



**SUPPLY CHAIN MANAGEMENT**

**6**

**STANDARD OPERATING PROCEDURE  
FOR ADVERTISING OF BIDS AND  
QUOTATIONS**

**JULY 2021**

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## **1 PURPOSE OF THE PROCEDURES**

- 1.1 To ensure that the advertising and publication of quotations and bids are done in accordance with the Limpopo Provincial SCM Policy and SCM Regulations.
- 1.2 To ensure that prospective bidders are given sufficient time to compile responsive quotations and bids.

## **2 SCOPE OF THE PROCEDURES**

This procedure is applicable throughout the Limpopo Provincial Government and all officials involved in the Province's SCM activities must observe the provisions of this procedure, with effect from 1 July 2021.

Any procurement processes that have commenced prior to the coming into effect of this standard operating procedure must be concluded on the basis of the prescript that was applicable when they were invited or advertised

## **3 EXCLUSIONS**

None

## **4 ROLES AND RESPONSIBILITIES**

- 4.1 The Accounting Officer of the Provincial Treasury is responsible for the revision of this procedure as and when applicable.
- 4.2 The Accounting Officer/Authority of a Provincial Institution is responsible for the implementation of this procedure.
- 4.3 The Accounting Officer/Authority of a Provincial Institution is responsible for arranging and coordinating all activities related to the publication and advertising of bids.

## **5 PUBLICATION AND ADVERTISING OF QUOTATIONS AND OPEN COMPETITIVE BIDS**

### **5.1 PREREQUISITES**

- 5.1.1 Procurement of goods and services through a quotation and open competitive system must be equitable, fair, cost effective, competitive and transparent.
- 5.1.2 All prospective bidders must be afforded adequate time for them to prepare responsive quotations.
- 5.1.3 Supply Chain Management Unit (SCMU) must do market and / or industry / commodity analysis to determine market related prices before any procurement can start and the analysis must be kept on file for audit purposes.
- 5.1.4 Institutions must, prior to making an invitation for quotations open competitive bids, properly plan for, and, as far as possible, accurately estimate the costs of the provision of services, works or goods for which an invitation for tenders is to be made.
- 5.1.5 Procurement of goods and services may not be deliberately split into parts or items of a lesser transaction value in order to circumvent the prescribed procurement process. When determining transaction values, where goods or services consist of different parts or items, the said parts or items must as far as possible be treated as a single transaction for the purposes of determining which procurement process to follow.
- 5.1.6 To the extent possible and without compromising on cost effectiveness or any other important criteria like quality, suppliers on the Central Supplier Database must be rotated to provide all an opportunity to quote and be awarded business. Rotation is done in

STANDARD OPERATING PROCEDURE FOR ADVERTISING OF BIDS AND QUOTATIONS JULY 2021

order to encourage competition amongst suppliers on the Central Supplier Database.

- 5.1.7 The Accounting Officer/Authority or delegated official must ensure that there is sufficient segregation of duties in the supply chain management processes to prevent collusion.

## **5.2 TRANSACTION VALUE BELOW R2 000 (INCLUSIVE OF ALL APPLICABLE TAXES)**

- 5.2.1. Accounting officers / authorities may procure goods and services by means of petty cash up to a value of **R2 000 (inclusive of all applicable taxes)** without inviting price quotations or following a bidding process.
- 5.2.2. Accounting Officers / authorities must comply to the Provincial Treasury Transversal Petty Cash policy when authorizing the use of petty cash.
- 5.2.3. Accounting Officers / Authorities may decide not to utilize petty cash for the procurement of goods and / or services. Where this decision is taken, the Accounting Officer / Authority must then procure goods and / or services that would otherwise have been procured by means of petty cash through price quotations process in compliance with the conditions prescribed for price quotations for items between R2 001 and R30 000.

**5.3 TRANSACTION VALUE BETWEEN R2 001 AND R1 000 000 (INCLUSIVE OF ALL APPLICABLE TAXES)**

5.3.1 Goods, services and works falling within this category may not be advertised in the print media due to the cost versus benefit to the Province.

5.3.2 The Accounting Officer/Authority must invite written price quotations for requirements up to an estimated value of R1 000 000 (inclusive of all applicable taxes) from as many suppliers as is reasonable and manageable, that are registered on the Central Supplier Database.

5.3.3 At least three (3) written price quotations must be obtained from three (3) different suppliers registered on the CSD.

5.3.3.1 If it is not possible to obtain at least three (3) written price quotations from three (3) different suppliers registered on the CSD, except where suppliers are exempted from registration on the CSD, the reasons should be recorded and approved by the accounting officer / authority or his / her delegate before the order is issued and maintained for audit purposes.

5.3.4 If the Central Supplier Database does not have suppliers for the goods and/or services required, the supplier market should be researched to identify suppliers, and request the suppliers to register on the CSD before being given an opportunity to quote.

5.3.5 All Requests for Quotations (RFQ) or bid adverts must include the closing date, time and place for receipt of quotations.

5.3.6 The full and correct physical address or email address where the quotations should be submitted must be clearly indicated in the RFQ or bid adverts

- 5.3.7 The date, time and venue of any proposed site meetings or briefing sessions must be included in the RFQ or bid adverts
- 5.3.8 Departments and/or public entities must establish a restricted/dedicated email address to which suppliers may be allowed to submit price quotations. Access to this email address must be controlled and managed by Government Information Technology Officer (GITO) in the department and a full audit trail must be maintained. No emails may be permitted to be deleted from this email address.
- 5.3.9 For quotations between R2 001 and R30 000.**
- 5.3.9.1 The end user to prepare a RFQ and advise Supply Chain Management Unit that there is a need to procure goods/services/works
- 5.3.9.2 The end user, in consultation with the institutions Supply Chain Management Unit, must prepare a request for quotation (RFQ) specifications.
- 5.3.9.3 The end user of the Institution should ensure that the goods, works or services are part of operating or capital expenditure budget.
- 5.3.9.4 The RFQ specification must be approved by the relevant delegated official in the institution, as per the institution's financial and procurement delegations.
- 5.3.9.5 The SCMU, selects as many suppliers as is reasonable and manageable, with a minimum of 3 suppliers, that are registered on the Central Supplier Database matching the requirement;

- 5.3.9.6 The SCMU sends RFQs to the selected suppliers through email and allows a reasonable time period for suppliers to submit their quotations in line with requirements. For audit trail purposes the proof of email sent should be kept.
- 5.3.9.7 Suppliers should be advised to quote as per the RFQ;
- 5.3.9.8 Suppliers to be advised to submit their quotations as prescribed in the RFQ before the advertised closing date and time by either emailing the quotation to the restricted/dedicated email address, or submitting the quotation by hand to the specified office or if deemed appropriate by requesting the suppliers to submit their quotations into the institutions quotation / tender box in a clearly marked and sealed envelope/package.
- 5.3.9.9 In the case of an email submission the printout of email transcript detailing the time and date of receipt should be attached to the document and filed
- 5.3.9.10 The SCMU performs evaluation of the quotations received to ensure compliance to the requirements and the cost effectiveness of quotations received;
- 5.3.9.11 The SCMU shall select the lowest quotation that complies with the requirements;
- 5.3.9.12 The SCMU must ensure that the recommended bidders' name (including any member or partner) does not appear on the National Treasury List of Restricted Bidders and Register of Tender Defaulters. Proof of verification (CSD Report) should always be attached to the evaluation report;

5.3.9.13 Before submitting the recommended supplier to the delegated authority of the institution for making final award, SCMU must ensure that the recommended supplier's tax matters are in order;

5.3.9.14 Delegated official takes decision on final award and advises SCMU

5.3.9.15 The SCMU creates an official order on the system and issues it out to the supplier.

**5.3.10 For quotations between R30 001 and R500, 000,**

5.3.10.1 The end user to prepare a RFQ and advise Supply Chain Management Unit that there is a need to procure goods/services/works

5.3.10.2 SCMU must in consultation with the end user do market and /or industry / commodity analysis to determine market related prices before any procurement can start and the analysis must be kept on file for audit purpose.

5.3.10.3 The end user of the Institution should ensure that the goods, works or services are part of operating or capital expenditure budget.

5.3.10.4 The Accounting Officer/Authority may establish bid committees to deal with the specifications, evaluation and adjudication of requests between R30 001 and R500 000, (Some or all of these Committees may be the same committees appointed to handle open tenders)

5.3.10.5 If bid committees are not established to deal with requests between R30 001 and R500 000, then the Accounting Officer/Authority

- 5.3.10.5.1 may delegate the preparation of a request for quotation (RFQ) bid specifications to the end user, in consultation with the institutions Supply Chain Management Unit, which must then be approved by the relevant delegated official in the institution, as per the institution's financial and procurement delegations
- 5.3.10.5.2 may delegate the evaluation and adjudication functions to the relevant official(s) in the institution, according to the institutions financial and procurement delegations.
- 5.3.10.6 The RFQ must provide selected / interested suppliers with at least 7 days to submit price quotation.
- 5.3.10.7 The RFQ must include a requirement that bid prices will remain valid for 90-days after closing date.
- 5.3.10.8 The SCMU to be provided with the approved RFQ.
- 5.3.10.9 The SCMU, selects as many suppliers as is reasonable and manageable, with a minimum of 3 suppliers, that are registered on the Central Supplier Database matching the requirement;
- 5.3.10.10 The SCMU sends RFQs to the selected suppliers through email and allows 7 days for suppliers to submit their quotations in line with requirements. For audit trail purposes the proof of email sent should be kept.
- 5.3.10.11 Suppliers should be advised to quote as per the RFQ;
- 5.3.10.12 Suppliers to be advised to submit their quotations, as prescribed in the RFQ, before the advertised closing date and time by either
- STANDARD OPERATING PROCEDURE FOR ADVERTISING OF BIDS AND QUOTATIONS JULY 2021

emailing the quotation to the restricted/dedicated email address, or submitting the quotation by hand to the specified office or if deemed appropriate by requesting the suppliers to submit their quotations into the institutions quotation / tender box in a clearly marked and sealed envelope/package. In the case of an email submission the printout of email transcript detailing the time and date of receipt should be attached to the document and filed

5.3.10.13 In the case of an email submission the printout of email transcript detailing the time and date of receipt should be attached to the document and filed

5.3.10.14 The SCMU receives the quotations as submitted by the suppliers to the restricted / dedicated email address or courier service or quotation/tender box.

5.3.10.15 The SCMU ensures that prospective suppliers submit all documents as per the RFQ.

5.3.10.16 Failure to comply with any of the RFQ requirements may disqualify the supplier from being considered.

5.3.10.17 The relevant bid evaluation committee or delegated official(s) must evaluate the quotations received to ensure compliance to the requirements and the cost effectiveness of quotations received;

5.3.10.18 The bid evaluation committee or delegated official(s) shall recommend the quotation that complies with the RFQ requirements and has scored the highest points as prescribed in the PPPFA and related regulations. If a bidder who has not scored the total highest points is awarded, valid motivation must be submitted to the Accounting Officer/Authority or delegated

official for approval. These transactions should also be reported to the Provincial Treasury.

- 5.3.10.19 The SCMU must ensure that the recommended bidders' name (including any member or partner) does not appear on the National Treasury List of Restricted Bidders and Register of Tender Defaulters. Proof of verification (CSD Report) should always be attached to the evaluation report;
- 5.3.10.20 Before submitting the recommended supplier to the delegated authority of the institution for making final award, SCMU must ensure that the recommended supplier's tax matters are in order;
- 5.3.10.21 SCMU must ensure that the prices received are market related and where they are not, negotiations should be entered into in line with the Preferential Procurement Regulations, 2017 (PPR 2017) and final award recommended by the Bid Adjudication Committee or to the delegated authority to finalize the award
- 5.3.10.22 The bid evaluation committee or delegated official(s) should compile an evaluation report which recommends the appointment of a bidder(s) to the delegated authority to finalize the award.
- 5.3.10.23 The Bid Adjudication Committee or delegated official(s) within the institution adjudicates and recommends or makes final award depending on their delegation.
- 5.3.10.24 Delegated official takes decision on final award and advises SCMU
- 5.3.10.25 The SCMU issues an official purchase order.

5.3.10.26 Where applicable, the contract or service level agreement should be signed with the successful supplier.

**5.3.11 For quotations between R500 001 and R1 000 000,**

5.3.11.1 The end user to prepare a RFQ and advise Supply Chain Management Unit that there is need to procure goods/services/works

5.3.11.2 SCMU must in consultation with the end user do market and /or industry / commodity analysis to determine market related prices before any procurement can start and the analysis must be kept on file for audit purpose.

5.3.11.3 The end user of the Institution should ensure that the goods, works or services are part of operating or capital expenditure budget.

5.3.11.4 The Accounting Officer/Authority must appoint a bid Specification Committee, Evaluation Committee and Adjudication Committee. (Some or all of these Committees may be the same committees appointed to handle open tenders)

5.3.11.5 The RFQ must provide selected / interested suppliers with at least 14 days to submit price quotation. Requests for quotations in this category may also be advertised on the departmental website and, or notice board to increase access by relevant suppliers.

5.3.11.6 The RFQ must include a requirement that bid prices will remain valid for 90-days after closing date.

5.3.11.7 The Bid Specification Committee must review and recommend RFQ specifications to the delegated official(s) for approval.

- 5.3.11.8 The SCMU to be provided with the approved RFQ.
- 5.3.11.9 The SCMU, selects as many suppliers as is reasonable and manageable, with a minimum of 3 suppliers, that are registered on the Central Supplier Database matching the requirement;
- 5.3.11.10 The SCMU sends RFQs to the selected suppliers through email and allows a reasonable time period for suppliers to submit their quotations in line with requirements. For audit trail purposes the proof of email sent should be kept.
- 5.3.11.11 Suppliers should be advised to quote as per the RFQ;
- 5.3.11.12 Suppliers must be advised to submit their quotations into the institutions quotation / tender box in a clearly marked and sealed envelope/package. In cases where it is impractical to submit a quote in the quotation box, service providers may be afforded an opportunity to submit through the restricted/ dedicated email, or courier service before the closing date.
- 5.3.11.13 In the case of an email submission the printout of email transcript detailing the time and date of receipt should be attached to the document and filed
- 5.3.11.14 The SCMU receives the quotations as submitted by the suppliers in the quotation/tender box or the restricted / dedicated email address.
- 5.3.11.15 The SCMU ensures that prospective suppliers submit all documents as per the RFQ.
- 5.3.11.16 Failure to comply with any of the RFQ requirements may disqualify the supplier from being considered.

- 5.3.11.17 The relevant bid evaluation committee must evaluate the quotations received to ensure compliance to the requirements and the cost effectiveness of quotations received;
- 5.3.11.18 The SCMU must ensure that the recommended bidders' name (including any member or partner) does not appear on the National Treasury List of Restricted Bidders and Register of Tender Defaulters. Proof of verification (CSD Report) should always be attached to the evaluation report;
- 5.3.11.19 Before submitting the recommended supplier to the delegated authority of the institution for making final award, SCMU must ensure that the recommended supplier's tax matters are in order;
- 5.3.11.20 Bid Evaluation Committee must ensure that the prices received are market related and where they are not, negotiations should be entered into in line with the Preferential Procurement Regulations, 2017 (PPR 2017)
- 5.3.11.21 The bid evaluation committee shall recommend the quotation that complies with the RFQ requirements and has scored the highest points as prescribed in the PPPFA and related regulations.; If a bidder who has not scored the total highest points is awarded, valid motivation must be submitted to the Accounting Officer/Authority or delegated official for approval. These transactions should also be reported to the Provincial Treasury.
- 5.3.11.22 The relevant bid evaluation committee or delegated official(s) should compile an evaluation report which recommends the appointment of a bidder(s) to the relevant bid adjudication committee.

5.3.11.23 The relevant Bid Adjudication Committee adjudicates the quotations and recommends appointment to the delegated official or makes final award depending on their delegation.

5.3.11.24 The SCMU issues an official purchase order.

5.3.11.25 Where applicable, the contract or service level agreement should be signed with the successful supplier.

**5.4 ABOVE THE TRANSACTIONAL VALUE OF R1 000, 000 (INCLUSIVE OF ALL APPLICABLE TAXES)**

5.4.1. Accounting Officers/authorities must invite open competitive bids for all procurement above R1 000 000 (inclusive of all applicable taxes)

5.4.2. The end user to prepare a request for advert and advise Supply Chain Management Unit that there is a need to procure goods/services/works

5.4.3. SCMU in consultation with the end user must do market and /or industry / commodity analysis to determine market related prices before any procurement can start and the analysis must be kept on file for audit purpose.

5.4.4. The end user of the Institution should ensure that the goods, works or services are part of operating or capital expenditure budget.

5.4.5. The Accounting Officer/Authority must appoint a bid Specification Committee, Bid Evaluation Committee and Bid Adjudication Committee.

5.4.6. The Bid Specification Committee must review and recommend bid specifications or terms of reference (TOR) to the delegated official(s) for approval.

- 5.4.7. The SCMU to be provided with the approved bid specifications.
- 5.4.8. Suppliers should be advised to quote as per the bid specifications and standard bid documents;
- 5.4.9. All bids estimated to be above R1 000 000 **must be advertised** in at least Government Tender Bulletin and the E- Tender Publication Portal, and the institution's website.
- 5.4.10. The Accounting Officer/ Authority may also advertise competitive bids on any other appropriate media should an Accounting Officer/ Authority deem it necessary to ensure greater exposure to potential bidders.
- 5.4.11. The closing date, time and place for receipt of bids should be specified in the invitation to bid. (Advert)
- 5.4.12. The date, time and venue of any proposed site meetings or briefing sessions must be included in the invitation to bid. (Advert)
- 5.4.13. The full and correct physical address where the bids should be submitted must be clearly indicated in the bidding documents.
- 5.4.14. All bids estimated to be above R1 000 000 should be advertised for a minimum period of 21 days before closure, except in emergency cases when bids may be advertised for such shorter period as the accounting officer or accounting authority may determine. The reasons should be recorded and approved by the Accounting Officer/ Authority or his/her delegate.
- 5.4.15. The period allowed for the preparation and submission of bids should be determined with due consideration of the particular circumstances of the project and the magnitude and the complexity of the contract.

5.4.16. Requests for bid advertisements estimated to be above R1 000 000 should be submitted to Provincial Treasury Five (5) working days prior to the publication of the bid. See Annexure on Bid Document Assessment Tool

5.4.17. The validity period allowed for the bid should be determined with due consideration of the circumstances of the project and the complexity of the contract.

5.4.18. The Institution must ensure that accessible and fixed tender boxes are established. Tender box must be accessible for the public to submit the bidding documents 24 hours per day, seven days a week

5.4.19. The tender box slot should be designed to allow different sizes of bid documents.

5.4.20. Preferably no tender activities including advertising, briefing sessions and closing dates should happen between 15 December and 15 January each year.

5.4.21. Suppliers should be advised to bid as per the bid advert and standard bid documents;

5.4.22. Suppliers must be advised to submit their bids into the institutions tender box in a clearly marked and sealed envelope/package. In cases where it is impractical to submit a bid in the tender box, service providers may be afforded an opportunity to submit through the restricted/ dedicated email, or courier service before the closing date.

5.4.23. In the case of an email submission the printout of email transcript detailing the time and date of receipt should be attached to the document and filed

5.4.24. The SCMU collects the bids as submitted by the suppliers in the tender box or the restricted / dedicated email address.

- 5.4.25. The SCMU ensures that prospective suppliers submit all documents as per the bid specifications and standard bidding documents.
- 5.4.26. Failure to comply with any of the bid advert requirements may disqualify the supplier from being considered.
- 5.4.27. The relevant bid evaluation committee must evaluate the bid proposals received to assess functionality and compliance to the requirements and the cost effectiveness of quotations received;
- 5.4.28. The SCMU must ensure that the recommended bidders' name (including any member or partner) does not appear on the National Treasury List of Restricted Bidders and Register of Tender Defaulters. Proof of verification (CSD Report) should always be attached to the evaluation report;
- 5.4.29. Before submitting the recommended supplier to the delegated authority of the institution for making final award, SCMU must ensure that the recommended supplier's tax matters are in order;
- 5.4.30. The bid evaluation committee shall recommend the bid proposal that complies with the bid requirements and has scored the highest points as prescribed in the PPPFA and related regulations. If a bidder who has not scored the total highest points is awarded, valid motivation must be submitted to the Accounting Officer/Authority or delegated official for approval. These transactions should also be reported to the Provincial Treasury.
- 5.4.31. Bid Evaluation Committee must ensure that the prices received are market related and where they are not, negotiations should be entered into in line with the Preferential Procurement Regulations, 2017 (PPR 2017)

5.4.32. The relevant bid evaluation committee or delegated official(s) should compile an evaluation report which recommends the appointment of a bidder(s) to the relevant bid adjudication committee.

5.4.33. The relevant Bid Adjudication Committee adjudicates the bid and recommends appointment to the delegated official or makes final award depending on their delegation.

5.4.34. The SCMU issues an official purchase order.

5.4.35. Where applicable, the contract or service level agreement should be signed with the successful supplier.

## **6 REQUIRED INFORMATION FOR TENDER ADVERTISEMENTS**

6.1 The request to advertise a bid should be approved by Accounting Officer/ Authority or Delegated official and should be accompanied by:

6.1.1 the request for advertisement;

6.1.2 the bid advertisement forms (e-tender portal);

6.1.3 bid documentation compliance assessment tool; and

6.1.4 the bid/ RFQ/RFP document

6.2 The advertisement for a tender must prescribe:-

6.1.1. the closing date for the submission of tenders, which may not be less than 21 days from date of advert, subject to paragraph 5.4.7.

6.1.2. that tenders submitted to the Institution must be sealed.

6.1.3. a brief description of the scope and requirements of the bid;

6.1.4. the tender number;

6.1.5. where tender documents may be obtained;

6.1.6. details of a contact person;

6.1.7. details of where and when the tender will close;

6.1.8. the appropriate preference point system to be utilized in the evaluation and adjudication of the tender;

- 6.1.9. whether the services, works or goods for which an invitation for tenders is to be made has been designated for local production and content in terms of PPPFA Regulations. and
  - 6.1.10. the validity period of the bid upon closure.
  - 6.1.11. selling price and payment details of the tender documents, if applicable;
  - 6.1.12. briefing sessions, site meetings details; if applicable;
- 6.2. During compilation of the advertisement, reasonable time should be allowed for bidders to attend site visits, view samples and undertake any other work necessary to enable them to respond fully.
- 6.3. Institutions should ensure that the nominated locations; sites or samples are available on the date that the advertisement is published for inspection by bidders.

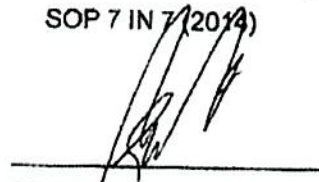
## **7 BRIEFING SESSION/SITE MEETING**

- 7.1. The date, time and place of a briefing session or site meeting must be supplied by the end user to the SCMU with the request to include it in the advertisement and be included in the tender advert and bid document.
- 7.2. Briefing sessions/site meetings are the responsibility of the end user and SCMU.
- 7.3. The SCMU should chair the briefing session or site meetings and must ensure that the following are available for a meeting:
  - 7.3.1. Agenda
  - 7.3.2. Attendance registers
- 7.4. The SCMU representative must maintain an attendance register at the meeting and compile minutes of the meeting for record keeping.

- 7.5. A briefing session/site meeting must only be held to clarify existing issues in the bid document. New issues cannot be raised at such a meeting, no changes can be made to the scope and specifications.
- 7.6. The following are expected for a briefing session:
- 7.6.1. the End User or project owner must take the attendees of the briefing session through a broad overview of the project, where it fits in the strategic planning of the institution, the key deliverables expected, the expected structure of the Technical proposal and any salient points that are pertinent for a responsive proposal;
  - 7.6.2. the SCMU representative must explain the bid rules applicable, the point scoring system to be used and the contact details where further clarification can be sought in writing before a particular closing date;
  - 7.6.3. Only bidders that attended the compulsory briefing session are eligible to submit bids.
- 7.7. Accounting officers/ authorities must report, within ten (10) working days of approval of the award of the contract, to the relevant treasury and the Auditor-General all cases where goods and services above the transaction value of R1 000 000 (inclusive of all applicable taxes) were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the name/s of the supplier/s, the amount/s involved and the reasons for dispensing with the competitive bidding process.

**8 REPEAL OF STANDARD OPERATING PROCEDURE 6 IN 6 (2014)**

This standard operating procedure replaced the old SOP 6 IN 6 (2014) and SOP 7 IN 7 (2014)

  
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**PRATT/GC CA (SA)**  
**HEAD OF DEPARTMENT**

30/6/2021  
**DATE**



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

**PFMA SCM INSTRUCTION NO. 03 OF 2021/22**  
**PUBLIC FINANCE MANAGEMENT ACT**  
**(ACT 1 OF 1999)**

**ENHANCING COMPLIANCE, TRANSPARENCY AND ACCOUNTABILITY IN SUPPLY CHAIN MANAGEMENT**

TO ALL:

ACCOUNTING OFFICERS OF DEPARTMENTS  
ACCOUNTING OFFICERS OF CONSTITUTIONAL INSTITUTIONS  
ACCOUNTING AUTHORITIES OF SCHEDULE 2 AND 3 PUBLIC ENTITIES  
HEAD OFFICIALS OF PROVINCIAL TREASURIES

**1. PURPOSE**

This Instruction is issued to provide measures to—

- (a) improve compliance, accountability and transparency in the procurement of goods and services;
- (b) reduce the abuse of the Supply Chain Management (SCM) system; and
- (c) ensure value for money.

**2. DEFINITIONS**

In this Instruction, unless the context indicates otherwise, any word or expression to which a meaning has been assigned in the Public Finance Management Act, 1999 (Act No. 1 of 1999 – “the PFMA”) or Treasury Regulations, published on 15 March 2005 (as amended) has the same meaning assigned to it in the Act or the Regulations, and—

**“emergency situation”** means a serious and unexpected situation that poses an immediate risk to health, life, property or environment which calls for urgent action and there is insufficient time to follow a competitive bidding process;

**“institution”** means—

- (a) a national or provincial department;
- (b) a public entity listed in Schedule 2 or 3 to the PFMA; and
- (c) a constitutional institution listed in Schedule 1 to the PFMA;

**“investigate”** means an inquiry to determine and assess the facts of the complaint or allegation to establish the truth;

**“limited bidding”** means a bidding process reserved for a specific group or category of possible suppliers through procurement by—

## **Enhancing compliance, transparency and accountability in supply chain management**

- (a) sole source where there is no competition in the market and only one supplier is able to provide the goods or services;
- (b) single source where a thorough analysis of the market and a transparent and equitable pre-selection process is used to decide on one supplier among a few prospective bidders to make a proposal;
- (c) multiple source where a thorough analysis of the market indicates that there is limited competition and only a few prospective bidders are requested to make a proposal;

**"urgent case"** means cases where early delivery is critical and the invitation of competitive bids is either impossible or impractical, not due to improper planning;

**"person"** means—

- (a) a bidder or supplier; or
- (b) a shareholder, director, trustee, partner member of a bidder or a supplier, or any person having a controlling interest in the bidder or supplier; and

**"State"** means—

- (a) a national or provincial department, national or provincial public entity or constitutional institution;
- (b) a municipality or municipal entity;
- (c) a provincial legislature; or
- (d) Parliament.

### **3. BACKGROUND**

- 3.1 The PFMA promotes economy, efficiency, effectiveness and transparency in the use of state resources. Consequently, a key duty, amongst others, for the accounting officers/authorities (AOs/AAs) in terms of the PFMA are to establish and maintain an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.
- 3.2 In terms of section 6(2) of the PFMA, the National Treasury must prescribe uniform treasury norms and standards. This includes prescribing norms and standards to limit and prevent the abuse of the SCM system and the enforcement. In terms of section 18(2) of the PFMA, the provincial treasuries must enforce the prescribed norms and standards in their respective provinces.
- 3.3 Although the National Treasury is, in terms of section 6(1) of the PFMA required to, amongst others, promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities of institutions, it must do so with due regard to the PFMA functions of the AO/AA. According to sections 38 and 51 of

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the PFMA, the AO/AA must ensure effective, efficient and transparent systems of financial management as well as a procurement and provisioning system.

- 3.4 Non-compliance with SCM prescripts by institutions undermine sound financial management and ultimately erodes scarce resources that are intended for public service delivery.
- 3.5 Therefore, it is imperative that the AOs/AAs establish mechanisms to identify the risks and internal control weaknesses in their SCM systems to develop mitigating strategies and controls.

### **4. DEVIATIONS FROM NORMAL BIDDING PROCESS**

- 4.1 If in a specific case it is impractical to invite competitive bids, the AO/AA may procure the required goods or services by other means, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the AO/AA.
- 4.2 In this Instruction, procurement by "other means" includes—
  - (a) limited bidding;
  - (b) written price quotations within the threshold determined by National Treasury Instruction; and
  - (c) procurement that occurs in emergency situations and urgent cases.
- 4.3 The AO/AA must provide for procurement by "other means" in a SCM policy for the institution.
- 4.4 The SCM policy must at least provide for—
  - (a) procurement by "other means" referred to in paragraph 4.2(a), (b) and (c), and any other procurement by "other means" that may be utilised;
  - (b) a plan to curtail reliance on procurement by "other means";
  - (c) circumstances under which each procurement by "other means" may be utilised;
  - (d) processes to be followed in respect of identifying prospective suppliers for, and recording and approval of, procurement by "other means"; and
  - (e) assessment of all instances that gave rise to procurement by "other means".
- 4.5 When procuring goods or services by "other means", the AO/AA must ensure that the institution complies with other applicable SCM prescripts.

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4.6 The AO/AA must within 14 days after the finalisation of the procurement by “other means”, report the procurement to the relevant treasury and the Auditor-General of South Africa (AGSA) in a format determined by the National Treasury.

4.7 The AO/AA must ensure that procurement by “other means” is recorded in the annual report of the institution in a format determined by the National Treasury.

### **5. EXPANSIONS AND VARIATIONS OF CONTRACTS**

5.1 The AO/AA may, in accordance with this paragraph—

- (a) expand a contract by increasing the scope of work; or
- (b) vary a contract by changing the scope of work.

5.2 If an expansion or variation in the scope of work requires an extension in the period of the contract, the motivation must distinguish between the change in the scope of work and the period for which the contract is extended.

5.3 If the AO/AA participates in a transversal contract, the AO/AA may not expand or vary the transversal contract, but may request the relevant treasury to expand or vary the contract.

5.4 If a contract for—

- (a) construction-related goods or services or both, is expanded or varied by more than 20% or R20 million (including all applicable taxes), whichever is the lesser; and
- (b) all other goods or services or both, is expanded or varied by more than 15% or R15 million (including all applicable taxes), whichever is the lesser,

the AO/AA must, in a format determined by the National Treasury, submit a monthly report, including the reasons for the expansion or variation, to the relevant treasury and the AGSA.

5.5 The AO/AA must record expansions or variations referred to in paragraph 5.4 in the annual report of the institution in a format determined by the National Treasury.

5.6 The relevant treasury and the AGSA may request additional information pertaining to expansions or variations referred to in paragraph 5.4.

### **6. RESTRICTION OF PERSON DOING BUSINESS WITH GOVERNMENT**

6.1 The AO/AA must, in writing, notify a person of—

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- (a) the intention to restrict the person from doing business with the State;
- (b) the grounds for the restriction;
- (c) the intended period of restriction which may not exceed 10 years; and
- (d) the right to make representations within 14 days as to why the person should not be restricted.

6.2 The AO/AA must—

- (a) consider the reasons provided by the person on why the person should not be restricted; and
- (b) if, after considering the reasons referred to in paragraph (a), the AO/AA intends to restrict the person, in writing, consult the National Treasury by submitting the notification envisaged in paragraph 6.1 and the reasons referred to in paragraph (a).

6.3 The National Treasury must, within 14 days of receipt of the notification envisaged in paragraph 6.2(b), submit to the AO/AA its view on the intended restriction.

6.4 The AO/AA must—

- (a) after considering the view of the National Treasury, make the decision whether to restrict; and
- (b) within seven days following a decision to restrict, submit to the National Treasury—
  - (i) the reasons for the decision to restrict;
  - (ii) the name and address of the person restricted;
  - (iii) the identity or registration number of the person;
  - (iv) the period of restriction; and
  - (v) the representations made by the person and the reasons why the AO/AA proceeded with the decision to restrict despite the representations.

6.5 The National Treasury, on receipt of the information in paragraph 6.4(b)—

- (a) may, within 14 days, request the AO/AA to submit further information pertaining to the restriction; and
- (b) must record the information on a list of restricted suppliers within 14 days of receipt of the submission by the AO/AA, and any responses to further information requested in terms of paragraph (a).

6.6 The restriction is effective from the date that the National Treasury records the information on the list of restricted suppliers.

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6.7 The National Treasury must inform the AO/AA immediately after the restriction is recorded on the list of restricted suppliers.

6.8 The AO/AA must inform the person immediately after the National Treasury has informed the AO/AA that the restriction is recorded on the list of restricted suppliers.

### 7. TREATMENT OF DISCLOSURES AND DECLARATIONS

7.1 Institutions must, as part of their SCM processes, identify and manage all potential conflicts of interest and other disclosures made by a person participating in procurement processes to enable the AO/AA to make informed decisions about the person participating in the SCM process.

7.2 The application of the Bidder's Disclosure form, issued as Standard Bidding Document (SBD) 4, attached as **Annexure A**, is extended to all institutions to which this Instruction applies. Institutions may incorporate the information contained in the SBD4 into their bid documents, including documents issued for the invitation of price quotations, but may not alter the content of the disclosure and the order of the information captured in the SBD4.

7.3 The SBD4 applies to all procurement, irrespective of the value and method of procurement, excluding petty cash purchases, and must be completed by all persons responding to the invitation.

7.4 The AO/AA must, as part of the evaluation of a procurement process, evaluate information provided by a person on the SBD4.

7.5 If the evaluation of the AO/AA establishes that—

- (a) a person within the bidding entity is an employee of the State, the AO/AA must request the relevant AO/AA to advise whether the person—
  - (i) is prohibited from conducting business with the State in terms of section 8 of the Public Administration Management Act, 2014 (Act No. 11 of 2014 – “the PAMA”); or
  - (ii) has permission to perform other remunerative work outside of their employment, where the PAMA does not apply to such employee;
- (b) the conduct of a person constitutes a transgression of the Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004 – “the PRECCA”), the conduct must be dealt with in accordance with the PRECCA;

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- (c) the conduct of a person constitutes a transgression of the Competition Act, 1998 (Act No. 89 of 1998), the conduct must be reported to the Competition Commission; and
  - (d) the conduct of a person constitutes a transgression of the institution's policies, the conduct must be dealt with in terms of the prescripts applicable to the institution.
- 7.6 If the AO/AA establishes that a person has committed a transgression, referred to in paragraph 7.5, or any other transgression of SCM prescripts, the AO/AA may reject the bid and restrict the person in terms of paragraph 6.
- 7.7 The AO/AA must inform the relevant treasury of any action taken against a person in terms of paragraph 7.6 within 30 days of implementing the action.
- 7.8 During the evaluation process, the AO/AA must in addition to other due diligence measures, establish if a person is not listed in—
- (a) the Register for Tender Defaulters provided for PRECCA; and
  - (b) the list of restricted suppliers provided for in paragraph 6.3 of this Instruction and regulations under the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).
- 7.9 The SBD 4 attached as **Annexure A** to this Instruction replaces all SBDs 4, 8 and 9.

**8. GENERAL REQUIREMENTS**

- 8.1 The AOs/AAs of all institutions must ensure that—
- (a) the SCM system provides for the establishment, composition and functioning of bid specification, evaluation and adjudication committees and the selection of bid committee members;
  - (b) procurement through a bidding process is subjected to the bid committee system envisaged in paragraph (a); and
  - (c) bid committee members are duly appointed and a quorum is determined for each committee.
- 8.2 If considered necessary, one or more independent expert may be co-opted to a bid evaluation/adjudication committee in an advisory capacity. The expert does not have voting rights and is subject to the same conflict of interest declarations/disclosures applicable to bid committee members.

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8.3 A representative of the relevant treasury may attend bid committee meetings of any institution in an observer capacity and must inform the relevant AO/AA when he/she will be attending. The representative does not have voting rights and is subject to the same conflict of interest declarations/disclosures applicable to bid committee members.

8.4 The AO/AA—

- (a) may not invite price quotations or bids if no or insufficient provision is made in the budget of the institution;
- (b) must ensure that cash flow is sufficient to meet contractual obligations;
- (c) must pay suppliers within 30 days of receipt of invoice or the period provided for in the contract; and
- (d) may not place orders with suppliers for goods and services to be received in the current financial year and arrange with suppliers to be invoiced and payment to be made in the next financial year, except in the case of a multi-year contract.

## **9. REGISTER OF COMPLAINTS AND ALLEGATIONS**

9.1 The AO/AA must establish a procedure for the management of complaints and allegations of abuse in the SCM system, which must provide for—

- (a) the submission of written complaints/allegations of abuse in the SCM system; and
- (b) the establishment of a register of all complaints/allegations of abuse in the SCM system, in the format prescribed in **Annexure B**.

9.2 The chief financial officer of the institution must report a complaint/allegation of abuse in the SCM system that implicates the AO/AA to the relevant treasury within 14 days of receipt of the complaint/allegation, by the institution.

## **10. INVESTIGATE COMPLAINTS AND ALLEGATIONS**

10.1 The AO/AA—

- (a) must investigate a complaint/allegation of abuse in the SCM system, resolve and provide a response to the person who submitted the complaint/allegation by no later than 60 days after receipt of the complaint/allegation;
- (b) may extend the period mentioned in paragraph (a), up to 30 days and provide to the person who submitted the complaint/allegation written reasons for the extension and a status update at the time of the extension;

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- (c) must, if the investigation concludes that there has been an irregularity or that the irregularity is as a result of an alleged misconduct by an official, refer the matter for further investigation and processing;
- (d) must, where the investigation indicates any irregularity by a person, act against the person in terms of the relevant prescripts and may in addition to the penalties/remedies provided for in the relevant prescripts, also implement remedial actions which may include but are not limited to—
  - (i) rejecting the bid;
  - (ii) cancelling the contract;
  - (iii) restricting the person from conducting business with the State;
  - (iv) claiming damages (if any); and
- (e) must inform the relevant treasury and the AGSA of the outcome of the investigation and the proposed actions, within 30 days of completing the investigation.

10.2 If—

- (a) an institution receives a complaint/allegation that implicates the AO/AA or a member of the AA; or
- (b) during the investigation of a complaint/allegation, it is established that the AO/AA or a member of the AA is implicated,

the chief financial officer must submit the complaint/allegation to the relevant treasury with all the evidence for investigation.

10.3 The relevant provincial treasury must submit a report of the outcomes of investigations, received from its provincial departments and public entities listed in Schedules 3C and 3D to the PFMA, to its provincial legislature on a quarterly basis.

10.4 The National Treasury must submit a report of the outcomes of investigations, received from national departments, constitutional institutions and public entities listed in Schedules 2, 3A and 3B to the PFMA, to Parliament on a quarterly basis.

10.5 The relevant treasuries must submit the quarterly reports referred to in paragraphs 10.3 and 10.4 by the 15<sup>th</sup> day of the month following the end of the quarter.

10.6 The relevant treasury—

- (a) must investigate a complaint/allegation that implicates the AO/AA not later than 60 days after the receipt of the complaint/allegation; and

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- (b) may extend the period mentioned in paragraph (a), up to 30 days, and provide to the person who made the allegation/complaint written reasons for the extension and a status update at the time of the extension.

10.7 The relevant treasury must submit a report to the executive authority, AGSA and Parliament/provincial legislature of the outcome of the investigation of the complaint/allegation against the AO/AA, and the proposed actions for consideration by the relevant functionary for purposes of resolution or remedial actions or both.

**11. MONITORING**

The relevant treasury must monitor and assess the implementation of this Instruction by institutions.

**12. APPLICABILITY**

This Instruction applies to all departments, constitutional institutions and public entities listed in Schedules 2 and 3 to the PFMA.

**13. REPEAL**

This Instruction repeals the following Instructions, Practice Notes and Circulars:

- (a) National Treasury SCM Instruction Note 3 of 2016/17;
- (b) Instruction Note No 32 dated 31 May 2011 related to enhancing compliance monitoring and improving transparency and accountability in Supply Chain Management (SCM);
- (c) Supply Chain Management Circular postponing implementation of certain paragraphs in Instruction Note No 32 dated 31 May 2011 related to enhancing compliance monitoring and improving transparency and accountability in Supply Chain Management (SCM);
- (d) Practice Note No 7 of 2009/2010 dated 2 October 2009 and the SBD4 document;
- (e) Practice Note No SCM 5 of 2006 on the restriction of suppliers and augmentation of general conditions of contract;
- (f) National Treasury Practice Note Supply Chain Management: Prohibition of Restrictive Practices: Certificate of Independent Bid Determination: Standard Bidding Document (SBD 9); and
- (g) Practice Note No SCM 4 of 2006 on Standard Bidding Document: Declaration of bidder's past supply chain management practices (SBD 8).

**14. EFFECTIVE DATE**

14.1 This Instruction takes effect on 1 April 2022.

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- 14.2 Procurement processes that have commenced prior to the coming into effect of this Instruction must be concluded in accordance with the prescripts applicable at the time of invitation or advertisement.

**15. DISSEMINATION OF INFORMATION**

- 15.1 The AOs of national departments and constitutional institutions must bring the contents of this Instruction to the attention of—
- (a) chief financial officers, heads of supply chain management and supply chain management officials of their respective institutions; and
  - (b) all accounting authorities of public entities reporting to the executive authority of their respective departments.
- 15.2 Heads officials of provincial treasuries must bring the contents of this Instruction to the attention of accounting officers of their provincial departments and accounting authorities of the provincial public entities with the request that the information contained herein be disseminated to all chief financial officers, heads of supply chain management and supply chain management officials of their respective institutions.
- 15.3 The AAs of Schedule 2, 3B and 3D public entities must bring the contents of this Instruction to the attention of the chief financial officers, heads of supply chain management and supply chain management officials of their public entities.

**16. AUTHORITY FOR THIS SCM INSTRUCTION**

This Instruction is issued in terms of section 76(4)(b), (c) and (g) of the Public Finance Management Act, 1999.

**17. CONTACT INFORMATION**

Enquiries pertaining to the contents of this Instruction may be directed to:

Email: [cpo@treasury.gov.za](mailto:cpo@treasury.gov.za)



**MR MOLEFE-ISAAC FANI**

**ACTING CHIEF PROCUREMENT OFFICER**

**DATE:** 2022 | 03 | 31

Cc: Auditor-General South Africa