management unit that is effective and efficient with proper governance systems.
 - ii. May delegate supply chain management functions in terms of sections 44(2)(d) and 56(2)(c) of the PFMA.
- b) No person may interfere with the supply chain management system of an institution or tamper with any bids or contracts

6. DELEGATION OF SUPPLY CHAIN MANAGEMENT (SCM) POWERS AND DUTIES

- a) AO or AA must ensure a SCM delegation framework is developed and monitored.
- b) AO or AA shall delegate relevant powers and duties to the Chief Financial Officer to enable the latter to re-delegate relevant powers and duties to the Head of Supply Chain Management.
- c) The Head of Supply Chain Management shall discharge the SCM responsibilities conferred to him/her in terms of:
 - i. The PFMA, section 76 4 (c),
 - ii. Regulations in terms of the Public Finance Management Act, 1999,
 - iii. Framework for Supply Chain Management,
 - iv. Chapter 16A in terms of Treasury Regulations,
 - v. Preferential Procurement Policy Framework Act 5 of 2000
 - vi. Preferential Procurement Policy Framework Regulations 2017,
 - vii. Instruction Notes issued by Provincial and National Treasury and
 - viii. All other applicable legislations.

7. CORE PRINCIPLES OF PROCUREMENT

- a) This policy ensures that the five core principles, which are the pillars of procurement, are adhered to.
- b) The following are the set minimum standards that must be followed, and applied by all Provincial organs of state

7.1. VALUE FOR MONEY

- a) Value for money means the best available outcome when all relevant costs and benefits over the procurement cycle are considered.
- b) Value for money is an essential test, against which all organs of state must justify a procurement outcome.
- c) Price alone is often not a reliable indicator and institutions will not necessarily obtain the best value for money by accepting the lowest price offer that meets mandatory requirements.

7.2. OPEN AND EFFECTIVE COMPETITION

- a) This requires practices and procurement processes that are open, transparent and encourages effective competition through procurement methods suited to market circumstances; i.e. they must be readily accessible to all available competitors.

7.3. ETHICS AND FAIR DEALING

- a) In procurement, if all parties comply with ethical standards they can deal with each other on a basis of mutual trust and respect; and conduct their business in a fair and reasonable manner and with integrity.
- b) All government staff associated with procurement, particularly those dealing direct with suppliers or potential suppliers, are required:
 - i. to recognize and deal with conflicts of interest or the potential thereof;
 - ii. to deal with suppliers even-handedly;
 - iii. to ensure they do not compromise the image of the organ of state through acceptance of gifts or hospitality;
 - iv. to be scrupulous in their use of public property; and
 - v. to provide all assistance in the elimination of fraud and corruption.

7.4. ACCOUNTABILITY AND REPORTING

- a) This involves ensuring that individuals and organisations are answerable for their plans, actions and outcomes.
- b) Openness and transparency in administration, by external scrutiny through public reporting, is an essential element of accountability.

7.5. EQUITY

- a) The word 'equity' in the context of this policy means the application and observance of government policies, which are designed to advance persons or categories of persons disadvantaged by unfair discrimination.

8. SUPPLY CHAIN MANAGEMENT SYSTEM

- a) The Accounting Officer/Accounting Authority or staff member duly delegated of an institution to which this policy applies must develop, implement and maintain an effective and efficient supply chain management system in his or her institution that must provide for at least the following –
 - i. demand management;
 - ii. acquisition management;
 - iii. logistics management;
 - iv. disposal management;
 - v. risk management;
 - vi. regular assessment of supply chain performance; and
 - vii. regular reporting of the SCM function to the Chief Financial Officer of the institution on the activities of the function.

9. TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS and role players

- a) The Accounting Officers or Accounting Authorities must ensure that SCM personnel and bid committee members have the requisite SCM skills.
- b) Only SCM training providers whose materials have been accredited by SAQA and validated by the National Treasury may be utilized.

10. BID COMMITTEES

- a) The Accounting Officer/Accounting Authority or staff member duly delegated must provide, within the supply chain management system, for a Bid Committee System as prescribed by National Treasury, comprising the following –
 - i. Bid Specification Committee;
 - ii. Bid Evaluation Committee; and
 - iii. Bid Adjudication Committee
- b) The terms of reference (TOR) for the above-mentioned committees are contained in the SCM Standard Operating Procedures (SOPS) and other SCM prescripts.

11. PARTICIPATION OF EXTERNAL ADVISORS

- a) The Accounting Officer/Accounting Authority or staff member duly delegated may procure the services of advisors to assist in the execution of the supply chain management function. These services should be obtained through formal procurement procedures.
- b) No advisor may, however, form part of the final decision making process regarding the specification, evaluation and award of bids, as this will counter the principle of vesting accountability with the accounting officer/authority.
- c) The Accounting Officer/Accounting Authority or staff member duly delegated cannot delegate decision-making authority to a person other than a public service official.

12. CODE OF CONDUCT FOR SUPPLY CHAIN MANAGEMENT PRACTITIONERS AND OTHER ROLE PLAYERS

- a) The Code of Conduct for Supply Chain Management Practitioners must be adhered to by all practitioners and other role players involved in supply chain management.
- b) The Accounting Officer/Accounting Authority or staff member duly delegated is required to compel practitioners and other role players to formally sign the relevant Codes of Conduct with an undertaking to adhere to their requirements. (Refer to SOPs and other SCM prescripts for details).

13. DEMAND MANAGEMENT

- a) Demand management is the first phase of SCM. The objective is to ensure that the resources required to fulfil the needs identified in the strategic plan of the institution are delivered at the correct time, price and place and that the quantity and quality will satisfy those needs.
- b) As part of this element of SCM, a total needs assessment and market analysis should be undertaken.
- c) This analysis should be included as part of the strategic planning process of the institution and hence will incorporate the future needs.

14. PROCUREMENT PLANNING

- a) The Accounting Officer or Accounting Authority must ensure that their departments or public entities have a detailed Procurement Plan that outlines all planned procurement activities for the financial year.
- b) It is critical that procurement plans is linked to Business Plans, Strategic Plans, Operational Plans and budget.
- c) The procurement plan of the department or public entity must be consistent with Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and its associated regulations in terms of empowerment of businesses.

15. PREFERENTIAL PROCUREMENT

- a) The stipulations as set out in the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000), Preferential Procurement Regulations, 2017 and Limpopo Provincial Procurement Strategy will apply when organs of state are procuring goods, works and services.

16. CENTRAL SUPPLIERS DATABASE (CSD)

- a) The accounting officer or accounting authority must only source price quotations for goods and services from suppliers registered on the CSD and not award bids to a bidder not registered on the CSD, unless in cases of emergency and with approval from the accounting officer or accounting authority.
- b) The accounting officer or accounting authority must also ensure that designated officials are appointed and authorized to access the CSD.

17. ACQUISITION MANAGEMENT

- a) The accounting officer or accounting authority must ensure that the supply chain management system of the institution provides for an effective and efficient system of acquisition management in order to ensure that:
 - i. goods, works or services are procured in accordance with authorised processes;
 - ii. the threshold values for the different range of procurement processes as determined by the National Treasury are complied with;
 - iii. bid documentation and general conditions of a contract, are in accordance with all applicable legislation; and
 - iv. expenditure on goods, works or services are provided for in the approved budget of the institution.

18. ADVERTISEMENT OF BIDS

- a) Bids should be advertised for at least 21 days before closure in at least the Government Tender Bulletin and in other appropriate media should an accounting officer/authority deem it necessary to ensure greater exposure to potential bidders.
- b) The responsibility for such advertisement costs will be that of the relevant accounting officer / authority.
- c) The bidding documents should be available on the publication date of the advertisement.
- d) Bids should also be advertised on e-tender portal for maximum exposure. Where possible, the bidding document shall be uploaded on the e-tender portal and or the institution's website.

19. BID VALIDITY PERIODS

- a) The Accounting Officer/Accounting Authority or delegated official must ensure that validity period is specified in the bidding documents.
- b) An extension of bid validity, if justified in exceptional circumstances, should be requested in writing from all bidders before the expiration date. The extension should be for the minimum period required to complete the evaluation, obtain the necessary approvals and award the contract. The maximum extension period should not exceed 50% of the original validity period.

20. TAX COMPLIANCE REQUIREMENTS

- a) The Accounting Officer/Accounting Authority must, irrespective of the procurement process followed, not make any award to a person whose tax matters have not been declared to be in order by the South African Revenue Services.
- b) Any circulars or instruction notes issued by National Treasury to regulate tax clearance matters must be complied with.
- c) Vendors, who are registered for VAT, are generally obliged to charge and collect VAT on taxable supplies from their customers or clients on behalf of SARS.

21. TRANSVERSAL CONTRACTS

- a) The Limpopo Provincial Treasury may initiate the arrangement of Transversal Contracts for goods and services that are needed by at least two or more institutions.
- b) Accounting Officers are, unless authorized otherwise in writing by the Limpopo Provincial Treasury, compelled to participate in any transversal contract facilitated by the Provincial Treasury, if they have a need for any goods and services provided for in such a transversal contract.
- c) Participation on transversal contract by Public Entities shall be optional, however, there will be commodities determined by Provincial Treasury wherein participation will be compulsory.
- d) The Provincial Treasury Accounting Officer shall enter into contractual arrangements with the successful bidder/s on behalf of all Provincial Departments and Public Entities that opted to participate. This responsibility includes any matter regarding the amendments, variations, extensions and/or termination of any transversal contract.
- e) Where necessary departments and public entities may be required to sign supplementary agreements
- f) Transversal bid committees will be appointed by Provincial Treasury in consultation with the participating departments and public entities.
- g) Participation by provincial departments and public entities on transversal contracts arranged by National Treasury and other provinces shall be dealt with in consultation with Provincial Treasury.
- h) Institutions wishing to participate in transversal term contracts arranged by National Treasury (RT Contracts) may forward their applications to the National Treasury through Provincial Treasury for consideration.

22. PROCUREMENT OF GOODS, WORKS OR SERVICES UNDER CONTRACTS (EXCLUDING TRANSVERSAL CONTRACTS) SECURED BY OTHER ORGANS OF STATE

- a) The accounting officer or accounting authority may in exceptional cases, on behalf of the department participate in any contract secured by another organ of state, but only if-
 - i. there is no similar contract arranged by Provincial Treasury, and
 - ii. any conditions prescribed by National Treasury for participation in any contract secured by another organ of state must be adhered to, and
 - iii. the written approval of the Provincial Treasury is obtained.

23. PROCUREMENT OF IT RELATED ITEMS

- a) The accounting officer or accounting authority must ensure that procurement of IT related goods and services complies with SITA Act and regulations.

24. PROCUREMENT OF WORKS AND OTHER INFRASTRUCTURE PROJECTS

- a) The accounting officer or accounting authority must ensure that procurement of works and infrastructure related services complies with CIDB, NHBRC (in case of housing), Standards for Infrastructure Procurement and Delivery Management (SIPDM) and any other applicable infrastructure procurement regulations and /or framework.

25. DEVIATIONS, EXTENSIONS AND EXPANSIONS

- a) The Accounting officer or accounting authority may only deviate, extent or expand contracts in line with applicable SCM prescripts.

26. UNSOLICITED BIDS

- a) An Accounting Officer/Accounting Authority or staff member duly delegated is not obliged to consider unsolicited bids outside a normal bidding process.
- b) If an Accounting Officer/Accounting Authority or staff member duly delegated decides to consider an unsolicited bid, the Accounting Officer/Accounting Authority or staff member duly delegated should only do so in accordance with the instructions issued by the National and Provincial Treasury.

27. PROJECT OR SERVICES FUNDED BY GRANTS IN ACCORDANCE WITH A TECHNICAL ASSISTANCE AGREEMENT

- a) The Accounting Officer/Accounting Authority or staff member duly delegated must ensure that:
 - i. if a project or commodity is fully funded by means of a grant in accordance with a technical assistance agreement which does not prescribe the procurement procedures to be followed, the prescripts of the Preferential Procurement Policy Framework Act, Act No 5 of 2000 and its associated Regulations as amended must be applied.
 - ii. if a project or commodity is fully funded by means of a grant in accordance with a technical assistance agreement which prescribes that the funds must be utilized in accordance with the donor's own procurement procedures, the prescripts of the Preferential Procurement Policy Framework Act, Act No 5 of 2000 and its associated Regulations as amended do not apply.
 - iii. if a project or commodity is partially funded by means of a grant in accordance with a technical agreement which does not prescribe the procurement procedures to be followed and the remainder is funded by the spending institution itself, the prescripts of the Preferential Procurement Policy Framework Act, Act No 5 of 2000 and its associated Regulations as amended must be applied.
 - iv. If a project or commodity is partially funded by means of a grant in accordance with a technical agreement which does prescribe the procurement procedures to be followed and the remainder is funded by the spending institution itself, the prescripts of the Preferential Procurement Policy Framework Act, Act No 5 of 2000 and its associated Regulations as amended must be applied for the funds provided by the institution.

28. PUBLICATION OF BIDS

- a) Within ten (10) working days after the closure of any advertised competitive bid, institutions must publish on its website the names of all bidders that submitted bids in relation to that particular advertisement.
- b) Where practical, institutions must also publish the total price and the preferences claimed by the respective bidders.
- c) The information should remain on the website for at least thirty (30) days.
- d) The accounting officer or accounting authority must ensure that awards are published in the Government Tender Bulletin, institutions website and/or other media by means of which the bids were advertised, or in other way as may be prescribed by National Treasury.

29. LOGISTICS MANAGEMENT

- a) The Accounting officer or accounting authority must develop and implement an efficient and effective system of logistics management. This includes, among others, to coding of items, setting of inventory levels, placing of orders, receiving and distribution, stores/warehouse management, expediting orders, transport management and vendor performance.

30. CONTRACT ADMINISTRATION AND MANAGEMENT

- a) The accounting officer or accounting authority must ensure that the institution provides for contract administration and management for all contracts awarded.
- b) Limpopo Provincial Treasury shall develop contract management strategy for implementation by departments and public entities.
- c) Limpopo Provincial Treasury shall monitor and support implementation of contract management strategy in departments and public entities.

31. PAYMENT OF SUPPLIERS

- a) When the supplier or service provider has performed properly in terms of the contract, payments must be made not later than 30 days after submission of a valid invoice or claim by the supplier.

32. DISPOSAL MANAGEMENT

- a) The accounting officer or accounting authority of an institution must develop and implement an efficient and effective disposal management system to dispose unserviceable, redundant or obsolete movable assets.

33. SUPPLY CHAIN MANAGEMENT PERFORMANCE MANAGEMENT

- a) Limpopo Provincial Treasury, Provincial Departments and Public Entities shall ensure that monitoring process takes place, undertaking a retrospective analysis to determine whether the proper process is being followed and whether the desired objectives are achieved.

34. REPORTING OF SUPPLY CHAIN MANAGEMENT INFORMATION AND INTERNAL CONTROL MEASURES

- a) The accounting officer or accounting authority of an institution must submit to the Provincial Treasury such supply chain management information as it may be required, in a format and at such intervals as the Treasury may require.

35. RISK MANAGEMENT AND INTERNAL CONTROLS

- a) The accounting officer or accounting authority must provide for an effective and efficient system of risk management and internal controls in line with the relevant legislations.

36. AUTHORITY

- a) This Policy shall remain the only transversal Supply Chain Management Policy in Limpopo Provincial Government.
- b) Institutions shall formulate **Procedure Manuals** to give effect to the provisions of this Policy.