



KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

Province: KwaZulu-Natal
Department of Education

**SUPPLY CHAIN MANAGEMENT
POLICY**

2021/22



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INTRODUCTION

The supply chain management forms an integral part of financial management. It is a process that integrates general financial practices, such as budgeting, with procurement, provisioning, contract management and asset management, while introducing best practices in order to optimise cost effectiveness and efficiency in the achievement of the Department's objectives.

This process will ensure that the focus is on the outcomes of actual expenditure in respect of the sourcing of goods and/or services and will enable the accounting officer to exercise proper financial control.

In terms of the Constitution of the Republic of South Africa (Act No. 108 of 1996), the procurement of goods and services must be done in accordance with a system that is fair, equitable, transparent, competitive and cost-effective.

Section 38 of the Public Finance Management Act (Act No. 1 of 1991)(PFMA) denotes the general responsibilities of the accounting officer. In accordance with the prescribed legislature, "The accounting officer for a department, trading entity or constitutional institution: -

- a) Must ensure that the Department, Trading Entity or Constitutional Institution has and maintains: -
- b) An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective...."

To this end the Kwazulu-Natal Department of Education embarks upon a procurement reform process, with the ultimate goal being to elevate the procurement process to its rightful place in the Financial Management System of the Department

PURPOSE

This policy is intended to be a guide for the Departmental supply chain activities. Proper and successful procurement in the department rests upon certain core principles of behaviour of the employees, consultants and other role players that is referred to as the five (5) pillars of procurement. They are best described as pillars because if any one (1) of them is broken, then the procurement system in the department will collapse. The five (5) predetermined pillars and guidelines are based on:

- Value for money
- Open and effective competition
- Ethics and responsibility
- Accountability and reporting
- Equity and transparency



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These five pillars prescribe a minimum set of standards that are to be observed by the employees of the department, consultants and other role players. Every official involved in the Supply Chain Management process should ensure that all procurement activities ascribe to the principles embodied in transparency, equitability, fairness, competitiveness and cost-effectiveness.

The process and directive contained in this document must be read in conjunction with:

- The Departmental policy on unauthorized, irregular expenditure and fruitless and wasteful expenditure;
- Bid committee charters;
- Supply Chain Management delegations;
- Applicable legislation;
- National Treasury guidelines and relevant prescripts.

DR E.V NZAMA
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1. AUTHORIZATION AND REGULATORY FRAMEWORK

1.1 Legislative mandates

SCM operates within the parameters set down by the Constitution of the Republic of South Africa and is supported by different legislative mandates that form the basis for the implementation of SCM in the department. The SCM policy is supported by the following legislative mandates:

- Public Finance Management Act (Act No. 1 of 1999);
- Broad Based Black Economic Empowerment Act (Act No. 53 of 2003, and Codes of Good Practices (as promulgated));
- Preferential Procurement Policy Framework Act (Act No. 5 of 2000);
- Preferential Procurement Regulations, 2017;
- State Information Technology Act (Act No. 88 of 1998);
- Public Services Act (Act No. 103 of 1994);
- Public Services Regulations, 2016;
- Employment Equity Act (Act No. 55 of 1998);
- Competition Act (Act No. 89 of 1998);
- Promotion of Access to Information Act (Act No. 2 of 2000);
- National Treasury SCM Practice Notes, Circulars and Instruction Notes, SCM Regulations;
- KwaZulu-Natal Provincial Treasury SCM Practice Notes and Circulars;
- Treasury Regulations for departments, constitutional institutions and public entities, issued in terms of the Public Finance Management Act (Act No. 1 of 1999)

1.2 Institutionalisation

1.2.1 Management responsibility

The ultimate responsibility to ensure that the Department delivers in accordance with its strategic visions lies with the respective Programme Manager. With regards to SCM it will be the responsibility of the relevant Programme Managers to:

- Understand and plan for the future needs;
- Identify critical delivery dates;



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- Ensure that the necessary funds are available for the products or services to be procured;
- Develop bid specifications;
- Timeously provide the SCM unit with all the necessary information to arrange for the acquisition of the goods/or services required;
- Assist with the evaluation of offers against bid documentation as advertised; and
- Provide technical analysis and administrative input on bidder's ability to perform, as well as on past experiences with bidders

2. Supply Chain Management Unit

2.1 Establishment of the unit

In terms of the PFMA Regulation 4(1) on Supply Chain Management issued by the National Treasury on 5 December 2003, each Department is compelled to have a Supply Chain Management Unit in operation from 1 January 2004, which will:

- Operate with the structures of the Chief Financial Officer;
- Have overall responsibility for SCM functions within the Branches where SCM units have been established; and
- Be responsible for generic contractual conditions contained in the Bid documentation.

A skills audit should be conducted on a regular basis to ensure that all gaps are addressed pertaining to competencies required in these units.

2.2.2 Functions/ Responsibilities of the Supply Chain Management Units

The Supply Chain Management Unit located in the Branch: Chief Financial Officer will perform the following functions:

- to procure goods and services within delegated authority on behalf of the Department;
- Communicating and deal with contractors;
- render all administrative support to the Bid Committees;
- act as a Secretariat to the Departmental Bid Committees, meaning that the unit will be responsible for the preparation and presentation of cases to the Departmental Bid Committees;



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- provide training;
- report to the Chief Financial Officer;
- maintain AO delegations on SCM;
- to communicate and issue SCM prescript of;
- administer transversal contracts;
- research national and international best practices in respect of SCM;
- perform any other functions the AO may deem necessary to ensure efficiency;
- To negotiate and conclude agreements with suppliers in terms of transversal needs; this must be done in consultation with the bid committees, contract management and or legal services of the department.
- To exercise powers as per delegations;
- To communicate and issue prescripts in relation to SCM.

2.2.3 The Supply Chain Management Elements

2.2.3.1 Demand Management

Demand management is broadly responsible for:

- Procurement planning that are aligned to strategic plan and action plans of various units.
- The SCM Unit shall consult with responsibility managers and compile a procurement plan for all the Departmental projects in respect of each financial year
- Sourcing strategy
- Drawing up of specification, terms of reference etc.
- During consultations between the SCM Unit and responsibility managers, all reasonable efforts shall be made to determine:
 - ✓ *The anticipated date and time at which a specific contract must be awarded;*
 - ✓ *The anticipated date and time when specific goods must be delivered, services rendered or work executed; and*
 - ✓ *Any other relevant matters.*

2.2.3.2 Acquisition Management

Acquisition Management is charged with the responsibility of administrating:



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- The sourcing of goods and services based on the identified needs. This is done through using the relevant sourcing strategy as determined by the estimated value of goods/services;
- Evaluation and awarding of bids;
- check and sign-off Bid Specifications;
- procure goods and services for the institution;
- evaluate achievements in terms of preferential procurement and recommend changes, if any

2.2.3.3 Logistics management

The SCM unit shall be responsible and accountable for the establishment, management and operation of store facilities for the Department. The Supply Chain Manager shall be responsible and accountable for:

- The day-to-day operation of the department's store facilities;
- Determining the range and nature of items that will be carried in the store facility
- Setting of inventory levels;
- Timely placement of orders when stock levels are low;
- Receiving and distribution of goods; and
- Issue orders and process payment.

2.2.4 Appointment of bid committees

The Department shall appoint the following bid committees in terms of Treasury Regulation 16A6.2 for departments, constitutional institutions and public entities, issued in terms of the Public Finance Management Act (Act No. 1 of 1999): Further details on the bid committees re discussed in the Departmental Bid Charter as amended.

The bid committee members must be appointed by the AO or delegated authority for a period of 18 months. To form a quorum at least 50% plus one (60%) of appointed committee members, who have voting powers, must be present. The evaluation and adjudication committees shall be composed of different members to ensure that transparent review of the evaluation is undertaken.



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The bid specification, evaluation and adjudication processes must be within the ambit of section 217 of the Constitution as well as the prescripts contained in the PPPFA and the Broad-Based Black Economic Empowerment Act, No. 53 of 2003 (BBBEE Act), and their associated regulations.

2.2.4.1 Bid Specification Committee;

- The specification committee may be composed of 5 officials of a department including chairperson. Specification committee will comprise of departmental officials one of which must be an SCM practitioner. Qualified specialist of external consultants maybe co-opted on certain specialised project. End users shall participate as and when required.
- This is the committee responsible for the compiling of bid specifications/ terms of reference. The specifications should be written in an unbiased manner to allow all potential bidders to offer their goods or services.
- Compilation of evaluation criteria based on the request of the end user
- Establishment of compliance requirements and quality assurance standards.
- Specifications shall be approved by the accounting officer or delegated authority e.g. the adjudication committee, prior to advertisement of bid(s) as bids may only be evaluated according to the criteria stipulated in the bid documentation.

2.2.4.2 Bid Evaluation Committee;

The bid evaluation committee may be composed of 6 officials of a department including chairperson. The evaluation committee shall be cross-functional and should include a supply chain practitioner(s).

This committee is responsible for:

- Evaluation of bids in accordance with the criteria specified in the bid documentation. Evaluation criteria may not be changed. According to the prescripts of section 2 of the Preferential Procurement Policy Framework Act, no 5 of 2000 (PPPFA) bids must be evaluated in accordance with a preference point system.
- Evaluating the capability / ability of the bidder to execute the contract
- Evaluating value for money.



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- The evaluation committee must only evaluate bids received and submit a report and recommendation(s) regarding the award of the bid(s) to the bid adjudication committee.

Bidders may not be afforded a second opportunity to change any condition or price or submit further information, unless all other bidders are afforded the same opportunity regarding a particular aspect of the bid where all of them omitted to do the same.

2.2.4.3 Bid Adjudication Committee

The bid evaluation committee may be composed of at least 6 senior officials of a department including chairperson. The adjudication committee should be cross functional of whom at least one member should be a supply chain practitioner. When possible, the chairperson of the committee shall be the institution, Chief Financial Officer.

Depending on the delegations granted by the accounting officer, the adjudication committee could make the final award of the bid, or make recommendation to the accounting officer / authority to make the final award. The committee members should be appointed by accounting officers.

Members of the evaluation committee may present their reports to the bid adjudication committee and clarify any uncertainties. Such members shall not have any voting power on the adjudication committee.

The financial standing and the ability of bidders to manufacture or supply goods and/or services must be examined before their bids are considered for acceptance. The Bid adjudication committee must adjudicate each Bid in accordance with the adjudication criteria published in the request documentation.

BAC must ensure:

- disqualifications are justified,
- scoring was fair, consistent and correct
- availability of funds

4.1 Delegations

Delegations must be issued to the SCM functionalities in terms of Section 44 (1) (a) and (b) of the PFMA and should be effective from the date of signature. The delegations will be reviewed as and when the need arises on. However, this does not divest the Accounting Officer of the power to retract all or any of the



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delegations if circumstances necessitate such a decision. Delegations of authority must be communicated to all officials of the Department.

4.2 Failure to comply

Should it be found that a delegate has failed to comply with the requirements in exercising delegations and this has resulted in irregular, unauthorized, fruitless and wasteful expense, the following punitive action can be instituted against the delegate (refer S86 of the PFMA):

- recover from the delegate all expenses that the Department has suffered/lost through the exercise of the delegations being exceeded or abused;
- institute the necessary steps in terms of misconduct;
- institute the necessary steps in terms of dismissal in cases of unethical behaviour e.g. bribery

Irregular, unauthorized, fruitless and wasteful expenditure will be dealt with in line with applicable framework.

5. POLICY FRAMEWORK

5.1 Risk Management

The activities of the Supply Chain Management must make allowance for better risk management in procurement. The Kwazulu-Natal Department Of Education policy is to share risks and assign responsibility for each particular risk to the Department or the supplier/contractor, depending on who is best able to manage that risk. Risk needs to be addressed when buyers are first defining their requirements. In complex or high value procurement, staff will need to adopt a systematic approach to identifying, analysing, evaluating and monitoring procurement risks. This must involve a risk management plan for procurement over R 5 000 000. Heads of business units should include such a plan in the specifications/requirements and forward to the Supply Chain Management Unit.



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5.2 Recording and reporting

- In the interest of sound administration and responsible decision-making, and to give effect to section 217 (1) of the Constitution of the Republic of South Africa and the Access to Information Act, the officials of the Supply Chain

Management, and the Departmental Bid Adjudication Committee shall keep records of all communication, decision and give reasons when required.

- It is therefore of prime importance that the recorded reasons for the rejection of a particular offer are comprehensive and responsible so that they may be conveyed verbatim to the concerned bidder when a written request is submitted for the reasons.
- When a bidder applies to the Supply Chain Section in writing for the reasons why his offer was not accepted, the full reasons and/ or any relevant decisions included in the minutes should be supplied to the Bidder in writing.
- Standards of accountability expect the Head of Supply Chain Management, the Departmental Bid Adjudication Committee, etc. to record their decisions and the reasons for taking actions that are not consistent with the Department of Education's Policies and Procedures.

6. PROCUREMENT PRINCIPLES

6.1 Availability of Budget

All financial matters must be finalised before any procurement activity can be started. The Responsibility Manager must confirm in writing the availability of funds and that the funds were actually budgeted for and are in line with the programme description and outputs of that programme. Where the Responsibility Manager is procuring goods and/or services the Programme Manager must provide such approval. This includes procurement of goods via the Bid and quotation process. The Bid process will only be initiated once the relevant Programme Manager has approved the transaction and there are well motivated reasons to support the transaction in accordance with the overall Departmental goals and objectives as detailed the procurement plan.

6.2 Establishment and use of a Central Suppliers Database by National Treasury



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6.2.1 National Treasury SCM Instruction Note No. 4A of 2016/2017 prescribes the mandatory usage of the Central Suppliers Database with effect from 1 July 2016.

6.2.2 In order to give effect to the mandatory requirements of the SCM Instruction, Accounting Officers and Accounting Authorities must ensure that:

- The current supply chain management system and policies of their respective organs of state are aligned with the provisions of this SCM Instruction Note.
- Price quotations are invited and accepted from prospective suppliers listed on the CSD; and
- Key information of prospective suppliers verified on the CSD in line with PFMA and regulatory requirements. The following must be verified:
 - Business registration, including details of directorship and membership;
 - Bank account holder information;
 - In the service of the state status;
 - Tax compliance status;
 - Identity number;
 - B-BBEE status level;
 - Tender defaulting and restriction status; and
 - Any additional and supplementary verification information communicated by the National Treasury.

6.2.3 Accounting Officers and Accounting Authorities must not award any bid for price quotations to a Bidder (s) not registered on the CSD, excluding transactions mentioned in paragraph 6.2.4

6.2.4 Transactions concluded through petty cash, sundry payments and foreign suppliers with no local registered entity may be concluded even if the supplier is not registered on the CSD.

6.2.5 If it is not possible to obtain price quotations from the list of prospective suppliers listed on the CSD), the department must conduct a market analysis to identify possible supplier (s), record the process and submit the list of prospective suppliers obtained through market analysis to the Accounting Officer or Accounting Authority or an appropriately delegated Official for approval. The identified supplier (s) should be registered on the CSD before orders are finalised.

6.2.6 Suppliers that have been contracted in respect of emergency procurement procedures of the department should be registered on the CSD.



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6.2.7 With effect from 1 July 2016, SCM Units may not extend any existing contracts that may be in existence for computerized systems that are used to record details of their prospective suppliers and may not institute any new computerized system for the management of their list of prospective suppliers without written approval from the National Treasury.

6.2.8 SCM Units must ensure that suppliers awarded business with the state, excluding instances mentioned in paragraph 6.2.4, are registered on the CSD prior to award letter/ purchase order/ signed contract g issued.

6.3 Samples

If the submission of samples is a material part of the Bid a clause that the submission of samples will be applicable, must be incorporated in the Bid advertisement and Bid specification.

6.4 Standards

Material, products and system standards complying with South African National Standards (SANS) will take precedence over any material, products or systems not complying with nationally recognised standard authorities.

6.5 Preferences

The Kwazulu-Natal Department of Education supports the principle of supporting local manufacturers where only locally manufactured products that meet the stipulated minimum threshold for local content will be considered as potential suppliers and historically disadvantaged individuals, including women to contribute to the achievement of national objectives. It is therefore an objective of the Department of Education to give such preferences where practical and in the interest of the Department of Education to do so within the ambit of legislation such as the PPPFA **regulation 8(1)**

6.6 Declaration of interest

Purchase of goods or services from suppliers or any other person who is in the service of the state.

Suppliers are required to declare an interest by completing the SBD4 form when bidding or offering goods or services to the department.

The National Treasury's Code of Conduct for Supply Chain Management Practitioners must be communicated and adhered to by all officials and other role players involved in supply chain management. A supply chain management official or other role player —

- a) Must recognise and disclose any conflicts of interests that may arise



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- b) Must treat all suppliers and potential suppliers equitably
- c) May not use their position for private gain or to improperly benefit another person
- d) Must ensure that they do not compromise the credibility or integrity of the Department.
- e) supply chain management system through the acceptance of gifts or hospitality or any other act
- f) Must be scrupulous in their use of public property
- g) Must assist the accounting officer or accounting officer in combating corruption and fraud in the supply chain management system.

An SCM official must declare their interest and recuse themselves in the following cases:

- where suppliers are relatives;
- where officials have an interest, either direct or indirect, and
- where officials are involved in the Departmental Bid Adjudication Committee

Paragraph 13(c) of the Public Service Regulations, 2016 prohibits an employee from conducting business with any organ of state or being a director of a public or private company conducting business with an organ of state, unless such employee is in an official capacity a director of a company listed in schedule 2 and 3 of the Public Finance Management Act. To this end, any employee of the department found to have contravened the above prescript will be subjected to a disciplinary process.

All SCM officials must complete a disclosure of financial interests annually.

Any gift received by an SCM official must be recorded on a gift register maintained by the Department in accordance with gift receipt policy.

Bid Adjudication Committee members must declare conflict of interest in each Bid Adjudication Committee meeting and recuse themselves when the item is discussed.

No supplier shall be prejudiced as a result of a declaration of interest. Bid Adjudication Committee members must complete a disclosure of financial interest annually.

1 Awards of purchase

Awards to purchase must be made on the basis of the lowest acceptable offer which is in accordance with specification, and is commercially, technically and financially



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acceptable and in the best interest of the Department of Education. Furthermore, awards must be subject to the allocation of preferential points.

For purchases below R 30 000-00 awards must be made on the basis of the lowest priced quotation/offer. Preference points in terms of the PPPFA, Act 5 of 2000 may be applied where it is deemed appropriate.

If the lowest priced offer/quotation is passed over, reasons must be given in writing and the purchase must be approved by the relevant Adjudication Committee.

For purchases ranging from R 30 000-00 to R 500 000-00 awards must be made on the basis of the highest points scored in terms of the PPPFA.

Bids for procurement of goods and services exceeding R 500 000-00 in value must be advertised through competitive process.

NOTE: requirements shall not be split into components, or succession of orders for the same goods or services in order to enable procurement under certain financial thresholds for quotations referred to herein. Acquisition must be aligned to procurement plan and sourcing strategy.

Exemption or deviation from normal bid procedures

The Accounting Officer/Accounting Authority must only deviate from inviting competitive bids in cases of emergency and sole supplier status.

An emergency procurement may occur when there is a serious and unexpected situation that poses an immediate risk to health, life, property or environment which calls an agency to action and there is insufficient time to invite competitive bids.

The reason for the urgency or emergency and the losses or consequences that will follow if action was not taken must be recorded and must serve as a basis for the written motivation as to why it is impractical to invite competitive bids and submitted to the accounting officer for approval

Sole source procurement may occur when there is evidence that only one supplier possesses the unique and singularly available capacity to meet the requirements of the institution.

The Accounting Officer/Accounting Authority must invite as many suppliers as possible and select the preferred supplier using the competitive bid committee system.



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Any other deviation will be allowed in exceptional cases subject to the prior written approval from the relevant treasury. These exemptions may include but not limited to any procurement where the department will invite less than three suppliers to submit quotations e.g. procurement of goods and services from TVET colleges, schools, or from another organs of state etc.

All deviations from the normal bid procedures/process should be recorded in a deviations register.

7. PROCUREMENT METHODS

The Department shall adhere to principles of fair, equitable and transparent procurement systems whenever sourcing goods and services from the market. To ensure attainment of this critical requirement, the following procurement mechanisms are prescribed when procuring goods and services on behalf of the Department. The Supply Chain Management Unit shall execute all the requests in a manner that is fair, transparent, equitable, cost-effective and competitive.

8.1 Threshold Values for The Procurement of Goods and Services by Means of Petty Cash, Verbal/Written Price Quotations and Competitive Bids as Per Procurement Delegation

Officials should apply the following threshold values when procuring goods or services, hiring or letting anything, acquiring or granting any right or disposing of movable state property.

8.1 .1 Procurement from R 0 to R 2000-00

Officials may procure requirements by inviting competitive price quotations or by means of petty cash, using an EF72 form.

8.2 Above the value of R 2 000 but not exceeding R 10 000 (VAT included)

Officials may procure requirements by obtaining at least three (3) written quotations from the central Suppliers database (CSD).

8.3 Above the value of R10 000 but not exceeding R500 000 (VAT included)

- Officials should invite and accept written price quotations for requirements up to an estimated value of R500 000 from as many suppliers as possible, that are registered on the Central Suppliers database (CSD).



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- Quotation documents shall clearly indicate the specifications/ terms of reference for goods/ services required and criteria for evaluation. The specifications and evaluation criteria shall not be aimed at limiting competition, but rather to ensure a fair, equitable, transparent, competitive and cost-effective process.

The specifications shall (where practical) not mention trade/brand names.

Where the specifications are based on standard documents (i.e. SABS or CKS standards) available to bidders, a reference to those documents is sufficient.

- All documents pertaining to the procurement of goods or services by means of written price quotations will be issued and received by the SCM Unit.

Quotation documents shall clearly state the place, fax number or email where such documents must be submitted and a date by when they must be returned.

All prices submitted shall remain confidential until all invited quotations have been received.

- If it is not possible nor practical to obtain at least three (3) written price quotations, or in cases where only one (1) quotation was received and accepted out of three (3) or more suppliers invited to quote submitted quotations, the reasons should be recorded and forwarded to the Bid Adjudication Committee for noting on a monthly basis. This will also apply to patented products. Reasons must be approved by accounting officer or delegated authority.
- Officials should apply the prescripts of the Preferential Procurement Policy Framework Act, Act 5 of 2000 and its associated Regulations for all procurement equal to or above R 30 000 (VAT included). However, these prescripts may be applied for procurement with a value of less than R 30 000, if and when appropriate.
- The SCM unit must establish departmental quotation committees to deal with nomination, evaluation and awarding of quotations. These committees must be comprised of SCM officials, end users will be included as and when clarity is sought.



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8.4 Invitation of Bids

Above the value of R 500 000 (VAT included)

- Officials should invite competitive bids for all procurement above R 500 000.
- Goods, works or services may not deliberately be split into parts or items of lesser value merely to avoid complying with the requirements of the prescribed thresholds. A case is regarded as the consolidated requirement of related items (items of a common commodity group, for example the grouping together of all stationery items), that exist at a given point in time. It should cover the total quantities and estimated value (VAT included) of all items concerned for the complete service or supply. Items appearing on the procurement plan for the complete service or supply should not be split in order to reduce the value such that it becomes less than the threshold value for the invitation of competitive bids.
- Competitive bids should be advertised in at least the e-Tender Publication Portal and the Government Tender Bulletin and in other appropriate media should the accounting officer deem it necessary to ensure greater exposure to potential bidders and also adhering to cost containment requirements.
- Bids shall be invited by the Supply Chain Management Unit for all goods and services exceeding R 500 000 (including VAT). These bids are advertised at least 21 working days before closure in at least the Government Tender Bulletin, e-Tender Portal and in other appropriate media if necessary to ensure greater exposure to potential bidders. In urgent cases subject to the Accounting Officer's approval, shorter periods can be used. Bidding procedures should be easy, transparent and free of corruption.
- Bid documents must contain specifications which promote the broadest possible competition. They must adequately cover the information required by the department with respect to the needs of the suppliers, enabling them to offer exact requirements. The bid will also spell out the criteria that will be used to select the successful bidder. The bid will stipulate the bid number, a closing time and date for responses.



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- Bid documents shall clearly indicate the terms and conditions of contract, specification criteria for evaluation and procedures to be followed where applicable, including the criteria prescribed in terms of the Preferential Procurement Legislation.

The bid documentation must compel all bidders to declare any conflict of interest that bidders may have in a specific bid, and must ensure their tax matters are in order.

The specifications and evaluation criteria shall not be aimed at hampering competition, but rather to ensure fair, equitable, transparent, competitive and cost effective bidding.

The specifications shall not mention trade names or particular processes of manufacture.

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

- Should it be impractical to invite competitive bids for specific procurement, e.g. in urgent or emergency cases or in case the of a sole supplier, officials may procure the required goods or services, in accordance with Treasury Regulation 16A6.4 by other means, such as price quotations or negotiations. The reasons for deviating from inviting competitive bids should be recorded and approved by the Accounting Officer. The exemption to dispense with normal Supply Chain Management processes in this regard must however first be approved by the Accounting Officer.
- The prescripts of the Preferential Procurement Policy Framework Act, Act5 of 2000 and its associated Regulations must be adhered to.
- The Accounting Officer may request to participate in any transversal contract arranged by means of a competitive bidding process by National Treasury, Provincial Treasury or any other organ of state, subject to the written approval of such organ of state.

8.5 Communication with bidders:



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There must be minimal contact with prospective Bidders before the closing date of the Bid. Any communication to any particular bidder must be in writing and signed by the Chief Financial Officer. Any briefings or clarifications of the request for bid must be provided in a consistent manner to make sure all suppliers have access to the same information and no one is advantaged or disadvantaged. Preferably briefing sessions should be arranged, with the express approval of the Chief Financial Officer.

8.6 Validity period of Bids:

The validity period must be as short as possible. The norm is a validity period of no longer than 120 days. The Accounting Officer of the Department of Education must approve any period longer than this. The Accounting officer or the Departmental Bid Adjudication committee is responsible for the extension of the validity periods prior to lapse.

8.7 Receiving Bids:

Where Bids may require special handling, for example where there is large volume of documentation, the Supply Chain Management Unit will make appropriate arrangements to keep them secure. Bids received by facsimile, telegram, telex or similar apparatus are not acceptable and will be rejected summarily. Only ORIGINAL BID documents where all the relevant forms are signed in ink before submission will be accepted as valid Bids.

8.8 Late Bids:

Bids are late if they are received at the address given in the Bid documents after the closing date and time. The Department of Education will not accept late bids.

8.9 Signing of Bids:

All Bid forms, which require signatures, must be duly signed in ink to qualify the Bid as valid.

8.10 Unsolicited Bids

The department is not obligated to consider any unsolicited bids received outside of the normal bidding process. The Bid Adjudication Committee may consider unsolicited bid provided that the service provider presenting the bid is prepared to subject their solution to a competitive bidding process subject to the procurement rules.



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9 CONSIDERATION AND AWARDING OF BIDS

The accounting officer should ensure that the bid committees are appropriately composed to form a quorum and ensure that all members from the all bid committees have signed declaration of interest forms before considering the relevant bid.

10 BIDS APPEALS

Awarded bids are subject to an appeals process in terms of bid appeals tribunal practice note number: SCM-07 of 2006

11 ACCEPTANCE OF BIDS

Upon award of a bid a letter of award/ acceptance will be issued to a successful bidder

A Service Level Agreement will be concluded on the issuance of a letter of acceptance. However formal contracts may be entered into only if provided for in the Bid invitation or the letter of conditional acceptance.

All service providers who supply goods and render services to the KZN Department of education must ensure that they have an official Purchase Order Note issued by the Department before they supply goods or render any services.

Further the KZN Department of Education shall neither honour nor entertain any claim whatsoever arising from the service rendered without an official Purchase Order Note

9. Reporting on Supply Chain Management Information

Supply Chain Management Sections must continue to report on their progress in the implementation of Supply Chain Management and on a monthly basis report on the award of all bids in Practice Notes SCM 10 of 2006 as prescribed.

12 PROJECT MANAGEMENT/ CONTRACT ADMINISTRATION AND MONITORING

12.1 Central processes



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The person nominated to be Project Manager must forward a performance report to the relevant General Manager at each milestone, deliverable or other significant review point of the project and on completion of the project.

The provision of a satisfactory performance report is a prerequisite for approval to pay the contractor either progress payments or a final payment.

The Project Manager must consult with the Bid adjudication committee where any difficulties are being experienced with the contractor or where remedial action is required in relation to poor performance. These processes form part of the Bid adjudication committee's responsibilities to ensure that Supply Chain Management obligations in respect of due processes are met and that the Department of Education risk exposure is managed effectively.

The department must keep a contract register at head office and at district office. The register must be inspected on a monthly basis by the Director of SCM/ District Director. A report on suppliers' performance must be submitted to the CFO on a monthly basis.

12.2 Contract variations

All internal proposals for contract variations must be referred to the Bid Adjudication Committee well before the due date for a contract deliverable or the expiration of the contract as a whole. It is not appropriate for contract variations to be left so late that the Department of Education's negotiating position is compromised. Therefore, wherever possible, the Supply Chain Management must be given a minimum period of two weeks' notice of internal proposals for contract variations.

Contract variations emanating from the contractor also need to be of sufficient notice. Proposals by contractors for extension of their services, which are submitted to the Bid Adjudication Committee less than two weeks from the expiry of the original contract, are unlikely to be entertained.

NOTE: Contract variations, especially those that involve an increase in cost or an extension of the time of the original contract, can be extremely sensitive. Project managers must therefore be careful to give no indication to the contractor of the likely outcome of any such proposals. Failure to observe this requirement may give rise to a contract in itself and/or a claim for damages by the contractor.

All proposed contract variations must be referred to the Bid adjudication committee. The Bid adjudication committee will recommend to the Head of Department whether the contract variations should be agreed to or not.



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Variation orders shall not exceed 15% or R15 million (including VAT of the original contract amount (For infrastructure projects this threshold shall be 20% or R20 million) Any deviation in excess of the prescribed thresholds will only be allowed in exceptional circumstances subject to prior written approval from Provincial Treasury.

12.3 Performance evaluation

Performance targets are identified as part of the initial planning for a contract, and set out in the business case and request for Bid documentation. Targets are generally associated with cost, timeliness and the quality of products and services to be purchased as the outputs of the contract.

Officials are expected to monitor and evaluate the contractor's performance. This is essential in determining whether the requirements are being met and to avoid any future conflicts over unsatisfactory performance.

Contractors should be required to report to the project manager on progress accordance with the agreed timeframes and review schedules. The project manager must inform the contractor in writing where there is evidence that the contractor's performance is inadequate or behind schedule. If there is continuing concern that obligations are not being met, advice should be sought immediately from the Bid Adjudication Committee.

Disputes must be resolved promptly and not be allowed to escalate into costly legal battles.

A copy of all performance reports and reports on contract outcomes should be forwarded to the Supply Chain Management. The Supply Chain Management must ensure that these reports are available for reference purposes to staff inquiring about a contractor's performance.

12.4 Payment of accounts

The Financial Management section shall endeavour to pay accounts timeously and avoid penalties for late payments in the form of interest. In normal circumstances payment for supplies and services is made in accordance with contract conditions only after they have been delivered and installed in good working order. A person who has requested the service shall sign for the delivery of goods and services and must certify on the invoice or delivery note that the services have been rendered or goods delivered satisfactorily. Under no circumstances may the procurement officials certify invoices unless they have requested such services. Although accounts should normally be



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settled within 30 days of receipt thereof, this should not be used as an excuse to delay payment.

Progress payments may be made only in accordance with contract conditions. Advance payments must be avoided and considered only in extreme circumstances with the relevant guarantees made available by the supplier. Request for advance payment must be recommended by the Chief Financial Officer and approved by the Head of Department.

12.5 Price adjustments

Price adjustments are considered in terms of the contract conditions, which state the circumstances in which contractors may claim a price increase.

In case of exchange rate fluctuations, contractors are compensated for actual expenses proven as additional expenses, provided that the relevant exchange rate used for the calculation of the Bid price, as well as the amount, which must be remitted abroad, are indicated in the Bid. Where applicable, any advantage due to favourable exchange rates must be passed on to the Department of Education.

Documented proof must be submitted together with the request for price adjustment.

12.6 Transfer of contracts/payment

Contracts may be transferred at the request of either the Department of Education or the contractor and must be approved by the Bid Adjudication Committee, provided that the transfer is not to the detriment of the Department of Education. If a contract was awarded as a result of the application of point preference system for empowerment principles, the transferee should also qualify similarly under the same principles.

Transfer of contract payments may be considered in cases where a contractor makes a written request signed by an authorised person for monies due to him/her to be paid to another person or organisation such as a bank or supplier. When a request is received from a contractor's supplier, bank or attorney, written confirmation must be requested from the contractor.

Both parties must be compliant to CSD at the time of transfer.

12.7 Unsatisfactory Performance

Unsatisfactory performance occurs when performance is not in accordance with the contract conditions. Before action is taken, the contractor must be warned in writing (with a registered letter) that action will be taken against him/her unless he/she complies with the contract conditions and delivers satisfactorily within a specified



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reasonable period. If the contractor still does not perform satisfactorily despite the warning, a recommendation may be made to the Bid adjudication committee to cancel the contract.

If during the guarantee period, a supplier does not comply with the requirements due to faulty material or otherwise, the contractor must be requested to repair or replace the faulty material at his cost without delay, and that it must be guaranteed for the same period as the original supplies.

Record must be kept by the relevant Business Unit of details of all cases of non-performance by contractors. If rejected supplies are in the possession of the Department of Education, the contractor must be requested to collect the supplies at his/her own expense, failing which the goods will be sent back and the cost will be for the contractor's account.

12.8 Cancellation of contract (breach of contracts in terms of the service level agreement)

If acceptable reason exists, the Head of Department may give approval for cancellation of a contract, after recommendations by Bid Adjudication Committee. The cancellation of contracts may be considered for a variety of reasons, such as:

- Wrong preferences claimed
- Non-compliance with contract conditions
- Delayed deliveries
- Bribery
- Death
- Sequestration/liquidation of the contractor

Serious thought must be given when cancellation is considered. Clarity must be reached beforehand on the question of whether the contractor will have a claim against the Department of Education, and if so, whether cancellation can be justified. The following must also be addressed beforehand

- What further arrangements will be made for completing the contract?
- Whether additional costs will be recovered from the contractor?

There may be other avenues of action, which might result in lower additional costs. Consequently, thought must be given to the possibility of considering the next acceptable Bid received in response to the particular Bid invitation. Alternatively, a new



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Bid may be invited. However, account must be taken of the effect of cancellation on the department's part.

12.9 Restrictions:

Where the Department of Education is of the opinion that a contractor has acted improperly, the contractor may be restricted from doing business with the Department of Education for a particular period. It is important that before such a decision is made the Bid Adjudication Committee has all the facts and is fully informed of the contractor's reactions to warnings that must have been issued. Furthermore, care must be taken that the prescribed procedures have been followed as the court may find that an administrative action, such as the imposition of a restriction is not valid in cases where the person has not been given a reasonable time to state/his/her side of the case. or has not been fully informed of the results of his failure to react.

13. PROFESSIONAL AND SPECIAL SERVICES

In contracting professional or consultancy services, business units are required to motivate and certify to the satisfaction of the Departmental Bid adjudication committee that the Department is not capable of rendering the required service from its own ranks owing to a lack of expertise, etc. before the invitation of bids.

14. COST CONTAINMENT

In accordance with the National Treasury, Instruction no.3 of 2018-2019, the Department has incorporated all requirements into the daily operations of the Supply Chain Management processes to ensure that costs are kept to a minimum for all goods and services rendered to the Department.

15. IRREGULAR EXPENDITURE, UNAUTHORISED EXPENDITURE AND FRUITLESS AND WASTFUL EXPENDITURE

This section must be read in conjunction with the following documents:

- Public Finance Management Act, 1999 (Act No 1 of 1999, as amended by Act 29 of 1999 (PFMA));
- National Treasury Regulations, March 2005; and
- Updated guideline on irregular expenditure issued by the office of the Accountant General in April 2015.
- Policy on Unauthorized, Irregular and Fruitless and Wasteful Expenditure.



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- Irregular expenditure framework.

Irregular expenditure means expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation including:

(a) The Public Finance Management Act, 1999 (Act 1 of 1999 amended by Act No. 29 of 1999).

Where no procurement procedures have been followed, including the obtaining of approval from the relevant authorities (Bid Adjudication Committee, etc.) and where goods or services have been obtained without following normal procurement/ Bid procedures and/ or no order has been issued before receipt of goods or services, this action/expenditure shall be regarded as irregular expenditure and should be reported to the office of the CFO on a monthly basis.

Unauthorized expenditure means the overspending of a vote or main division within a vote, expenditure not in accordance with the purpose of a vote or in the case of a main division, not in accordance with the purpose of the main division.

Fruitless and wasteful expenditure means expenditure which was in vain and would have been avoided had reasonable care been exercised.

Condonation of Action

Condonation of irregular expenditure will be sent to internal control unit, which will then be sent to KZN Provincial Treasury.

16. VALUES AND CODE OF CONDUCT

The Department expects that all members of staff involved in Supply Chain Management processes must possess a high level of professionalism and standards of personal integrity. It must be borne in mind that Supply Chain Management units are responsible for the successful implementation of the initiative pertaining to preferential procurement, are the guardians of the process and it is therefore their duty to ensure that the system is not abused for any purpose. Any employee suspected of acting contrary to this call, will be dealt with in terms of the departmental policies and established disciplinary prescripts. The behaviour of all personnel will be based on the following:

- Open, honest and co-operative business relations with colleagues and bidders.
- Confidentiality of both Government and Commercial Information.



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- Avoidance of conflict of interest.
- Fair dealings and impartial conduct in the evaluation of bids.
- A high standard of professionalism and competence.
- Mutual trust and respect.
- An environment where business can be conducted with integrity and in a fair and reasonable manner.
- Recognizing and dealing with conflicts or the potential thereof.
- Dealing with suppliers even-handedly.
- Ensuring not to compromise the good standing of the state through acts of impropriety, which may arise from the acceptance of gifts and hospitality.
- The scrupulous use of public property.
- Providing assistance in the elimination of fraud and corruption.
- Compliance with ethical standards as outlined in the PFMA Regulation 8 pertaining to SCM and National Treasury Practice Note 4 of 2003.

To this end all quotation and bid committees must sign a declaration of interest as well as confidentiality forms at committee's meetings, and records thereof maintained by the respective SCM units

DR EV NZAMA

HEAD OF DEPARTMENT

KWAZULU-NATAL DEPARTMENT OF EDUCATION

DATE:

30/3/2021