SANRAL

Supply Chain Management
Policy And Procedure Manual

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1 PART 1

1.1 Section 1: Document definition

Version Draft 1
Date 5 February 2007
Summary This document is the draft Supply Chain Management Policy and Procedures Manual applicable to SANRAL.

Signature Date
__________________________
CHIEF EXECUTIVE OFFICER

Next revision date
## Section 2: Terminology

### 1.2.1 Abbreviations

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<th>Description</th>
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<tr>
<td>BBBEE</td>
<td>Broad Based Black Economic Empowerment</td>
</tr>
<tr>
<td>BEE</td>
<td>Black Economic Empowerment</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CFO</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>CIDB</td>
<td>Construction Industry Development Board</td>
</tr>
<tr>
<td>DTI</td>
<td>Department of Trade and Industry</td>
</tr>
<tr>
<td>FM</td>
<td>Financial Manager</td>
</tr>
<tr>
<td>GCC</td>
<td>General Conditions of Contract</td>
</tr>
<tr>
<td>HDI</td>
<td>Historically Disadvantaged Individual</td>
</tr>
<tr>
<td>HOC</td>
<td>Heads of Clusters</td>
</tr>
<tr>
<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
</tr>
<tr>
<td>NIPP</td>
<td>National Industrial Participation Programme</td>
</tr>
<tr>
<td>PAM</td>
<td>Procurement Administration Manager</td>
</tr>
<tr>
<td>PFMA</td>
<td>Public Finance Management Act (Act 1 of 1999, as amended)</td>
</tr>
<tr>
<td>PM</td>
<td>Procurement Manager</td>
</tr>
<tr>
<td>PPP</td>
<td>Public Private Partnership</td>
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<tr>
<td>PPPFA</td>
<td>Preferential Procurement Policy Framework Act (Act 5 of 2000)</td>
</tr>
<tr>
<td>RDP</td>
<td>Reconstruction and Development Programme</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Description</td>
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<tr>
<td>--------------</td>
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<tr>
<td>RFI</td>
<td>Request for Information</td>
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<td>RFP</td>
<td>Request for Proposal</td>
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<tr>
<td>RFQ</td>
<td>Request for Quotation</td>
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<tr>
<td>SANRAL</td>
<td>South African National Roads Agency Limited</td>
</tr>
<tr>
<td>SAPS</td>
<td>South African Police Services</td>
</tr>
<tr>
<td>SARS</td>
<td>South African Revenue Services</td>
</tr>
<tr>
<td>SBD</td>
<td>Standard Tendering Documents</td>
</tr>
<tr>
<td>SCM</td>
<td>Supply Chain Management</td>
</tr>
<tr>
<td>SITA</td>
<td>State Information Technology Agency</td>
</tr>
<tr>
<td>SMME</td>
<td>Small Medium and Micro Enterprise</td>
</tr>
<tr>
<td>SP</td>
<td>Service Provider</td>
</tr>
<tr>
<td>TCO</td>
<td>Total Cost of Ownership</td>
</tr>
<tr>
<td>TOR</td>
<td>Terms of Reference</td>
</tr>
</tbody>
</table>
### 1.2.2 Definitions

<table>
<thead>
<tr>
<th><strong>A-CLASS ITEMS</strong></th>
<th>A-class items are those items which are not consumable or expendable</th>
</tr>
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<tbody>
<tr>
<td><strong>ACQUISITION MANAGEMENT</strong></td>
<td>Acquisition management is the process of procurement of goods or services and includes:</td>
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<tr>
<td></td>
<td>• Identification of preferential policy objectives;</td>
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<td></td>
<td>• Determination of market strategy;</td>
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<td></td>
<td>• Application of depreciation rates;</td>
</tr>
<tr>
<td></td>
<td>• Application of total cost of ownership principle;</td>
</tr>
<tr>
<td></td>
<td>• Compilation of tender documentation, including conditions;</td>
</tr>
<tr>
<td></td>
<td>• Determination of evaluation criteria;</td>
</tr>
<tr>
<td></td>
<td>• Evaluation of tenders and tabling of recommendations;</td>
</tr>
<tr>
<td></td>
<td>• Compilation and signing of contract documents; and</td>
</tr>
<tr>
<td></td>
<td>• Contract administration</td>
</tr>
<tr>
<td><strong>ACT</strong></td>
<td>Act means the Act applicable to SANRAL.</td>
</tr>
<tr>
<td><strong>BLACK PEOPLE</strong></td>
<td>Black people is a generic terms which means African, Coloureds and Indians.</td>
</tr>
<tr>
<td><strong>CFO</strong></td>
<td>Chief Financial Officer means the person who functions as the Head of Finance of SANRAL</td>
</tr>
<tr>
<td><strong>E-CLASS ACCOUNTABLE</strong></td>
<td>Those items which are approved by the Treasury as consumables.</td>
</tr>
<tr>
<td><strong>E-CLASS ITEMS</strong></td>
<td>E-class items are those items that are consumable and expendable and cannot be repaired when it becomes unusable.</td>
</tr>
</tbody>
</table>
| **HISTORICALLY DISADVANTAGED INDIVIDUAL** | Historically Disadvantaged Individual (HDI) means a South African citizen –  
who is a female; and/or  
who is a disability;  
Provided that a person, who obtained South African citizenship on or after the coming into effect of the Interim Constitution, is deemed not to be an HDI. |
<table>
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<tr>
<td><strong>PFMA</strong></td>
<td>PFMA means the Public Finance Management Act, Act No 1 of 1999 as amended, as well as National Treasury Regulation 16A, regarding Supply Chain Management issued in terms thereof.</td>
</tr>
<tr>
<td><strong>QUITTANCE</strong></td>
<td>The acknowledgement by the recipients of the receipt of issued stores, reflecting a signature, receipt voucher number and date of receipt.</td>
</tr>
<tr>
<td><strong>SALVAGE</strong></td>
<td>The act of saving any goods or property in danger of damage or destruction.</td>
</tr>
<tr>
<td><strong>SMALL MEDIUM AND MICRO ENTERPRISE (SMME)</strong></td>
<td>SMME is as defined in the National Small Business Act, Act No 102 of 1996, as amended. Employing a maximum of 100 employees in any sector except manufacturing or construction where the maximum is 200 employees.</td>
</tr>
<tr>
<td><strong>STORES/Stock</strong></td>
<td>All movable state property/assets that are kept in stock for issue purposes.</td>
</tr>
<tr>
<td><strong>STRATEGIC GOALS</strong></td>
<td>Strategic goals are areas of institutional performance that are critical to the achievement of the mission. They are statements that describe the strategic direction of the institution. It is useful to think of strategic goals as outcomes to be achieved by the institution.</td>
</tr>
<tr>
<td><strong>STRATEGIC OBJECTIVES</strong></td>
<td>Strategic objectives are more concrete and specific than strategic goals. They should give a clear indication of what SANRAL intends doing or producing in order to achieve the</td>
</tr>
</tbody>
</table>
Supply chain management (SCM) is an integral part of financial management. This function integrates the planning, procurement and provisioning processes, seeks to introduce international best practices, whilst at the same time addressing Government’s preferential procurement policy objectives.

Four phases are distinguished in the SCM processes, namely:

- Demand management
- Acquisition management
- Logistics management
- Disposal management

The planning process is dealt with in the Demand Management phase, the procurement function in Acquisition Management and provisioning in Logistics and Disposal Management.
1.3 Section 3: Overall objectives

1.3.1 Overall objectives

To ensure efficient and a least cost, efficient, effective and uniform procurement of all services and goods, required for the proper functioning of SANRAL, whilst developing, supporting and promoting broad based black economic empowerment, small, medium and micro enterprises.

To ensure the effective and uniform management and disposal of goods and assets through the supply chain management process.

1.3.2 This Supply Chain Management Policy and Procedure Guidelines

These guidelines shall give effect to the overall objective stated through policy and procedures.

All SANRAL’s supply chain management must be done in line with the policy and procedures outlined in these guidelines.

Template documents are to be designed in accordance with this manual to support the processes.
1.4 Section 4: Legislative environment

1.4.1 The Constitution

In establishing an SCM policy document, the organ of state must produce a document that complies with section 217 of the Constitution of the Republic of South Africa, (Act no 108 of 1996, as amended) which reads as follows:

“217 (1) When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.

(2) Subsection (1) does not prevent the organs of state or institutions referred to in that subsection from implementing a procurement policy providing for –
(a) categories of preference in the allocation of contracts; and
(b) the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.

(3) National legislation must prescribe a framework within which the policy referred to in subsection (2) must be implemented.”

1.4.2 Public Finance Management Act

SANRAL shall apply the Public Finance Management Act, Act 1 of 1999, as amended and Treasury Regulation 16A which deals with Supply Chain Management issued in terms thereof.

Treasury Regulation 16A serves as a formal requirement for accounting authorities listed in Schedule 3A and 3C of the PFMA, to ensure the establishment and implementation of an effective and efficient Supply Chain Management Unit within the office of the CFO, as an integral part of their financial systems.

A Supply Chain Management System must be utilised and provide at least for the following:

- Demand management;
- Acquisition management;
- Logistics management;
- Disposal management;
- Risk management; and
- Regular assessment of supply chain performance.

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The Act stipulates that in contracting for goods and services, and the disposal and lettings of state assets, including the disposal of goods no longer required, the Board will develop and implement a system, which is fair, equitable, transparent, competitive and cost-effective and is consistent with the PPPFA.

Public-Private Partnership

The Board must ensure that Treasury Regulation 16 is complied with when goods or services are procured through public private partnerships or as part of a public private partnership.

1.4.3 National Treasury practice notes

All documents relating to SCM are available electronically on National Treasury’s web page http://www.treasury.gov.za/organisations/specialist functions/supply chain management norms and standards

Current practice notes that have already been issued pertain to the following:

- General conditions of contract and standardised tendering documents;
- Appointment of consultants;
- Code of conduct for supply chain management practitioners;
- Clearance Certificates;
- Procurement of motor vehicles;
- Checklist for the implementation of SCM and Monthly reporting of SCM Information;
- Strategic sourcing of motor vehicles: Request for estimates;
- Training of SCM officials;
- Amendment of the SBD form pertaining to the NIPP;
- Threshold values for procurement by means of petty cash, verbal/written price quotations and competitive tenders;
- Projects/services funded by grants in accordance with technical assistance procedures and appointment of transaction advisers to assist with PPP’s;
- Tax clearance certificates; and
- Prohibition on the use of cost estimates as benchmarks and measurables attached to specific goals for which preference points are awarded.
1.4.4 The Preferential Procurement Policy Framework Act (PPPFA)

SANRAL will apply the spirit of the Preferential Procurement Policy Framework Act, (Act 5 of 2000) and its regulations.

The Act provides for the implementation of a preference system in the allocation of contracts for categories of service providers and the promotion of goals to advance the interest of persons disadvantaged by unfair discrimination.

The Act also regulates that the evaluation processes are conducted in a fair, justifiable and transparent manner.

There is currently a process underway to ensure that the PPPFA and the BBBEE Act is aligned.

1.4.5 Broad Based Black Economic Empowerment Act (BBBEE)

SANRAL will adhere to the directives contained in the Broad Based Black Economic Empowerment Act, (Act 53 of 2004)

Economic transformation will be promoted through preferential procurement in order to promote meaningful participation of black people in the economy.

Transformation will achieve a change in the racial composition of ownership and management structures of existing and new enterprises.

1.4.6 The King report on Corporate Governance for South Africa 2002

SANRAL will subscribe to the Code of Corporate Practices Conduct as it effects procurement.

The Report describes the principles of risk management, ethical conduct, black economic empowerment, social investment prioritisation as well as spending.

1.4.7 The Prevention and Combating of Corrupt Activities Act, Act 12 of 2004

SANRAL will adhere to the directives contained in the Prevention and Combating of Corrupt Activities Act as it affects the procurement process.

The Act, apart from the general offence of corruption, provides for a range of corrupt activities such as:

- Corrupt activities relating to specific persons which include public officers;
- Corrupt activities relating to receiving or offering of unauthorised gratification; and
- Corrupt activities relating to specific matters which includes contracts, procuring and withdrawal of tenders and auctions.
The Act provides for miscellaneous offences relating to possible conflict of interest and other unacceptable conduct, such as acquisition of private interest in contract agreements.

Other offences relating to corrupt activities such as accessory to or after an offence, conspiracy and inducing another person to commit an offence are addressed.

Penalties and related matters are also dealt with.
1.5 Section 5: Authority to execute

1.5.1 Policy

All procurement activities will be executed in accordance with the Board’s delegated powers document that establishes levels of authority and conditions to ensure control and cluster of responsibility.

Any activity to be executed must be done in accordance with a delegation. These delegations must be personalised (indicating a person and/or a rank), in writing and contained in the Board’s delegated powers.
1.6 Section 6: Roles and responsibilities

1.6.1 Procurement focus

The roles and responsibilities of all the structures hereunder are defined only from the perspective of procurement.

1.6.2 The SCM system

The SCM system must in the case of procurement through a tendering process provide for:

- The establishment, composition and functioning of relevant roleplayers;
- The evaluation of tenders through a Tender Evaluation Committee;
- The establishment, composition and functioning of Tender Evaluation Committees;
- Tendering procedures;
- The appointment and functioning of the Adjudication Committee.
- The approval of Tender Evaluation Committee recommendations by the Adjudication Committee.

1.6.3 SANRAL Board

To ensure that SANRAL maintains:

- An appropriate procurement system which is fair, equitable, transparent, competitive and cost-effective;
- Effective, efficient and transparent systems of financial, risk management and internal control;
- A system of internal audit under the control and direction of an audit committee complying with and operating in accordance with prescribed regulations and instructions;
- To act with integrity and in the best interest of SANRAL in managing its financial affairs, including the avoidance of conflict of interest, improper practices and opportunities for fraud, theft and corruption;
- To prevent any prejudice to the financial interests of SANRAL or the State; and
- To purchase or otherwise acquire, take on lease or hire, exchange, improve, sell, mortgage, pledge, let, dispose of or otherwise deal in property of any description whatsoever.
To take effective and appropriate steps to:

- Prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with the operational policies of SANRAL;

- Manage available working capital efficiently and economically;

- To ensure that expenditure of SANRAL is in accordance with the approved budget;

- To delegate in writing any of the powers, functions or duties entrusted, delegated, or imposed on it by the Constitution, to any appointed members of the Board or any employee of SANRAL via the Board; and

- To approve the allocation of funds to strategic goals of SANRAL.

The Board may procure the services of advisors to assist in the execution of the SCM function. No advisor may however, form part of the final decision-making process regarding the award of tenders, as this will counter the principle of vesting accountability with the Board. The Board cannot delegate decision-making authority to a person other than an official.

It is the responsibility of the Board to ensure that SCM practitioners are trained in accordance with the Guide for minimum training and deployment issued as “Practice note number SCM 5 of 2004: Training of Supply Chain Management Officials”.

1.6.4 Contracts committee

To ensure that all contracts are awarded in compliance with a strictly applied tender process.

To ensure that expenditure is properly authorised in accordance with the established, delegated powers approved by the Board/Board.

1.6.5 Assets and Liability Committee

Responsible for financial risk management.

To formulate policies and controls governing SANRAL’s financial risk management activities with respect to liquidity investments, interest rates and credit.

The committee sets risk management parameters for each risk category whilst also reviewing the performance of the treasury function.
1.6.6 Chief Financial Officer

To recommend the annual budget to Board

The Chief Financial Officer is responsible for carrying out the financial functions relating to SANRAL for an on behalf of the Board.

To ensure sound budgeting and budgetary control measures.

To ensure the operation of internal controls.

To approve recurring expenditures.

1.6.7 Specification Committee

The Tender Specification Committee may be composed of officials from the different clusters.

It is recommended that specifications should be approved by the Board or the delegate, prior to advertisement of tenders as tenders may only be evaluated according to the criteria stipulated in the tender documentation.

1.6.8 Tender Evaluation Committee

The evaluation committee will evaluate all quotations and tenders received above the threshold value of R30 000 and submit their recommendation to the adjudication committee for approval.

At least one SCM practitioner shall be represented on the evaluation committee.

1.6.9 Tender Adjudication Committee

The Adjudication committee assesses the process followed and recommendation made and then approves or rejects the recommendation.

The Evaluation committee and Adjudication committee shall always consist of different members.

For less than R30 000 the Adjudication committee is the official body delegated to commit SANRAL.

From R30 000 and above the Adjudication committee is as per approved delegation of powers.

1.6.10 SCM official

The specific responsibilities of the SCM official is:

- To maintain this manual and any revisions to it;
To issue and circulate internal SCM policies and procedures. Expert assistance may be used for any or part of this function.

1.7 **Section 7: Procurement principles**

1.7.1 **Policy**

<table>
<thead>
<tr>
<th>Principle</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transparency</td>
<td>The procurement process shall be open and shall afford each prospective tenderer timely access to the same and accurate information.</td>
</tr>
<tr>
<td>Effectiveness</td>
<td>SANRAL shall strive for procurement system effectiveness and shall carry out its procurement processes as cost-effectively as possible.</td>
</tr>
<tr>
<td>Efficiency</td>
<td>SANRAL shall strive to standardise and simplify procedures where appropriate to enhance procurement system effectiveness and shall carry out its procurement processes as cost-effectively and efficiently as possible. SANRAL shall strive to build relationships with providers and shall ensure good working practices.</td>
</tr>
<tr>
<td>Competitiveness</td>
<td>SANRAL shall satisfy its requirements through competition unless there are justifiable reasons to the contrary.</td>
</tr>
<tr>
<td>Fairness</td>
<td>All tenderers and contractors shall be dealt with fairly and without unfair discrimination.</td>
</tr>
<tr>
<td>Ethics</td>
<td>All suppliers shall be treated equally whilst promoting specified empowerment objectives, all stakeholders shall conduct business and themselves professionally, fairly, reasonably and with integrity, all interests shall be disclosed and any breach shall be reported.</td>
</tr>
<tr>
<td>Proportionality</td>
<td>The product/service requirements stipulated in the specification/terms of reference must be appropriate, necessary and in reasonable proportion to the product/service being procured.</td>
</tr>
<tr>
<td>Uniform application</td>
<td>SANRAL shall ensure the application of a procurement policy. The procurement process shall be simple and adaptable to advances in modern technology to ensure efficiency and effectiveness.</td>
</tr>
<tr>
<td>Accountability</td>
<td>Management shall be accountable for their decisions and actions relative to their procurement responsibilities, the procurement process as well as the implementation of concluded contracts.</td>
</tr>
<tr>
<td>----------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Openness</td>
<td>SANRAL shall ensure a procurement process in line with the best practice procurement principles.</td>
</tr>
<tr>
<td>Value for money</td>
<td>SANRAL shall achieve value for money through the optimum combination of cost and quality while maximising efficiency, effectiveness and flexibility.</td>
</tr>
</tbody>
</table>
1.8 Part 8: Ethics and fair dealings in supply chain management

1.8.1 Policy

SANRAL commits itself to a policy of fair dealing and integrity in the conducting of its SCM activities.

SANRAL’s Code of Conduct shall incorporate the Code of Conduct for SCM practitioners as contained in Practice Note Number SCM 4 of 2003 and shall direct all officials and role players in their conduct within and with SANRAL. Non-compliance shall be subject to the appropriate action.

All officials and role players are required to promote an environment where business will be conducted in a fair and reasonable manner and with integrity.

All officials should ensure that they perform their duties efficiently, effectively and with integrity, in accordance with the relevant legislation and regulations.

An official involved with SCM who becomes aware of a breach of or failure to comply with any aspect of the SCM system must immediately report the breach or failure to the Risk officer, in writing.

1.8.2 Ethical principles in the supply chain management arena

1.8.2.1 The highest ethical standards

All officials and other role players must comply with ethical standards in order to promote:

- Mutual trust and respect; and
- An environment where business can be conducted with integrity and in a fair and reasonable manner.

Preserve integrity, impartiality and objectivity.

The officials and role players:

- Must treat all providers or potential providers equally whilst still promoting the Broad Based Black Economic Empowerment Act;
- May not use their position for private gain or to improperly benefit another person; and
- Should ensure that officials are scrupulous in their use of SANRAL’s funds and property.

The Board shall take all reasonable steps to prevent abuse, corruption and collusion through at least regular internal audit reviews and external audit as well as risk assessments in the procurement environment.
All allegations of corruption, improper conduct or compliance failure shall be reported to the Risk officer and investigated by the CEO or its delegate:

- Take steps against such official or other role player and inform the relevant treasury of such steps; and
- Report any conduct that may constitute an offence to the SAPS.

The Board shall ensure that the institution considers all complaints received and shall respond thereto in a timely manner.

All tenderers and contractors shall be made aware of the ethical standards of the institution, its expectations of them and the consequences of non-compliance.

1.8.2.2 **Conflict of interest**

All officials and other role players must recognise and disclose any interest and determine any possible conflict that may arise.

Officials, to the extent required by their position, should declare any business, commercial and financial interest or activities undertaken for financial gain that may raise a possible conflict of interest. The Board shall determine whether the interest declared, constitutes conflict of interest where it is not clear that it presents a conflict.

Officials or other role players should not place themselves under any financial or other obligation to individuals or organisations that might seek to influence them in the performance of their official duties.

1.8.2.3 **Equal treatment**

All SANRAL’s officials associated with procurement, particularly those dealing directly with service providers/suppliers or potential service providers/suppliers, are required to:

- Provide all assistance in the elimination of fraud and corruption;
- Be fair and efficient; and
- Achieve the highest professional standards in the awarding of contracts.

1.8.2.4 **Accountability**

All officials and other role players must be accountable for their decisions and actions to the public as well as to SANRAL’s Board.

The Board or its delegate is fully responsible and should be held accountable for any expenditures relating to SCM within its line of responsibility.
1.8.2.5 **Openness**

Officials should give reasons for their decisions and actions.

1.8.2.6 **Confidentiality**

Matters of a confidential nature in the possession of officials should be kept confidential unless legislation, the performance of duty or the provisions of law requires otherwise.

Any information that is the property of SANRAL or its suppliers/service providers should be protected at all times. No information regarding any tender/contract/tenderer/contractor may be revealed as such an action will infringe on the relevant tenderer’s/contractors personal rights.

1.8.2.7 **Independence**

All officials and role players may not use their position for private gain or to improperly benefit another person.

If an official or other role player’s immediate family member, partner or associate of such official or role player, has any private or business interest in any tender to be submitted or to be awarded, such interest must be disclosed and recorded and the party with the interest must withdraw from participating in the evaluation process relating to the tender if there is a conflict of interest.

1.8.2.9 **Gifts and hospitality**

All officials and other role players must:

- Ensure that officials do not compromise the credibility or integrity of SANRAL through the acceptance of gifts or hospitality or any other related act. Officials should exercise caution in the acceptance of such gifts.

SANRAL shall maintain a register for gifts which officials may accept and which gifts and/or value level may not be considered at all.
1.8.3 Fraud and corruption

1.8.3.1 Policy

| The Prevention and Combating of Corrupt Activities Act, Act No 12 of 2004 shall be adhered to. |
| Fraud prevention and anti-corruption plans should be instituted. |

Contractors and service providers shall observe the highest standard of ethics during the selection and execution of the contract. In terms of this provision corrupt and fraudulent practices can be defined as follows:

- **Corrupt practice** means the offering, giving, receiving or soliciting of any thing of value to influence the action of a SANRAL official in the selection process or in contract execution.

- **Fraudulent practice** means a misrepresentation of facts in order to influence a selection process or the execution of a contract to the detriment of the Board and includes collusive practices designed to establish prices at artificial, non-competitive levels and to deprive the Board of the benefits of competition.

Contractors and service providers must assist in combating corruption in procurement in line with the Prevention and Combating of Corrupt Activities Act, by not giving, receiving or soliciting any item of value to influence the action of an official dealing with procurement.

Contractors, service providers and SANRAL officials must assist in combating procurement fraud through awareness, vigilance and consistent assessment in line with the Prevention and Combating of Corrupt Activities Act.

All officials and other role players must assist the Board in combating corruption and fraud.

The Board must reject a proposal for award if he/she determines that the supplier/service provider recommended for award, has engaged in corrupt or fraudulent activities in competing for the contract in question. A supplier/service provider who engage in corrupt or fraudulent activities will be blacklisted for a period of 2 years.

1.8.4 Combative practices

Combative practices are unethical and illegal and should be avoided at all cost. They include but are not limited to:

- Suggestions to fictitious lower quotations;

- Exploiting errors in tenders; and
• Soliciting tenders from tenderers whose names appear on the list of restricted tenderers/suppliers/persons.
1.9  Section 9 Preferential procurement

1.9.1  Policy

In the acquisitioning of local goods and services, categories of preference shall be used in the allocation of contracts and the protection or advancement of persons or categories of persons, disadvantaged by unfair discrimination.

Any specific goals for which points may be awarded shall be clearly specified in the invitation to submit a quotation/tender and shall be measurable, quantifiable and monitored for compliance.

Promote HDI/BEE organisations and SMMEs through the prospective provider list.

Must include criteria for the evaluation of quotations/tenders to identify the quotation/tender that represents the best value for money.

No system has to be applied in respect of acquisitioning with a Rand value of less than R30 000 per case.

The 80/20 preference point formula must be used to calculate the points for price in respect of acquisitioning with a Rand value equal to, or above R30 000, and up to a Rand value of R500 000 with a maximum number points for price of 80.

The 90/10 preference point formula must be used to calculate the points for price in respect of acquisitioning with a Rand value above R500 000 in terms of legislation with a maximum number points for price of 90.

A maximum of 20 or 10 points must be allocated for equity ownership according to the stipulations in the regulations. For contracts with a Rand value equal to or below a prescribed amount a maximum of 20 points may be allocated for specific goals provided that the lowest acceptable tender scores 80 points for price.

For contracts with a Rand value above a prescribed amount a maximum of 10 points may be allocated for specific goals provided that the lowest acceptable tender scores 90 points for price.

Any other acceptable quotations/tenders which are higher in price must score fewer points on a pro rata basis, calculated on their prices in relation to the lowest acceptable quotation/tender in accordance with a prescribed formula.

The contract must be awarded to the tenderder who scores the highest points unless objective criteria in addition to that pertaining to specific goals justify the award to another tenderder.
1.9.2 Equity ownership

1.9.2.1 Policy

Equity ownership must be promoted through the tenders above R10 000.

The PPPFA provides a range of specific goals that may be pursued except for equity ownership that is mandatory. The PPPFA further provides that the goals should be measurable, quantifiable and that monitoring for compliance should be possible.

The specific activities, which may be stipulated towards achieving specific goals as per section 17 of the Preferential Procurement Policy Regulations, are as follows:

- The promotion of South African owned enterprises;
- The promotion of export orientated production to create jobs;
- The promotion of SMME’s;
- The creation of new jobs or the intensification of labour absorption;
- The promotion of enterprises located in a specific province for work to be done or services to be rendered in that province;
- The promotion of enterprises located in a specific region for work to be done or services to be rendered in that region;
- The promotion of enterprises located in a specific municipal area for work to be done or services to be rendered in that municipal area;
- The promotion of enterprises located in rural areas;
- The empowerment of the workforce by standardising the level of skill and knowledge of workers;
- The development of human resources, including by assisting in tertiary and other advanced training programmes, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills; and
- The upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations and charity organisations.
1.9.3 Application of preferences

When appointing consultants the points allocation for price may be replaced with a combination of points for functionality and price, which should be clearly stipulated in the TOR.

A maximum number of 20 or 10 points (depending on contract value) may be awarded for specified goals. The preference must be stipulated in the specification/TOR to be used.

Preference calculations or decisions, made during evaluations, shall be clear and documented.

Critical factors (criteria) are the essential characteristics that a tenderer and/or the goods must have. If a tender does not satisfy any of the critical factors (criteria), then it can immediately be rejected. This can also be referred to as minimum requirements. The capacity and ability to successfully complete a contract is a critical factor.
PART 2

Section 10: Demand management

2.1.1 Policy

SANRAL will treat the demand management or planning function as a cross-functional exercise that involves finance; SCM representing procurement, logistics and disposal; HR and end users.

2.1.1.1 Establishment of a cross functional team

The official responsible for the demand management function coordinates the appointment of the cross-functional team. The cross-functional team consists of the following expertise:

- The relevant end user;
- The human resource specialist;
- A financial specialist; and
- An acquisition specialist.

2.1.2 Annual performance planning process

2.1.2.1 Policy

The SCM function will participate in the annual performance planning process.

Each user cluster shall perform an annual needs analysis of strategic objectives (high-level outputs of actions that the institution intend taking) involving SCM, HR and Finance to determine strategic sourcing that will ultimately provide best value for money.

The annual performance plan is to set out what SANRAL intends doing in the upcoming financial year and the following two years in line with the medium term expenditure framework (MTEF).

The annual performance plan must:

- Cover a period of three years and be consistent with SANRAL’s medium term expenditure estimates;
- Provide for strategic objectives;
• Provide for performance measures and targets;

• Include details of proposed acquisitions of fixed or movable capital assets, planned capital investments and maintenance of physical assets; and

• Include projections of income and projected receipts from the sale of assets.

The preparation of estimates should be a participative process whereby all end users and SCM officials are involved.

2.1.2.2 Planned needs analysis

The official responsible for the demand management function must coordinate the needs analysis and costing. To do this the following process must be followed:

• The end user gives an overview of the detail of his/her annual performance plan. The human resources and financial experts give their guidelines applicable to this plan.

• The cross-functional team does a needs-analysis to determine the total requirement to support the annual performance plan. The needs-analysis will include the following activities:
  - Understanding the future needs in terms of quantity and specification;
  - Frequency of the needs;
  - Critical delivery dates;
  - Budgetary requirements; and
  - Analysis of the supplying industry.

With the needs-analysis the following activities have to be done to determine the inputs for the annual performance plan and budget:

• Spend analysis to gain an understanding of historical spend patterns of items/commodities and services;

• Determine the lead and delivery time of each commodity;

• Determine the lifecycle cost of each commodity;

• Determine the total cost of ownership for each commodity;

• Do obsolescence planning – “the difference between the original cost of the unit and its salvage value”;
• Do renewal planning – “the asset renewal planning involves the assessment of existing assets and planned acquisitions against service delivery requirements”;

• Planning for IT requirements;

• Determining an asset strategy;

• Setting benchmarks for complying with targets;

• Mechanisms for accounting and reporting;

• Linking the requirements with the baseline allocations over the next 3-year period; and

• Commence with the identification of contract conditions.

2.1.3 **Annual operational planning process**

2.1.3.1 **Policy**

The SCM function will participate in the operational planning process.

The first year is known as the operational plan. It must provide a detailed quantification of outputs and resources, together with service delivery indicators. The operational plan must not be a wish list, but must be flexible and adjustable while remaining within the MTEF allocation.

The purpose of the operational plan is to plan the implementation of the annual performance plan, the budget and other management objectives.

Specific information on how SANRAL will achieve its objectives during the next financial year should be included in the operational plan, complete with service delivery indicators. The minimum requirements for information are outlined below:

• Descriptions of the various programmes that SANRAL will pursue to achieve its objectives, and for each programme, the measurable objectives, total cost and intended lifespan;

• Information on any new programmes to be implemented, including the justification for such programmes, expected costs, staffing and new capital, as well as future implications; and

• Information on any programmes and outputs to be scaled down or discontinued during the financial year.
2.1.4 Procurement plan

2.1.4.1 Policy

The SCM function will compile a procurement plan for the next financial year.

The identified requirements in the operational plan are drawn from and summarised in a procurement plan for the next financial year.

The minimum requirements of information for the procurement plan are outlined below:

- Detailed description of the programme;
- Detailed description of the goods, works or services required;
- Reference to the relevant specification/TOR;
- Funds available;
- Date when required; and
- Quantity required.

Acquisition management uses the procurement plan to start the procurement process. All the procurement information is verified.

2.1.5 Ad hoc needs-analysis

2.1.5.1 Policy

Over and above the planned needs-analysis, an ad hoc needs-analysis has to be done for unplanned activities during the financial year.

The cross-functional team will perform a needs-analysis on a case-by-case basis as and when required in order to determine a sourcing strategy for the appropriate product or service that will provide best value for money.

The end user must establish the need and in the event of an acquisition in excess of R200 000 or a period contract perform a needs-analysis in conjunction with the cross-functional team. Technical expertise may be co-opted to the team.
2.1.6 Scoping through a request for information (RFI)

2.1.6.1 Policy

If sufficient information is not readily available with which to draft terms of reference/specifications, a request for information (RFI) process may be followed in order to obtain more market information.

The information collected in this fashion may not be used to lead to sourcing from one supplier only nor may it be used to write the ultimate specification/terms of reference around just one specific product.

A request for information may be published in the media in which information may be sourced to determine the following:

- What products are available in the market?
- What specifications do the products have?
- What is the availability of the product in the market place?
- What are possible rates of delivery?

It must be clearly stated in the RFI that the result of this process will not lead to an award and does not constitute a commitment.

2.1.7 Determining Specifications/Terms of reference

2.1.7.1 Policy

The end user must draw up clear specifications and terms of reference.

It is the responsibility of the end user to compile detailed, clear and unambiguous specifications with which to source proposals.

2.1.7.2 Specification guidelines

“Specification” is the terminology used to describe the requirement for goods.

A specification may cover the following areas:

- Heading with summary description of the goods;
- Quantity/volume;
- Quality;
• Weight;
• Size;
• Delivery address;
• Industry specification compliance;
• Legislative compliance;
• Minimum requirements; and
• Evaluation criteria.

2.1.7.3 Terms of reference

“Terms of Reference” is the term used to describe the requirement for services. Terms of Reference may cover at least the following areas:

• Project title;
• Background;
• Objective of the project;
• Expected outcomes/deliverables;
• Evaluation criteria, including the ratio of points for functionality and price;
• Competency and expertise requirements;
• Timeframes;
• Reporting requirements;
• Whether a site inspection or information session are required with date, time and venue mentioned;
• Available documentation; and
• Minimum requirements.
2.1.8 Addressing risks

2.1.8.1 Policy

- Determine risks upfront on a case-by-case basis.
- Allocate each risk to the party best equipped to manage the risk.

Determine the risks associated with the specific procurement requirement.

2.1.9 General

SANRAL is to ensure that proper planning takes place at the beginning of the year.

Past experience has shown that a number of institutions have a tendency to invite tenders or place orders for goods or services near the end of the financial year in order to spend unused funds in their budgets. This practice places extreme pressure on both providers and officials. It also, does not reflect prudent planning and in fact is an indication that unspent funds drive the needs.
2.2 Section 11: Prospective provider list per commodity

2.2.1 Policy

SANRAL shall establish and maintain a list of prospective providers per commodity for the purpose of obtaining quotations.

Up to the quotation threshold, SANRAL will invite prospective providers (in the relevant commodity), featured on the prospective provider list, to submit a quote.

The prospective provider list should be used effectively to promote Black Economic Empowerment through the participation of black owned enterprises, black empowered enterprises, black women owned enterprises (as defined in the Strategy for Broad-Based Black Economic Empowerment issued by the Department of Trade and Industry) as well as the promotion of businesses owned by other Historically Disadvantaged Individuals (HDIs) and Small, Medium and Micro Enterprises (SMMEs).

The prospective provider list must be re-advertised at least every two years.

The prospective provider list must be updated quarterly in order to accommodate especially newly established black empowered business and other newly established HDI suppliers and for adding or amending categories of requirements.

Prospective providers will be assessed in terms of predetermined evaluation criteria.

Prospective providers may be removed from the list for non-compliance with relevant legislation, proven non-delivery and proven fraud and/or corruption.

2.2.2 Establishment of the prospective provider list per commodity

SANRAL shall, every two years, through an advertisement placed in the local representative newspaper and/or the Government Tender Bulletin invite prospective providers to apply for evaluation and registration in different commodities and categories, as a prospective provider.

Once the list has been compiled per commodity, quotations should be invited therefrom.

To promote ongoing competition the invitation of quotations from the list of prospective providers per commodity should be done on a rotation basis or in such a manner that ongoing competition amongst providers is promoted. Prospective suppliers must be allowed to submit applications for listing at any time.

The following essential information must be obtained from each prospective provider to enable SANRAL to establish a provider profile per commodity:

- Name of the entity/individual;
• Physical and postal address;

• Entity for example public company, private company, close corporation, partnership, sole trader;

• Appropriate registration numbers;

• Contact details, such as telephone number, facsimile numbers and e-mail if applicable;

• Name(s) of director(s), member(s), partner(s) and owner(s)/principal(s) of the entity;

• Annual turnover of the entity/individual;

• Equity profile of the entity;

• Original tax clearance certificate as proof of tax compliance;

• List of products/services offered, linked to requirement categories of the SANRAL list;

• Capacity and capability should be indicated;

• Specific expertise vested in the entity/individual, linked to requirement categories of the SANRAL list;

• A list of previous/current projects with at least three (3) contactable references; and

• Bank details (physical, postal and electronic banking address).

Provider’s compliance with the essential requirements will be evaluated to determine whether the entity will be placed on the provider list.

The assessment criteria referred to above, to determine placement of the provider on the list, must be determined based on the categories chosen for the list, but may be the following:

• Proof that tax affairs are in order;

• Sufficient expertise vested in the entity/individual linked to requirement categories of SANRAL;

• At least 3 (three) contactable references of previous/current projects proving the capability of the company; and

• Proof of sufficient capacity.

All information pertaining to the providers must be treated as confidential and maintained as such.
If a provider does not meet the requirements, SANRAL will notify the unsuccessful provider accordingly.

A provider that did not qualify can re-apply to be included in the prospective provider list if their status should change.

2.2.3 Utilisation procedure from the prospective provider list per commodity

Quotations should preferably be invited from all the providers listed per commodity. The invitation per commodity should be done on a rotation basis in the event that there are too many names on the list of prospective providers per commodity, for example by requesting at least five (5) providers to quote.

2.2.4 Removal from the prospective provider list per commodity

A provider will be removed from the provider list under the following circumstances:

- The entity ceases to exist;
- Sole proprietor dies;
- Liquidation/sequestration of the entity;
- Continual proven non-delivery (two and more times) or unable to meet minimum specification continuously;
- Non-compliance with legislation or statutory requirement e.g. tax status;
- Proven fraud and/or corruption;
- On provider’s request; and
- By mutual agreement.
3 Part 3

3.1 Section 12 Process and threshold overview

3.1.1 Hierarchy for satisfying requirements

As part of acquisition management, all possible methods of obtaining the requirements should be considered.

In general when a requirement becomes known, the following hierarchy for satisfying requirements applies:

3.1.1.1 Obtain the requirements from internal sources

Items in stock

- Obtain from stock according to prescribed process. An example of this may be stationery.

3.1.1.2 Procure the requirements from pre-established sources

Items available from other institutions

- Investigate whether the requirements are available from other institutions, timely and in compliance with the required standards; and
- Draw from the other institution according to the prescribed process.

Items on contract

- Investigate whether the requirements are available on an existing contract and obtain from the contract accordingly; and
- The non-utilisation of a contract could be regarded as breach of contract and will be regarded as breach of procedure. Also see the discussion on period contracts below.

3.1.1.3 Procure the requirements from external sources

The estimated value of the requirement will determine the type of procurement process to be utilised. The thresholds set are as follows:

- Petty cash transactions up to R 500 (VAT included);
- Verbal quotations above R 2 000 but not exceeding R10 000 (VAT included);
- Written quotations from R10 000 and up to R200 000 (VAT included);
• Tenders above R200 000 (VAT included);
• Advertised tenders;
• Limited tendering; and
• Other procurement arrangements and procedures.

The selection mechanisms for procurement from external sources are discussed in more detail in section 13.

3.1.2 Overview of process and thresholds

In order to determine the appropriate selection mechanism, it is necessary to first decide the monetary value of the project or acquisition and then to determine the monetary threshold in which the activity belongs. For period contracts, the total value of the contract for the entire period must be calculated to determine the monetary threshold in which the contract belongs.

3.1.2.1 Period contracts

A period contract (also referred to as a term contract) is a contract entered into for the supply of goods or the rendering of services.

Tenders shall not be invited for items available on a period contract.

Small quantities may, however, be acquired outside the contract if:

• An emergency arises;
• The supplier’s point of delivery is not situated at or near the required point of delivery; and
• The required supplies are not readily available.
3.2 Section 13 Selection mechanisms and thresholds

3.2.1 Selection mechanisms up to R 200 000

3.2.1.1 Policy

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<tr>
<th>Policy</th>
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</thead>
<tbody>
<tr>
<td>Promote the principles of being fair, equitable, transparent, competitive and cost-effective through all selection mechanisms.</td>
</tr>
<tr>
<td>Subcluster of requirements to avoid the Board’s delegated powers will not be tolerated.</td>
</tr>
</tbody>
</table>

3.2.1.2 Petty cash transactions

If the monetary value of the requirement falls within the petty cash threshold (up to R 500 VAT included), satisfy the requirement according to the prescribed petty cash policy.

If a contract exists for the supply of a specific requirement, the petty cash procedure may not be used to obtain such a supply, unless approval from the Board or the delegate has been obtained.

Should the value of a transaction exceed the prescribed monetary level, the approval of the Board or the delegate shall be obtained beforehand.

3.2.1.3 Verbal quotations above R 500 but not exceeding R 10 000 (VAT INCLUDED)

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<th>Policy</th>
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<tbody>
<tr>
<td>Requirements may be procured without inviting competitive tenders or written quotations.</td>
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</table>

These quotations are usually requested telephonically and submitted per facsimile or per e-mail. The date of submission and address must be indicated when the request is made.

At least 3 (three) verbal or written quotations must be obtained from, where applicable, from the list of prospective providers per commodity.

Where no suitable providers are available from the list, quotations may be obtained from other possible providers.

If it is not possible to obtain at least three quotations the reason must be recorded and approved by the Board or the delegate.
The order may only be placed against written confirmation from the selected provider where the quotation was submitted verbally.

The cost of obtaining quotations may not exceed the benefit gained.

### 3.2.1.4 Quotations from R 10 000 to R 200 000 (VAT INCLUDED)

**Policy**

Requirements may be procured by obtaining written quotations from as many providers as possible.

The Board or its delegate must be in possession of a valid tax clearance certificate for all price quotations/competitive tenders over R 30 000 (VAT included)

The prescripts of the PPPFA must apply.

The request for quotations shall contain a detailed specification compiled by the user cluster.

A request for quotations must be compiled by the SCM official and forwarded to the potential providers.

The SCM official may invite and accept written quotations from as many providers as possible that are registered on the list of prospective providers per commodity. If there are too many providers on the list, invite quotations from at least 5 providers.

The request for quotations shall indicate the closing date, validity period and the address where the supplies must be delivered or the services must be rendered.

Where no suitable providers are available from the list of prospective providers, quotations may be obtained from other possible providers.

If it is not possible to receive three written quotations, the reasons shall be recorded and approved by the Board or the delegate.

If SANRAL is in possession of a provider’s original valid tax clearance certificate, it is not necessary to obtain a new tax clearance certificate when a price quotation is submitted from that specific provider. This provision may be applied, only if the closing date of the price quotation falls within the expiry date of the tax clearance certificate that is in SANRAL’s possession. Whenever this ruling is applied, cross-reference must be made to the original tax clearance certificate for audit purposes.
3.2.1.5 **Selection mechanisms above R 200 000 (VAT INCLUDED)**

**Policy**

<table>
<thead>
<tr>
<th>Competitive tenders should be invited for all procurement above R 200 000.</th>
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<tbody>
<tr>
<td>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. When determining transaction values, a requirement for goods, works or services consisting of different parts or items must be as far as possible be treated and dealt with as a single transaction.</td>
</tr>
<tr>
<td>Competitive tenders should be advertised in at least the Government Tender Bulletin and in other appropriate media should the Board or the delegate deem it necessary to ensure greater exposure to potential tenderers. The responsibility for advertisement costs will be that of the relevant Board or delegate.</td>
</tr>
<tr>
<td>If in a specific case it is impracticable to invite competitive tenders, the Board may procure the required goods or services by other means, provided that the reasons for deviating from inviting competitive tenders must be recorded and approved by the Board.</td>
</tr>
<tr>
<td>Subcluster of requirements to circumvent the Board’s delegated powers will not be tolerated.</td>
</tr>
<tr>
<td>The prescripts of the Preferential Procurement Policy Framework Act 5 of 2000 and its associated Regulations must be adhered to.</td>
</tr>
</tbody>
</table>

Selection mechanisms are divided mainly in the following two major categories:

- Competitive tendering; and
- Limited tendering.

The first option in the hierarchy affords the greatest opportunity for competitiveness and the promotion of preferential procurement. The utilisation of subsequent options offers less opportunity for competition and promotion of preferential procurement and therefore requires proper justification. These mechanisms are further explained hereunder.

### 3.2.2 **Competitive tendering**

Competitive tendering is where open competition exists and the requirement is advertised for all prospective tenderers to participate.

### 3.2.2.1 **Advertised Tenders**

The user cluster must compile a comprehensive specification for the required goods, or terms of reference (TOR) in the case of professional services through the facilitation of the Tender Specification Committee.
The user cluster must supply the relevant SCM official with the specification/TOR.

The relevant SCM official shall compile a complete tender document.

The relevant SCM official must administer the whole procurement process including advertising in the relevant media.

3.2.2.2 **Two-Stage Tendering**

In the case of contracts for large complex plants or works of a special nature, a two-stage tendering procedure may be used, under which first unpriced technical proposals are invited, subject to technical clarifications and adjustments, to be followed by amended tendering documents and the submission of final technical proposals and priced tenders in the second stage. These procedures are also appropriate in the procurement of equipment, which is subject to rapid technological advances, such as major computer and communications systems.

The prescripts of the PPPFA and its Regulations must always be adhered to. The Regulations do allow that the points prescribed for price to be split into points for price and functionality. The method of evaluation, including the allocation of points, must be clearly specified in the tendering documents.

3.2.2.3 **Pre-qualifying tenderers (only when necessary)**

Circumstances for pre-qualification:

Pre-qualification is usually necessary for large or complex works, such as custom designed equipment, industrial plant, specialized services, design and build, or management contracting. This also ensures that invitations to tender are extended only to those who have adequate capabilities and resources. Pre-qualification should be based entirely upon the capability and resources of prospective tenderers to perform the particular contract satisfactorily, taking into account their:

- Capabilities with respect to personnel, equipment and construction or manufacturing facilities; and

- Financial position.

Processes for pre-qualification:
The scope of the contract and the criteria for qualification should be sent to those who responded to the advert of invitation. All applicants that meet the specified criteria should be allowed to tender. SANRAL should inform all applicants of the results of pre-qualification. As soon as pre-qualification is completed, the tendering documents should be made available to the qualified prospective tenderers. Verification of the information provided in the submission for pre-qualification should be confirmed at the time of award of contract and award may be denied to a tenderer that is judged to no longer have the capability or resources to successfully execute the contract.

3.2.3 Limited rendering

Limited tendering is where the competition is limited in one way or another.

Three categories of limited tendering can be distinguished:

- **Multiple source:** There is limited competition, hence only a few prospective tenderers are allowed to make a proposal. This should be based on a thorough analysis of the market.

- **Single source:** This should be based on a thorough analysis of the market and use of a transparent and equitable pre-selection process, to request only one amongst a few prospective tenderers to make a proposal.

- **Sole source:** There is no competition and only one tenderer exists.

Justification for making use of limited tendering procedures must be obtained. The user cluster is to submit a well motivated request to the SCM official who will process the request, submit it to the Adjudication Authority or the delegate and obtain the approval accordingly.

3.2.4 Other procurement arrangements and procedures

3.2.4.1 Direct Negotiation

Direct negotiations shall only be permitted after approval of the Board and shall be conducted in such a manner that none of the stakeholders is advantaged or prejudiced.

Direct negotiations may only take place under the following circumstances:

- In cases of urgency due to unforeseen circumstances where lack of planning or negligence did not play a role and where following the standard competitive tendering process or the process prescribed for urgency would not be in SANRAL’s best interest.

- Owing to a catastrophic event, there is an urgent need for the goods, works or services (an emergency), making it impractical to use other methods of procurement because of the time involved in using those methods.
• Due to the technical character of the goods or construction, or the nature of the services, it is necessary for the procuring entity to negotiate with suppliers or service providers. Thus in the aforementioned case the first round of two-stage tendering process has taken place where capacity and acceptability was established.

The user cluster must supply the SCM official with a comprehensive specification or terms of reference for the requirement.

The SCM official in consultation with the user cluster must determine the negotiation strategy and properly prepare for the negotiation.

The SCM official shall compile a formal and complete tender document and administer the whole tendering and negotiation process.

Negotiation is led by the official that can contractually commit SANRAL in this regard and must be supported by the user cluster and the SCM official.

Combative Practices

Combative practices are unethical and illegal and should be avoided at all cost. They include but are not limited to:

• Suggestions to fictitious lower quotations;
• Exploiting errors in tenders; and
• Soliciting tenders from tenderers whose names appear on the list of restricted tenderers/suppliers/persons.

3.2.4.2 Urgent procurement

Policy

Irrespective of monetary value an urgent procurement process will only apply where early delivery is of critical importance and the utilisation of the standard procurement process is impossible, or impractical.

In urgent cases SANRAL may dispense with the invitation of tenders and may obtain the requirement by means of quotations by preferably making use of the list of prospective providers or otherwise in any manner to the best interest of SANRAL.

The course of action for urgency shall be justifiable under the circumstances.

The nature of the urgency and the details of the procurement process followed will be recorded and reported.

When urgency is identified by the user cluster, the urgent case is to be certified by the manager of the user cluster as urgent and submitted to the SCM official for processing.
As part of the request, the user Cluster must provide the SCM official in writing with the following:

- The three quotations obtained from the list of prospective providers, where possible;
- The nature of the urgency;
- The date and time thereof;
- The details of the procurement action to be taken; and
- The envisaged result if the standard procurement procedure has to be followed.

The SCM official is to evaluate each case and submit a recommendation to the Adjudication Authority or the delegate for the award. The Adjudication Authority approves the appropriate procurement process and action to be taken. The SCM official finalises the case.

The SCM official must record such incidents for reporting to the Board.

### 3.2.4.3 Emergency procurement

#### Policy

Irrespective of monetary value, an emergency procurement process will only apply in serious, unexpected and potentially dangerous circumstances which require immediate rectification:

- In the event of a threat or interruption in SANRAL’s ability to execute its mandate; and
- In the event of an immediate threat to the environment or human safety.

The standard procurement processes will be bypassed. SANRAL may obtain the requirement by means of quotations by preferably making use of the list of prospective providers or otherwise in any manner to the best interest of SANRAL.

The nature of the emergency and the details of the justifiable procurement process followed will be recorded and reported.

When an emergency is identified by the user cluster, it is to be certified by the manager of the user cluster as an emergency and submitted to the SCM official for processing.

Where possible, the SCM official is to evaluate and recommend each case and submit it to the Adjudication Authority (CEO). Thus the Adjudication Authority approves the appropriate procurement process and action to be taken. The SCM official finalises the case.

In the event that it was not possible to liaise with the SCM official, the user cluster must, within 48 hours of such an emergency inform, the SCM official in writing of the following:
• The nature of the emergency;

• The date and time thereof;

• The details of the procurement action taken; and

• The envisaged results should the standard procurement process had been followed.

Should it not be possible to conform to the above within 48 hours, the CEO must be informed of this fact.

The SCM official must record such incidents for reporting to the Board.

3.2.4.4 Procuring from abroad

For procurement outside the boundaries of South Africa, the same process is followed as for the procurement within South Africa, except for the following:

• Determining international advertising mechanisms;

• Determining the utilisation of conditions applicable to foreign countries;

• Determining if the price should be indicated in foreign currency, and if so, which currency; and

• Always endeavour to find an agent in the country for a product that you would like to purchase.

When supplies/services cannot be obtained in the RSA approval must be obtained from the Board or the delegate to procure the supplies/services from abroad. A description of the supplies/services required and the estimated cost in foreign currency plus conversion factors thereof must be furnished together with a certificate to the effect that:

• Tenders have been invited locally without success; or

• The prices of the locally available supply/service is exorbitant; or

• The supply/service required are not obtainable locally or through local representatives and that no other similar product will serve the purpose.

The stipulations of the GCC are not necessarily applicable abroad but overseas purchases, where applicable, are subject to the conditions applicable to the European community.
3.2.5 The appointment of consultants

3.2.5.1 Policy

The Board must ensure that all legal requirements respect of the appointment of service providing consultants are complied with.

3.2.5.2 Introduction

The purpose of this Chapter is to explain the procedures for selecting, contracting, and monitoring consultants required for projects. In general, the procedures described in the previous chapters apply. Only the peculiarities of appointing consultants are dealt with herein, as the services to which these procedures apply are of an advisory nature. These procedures do not apply to general services such as construction works, manufacture of goods and operation and maintenance of facilities or plants.

It must be clearly pointed out that the appointment of Transaction Advisors, who are to be appointed by institutions to render advice in relation to Public-Private Partnerships, should be done in terms of the practice note issued by the National Treasury specifically for that purpose.

The term consultant includes, among others, consulting firms, engineering firms, construction managers, auditors, investment and merchant banks, universities, research agencies, government agencies, non-governmental organizations (NGOs) and individuals.

Accounting Authorities may use these organizations as consultants to assist in a wide range of activities such as policy advice, engineering services, financial services, procurement services, and the preparation and implementation of projects to complement the Board’s capabilities in these areas.

Consultants should only be engaged when the necessary skills and/or resources to perform a project/duty/study are not available and the Board cannot be reasonably expected either to train or to recruit people in the time available, or desires to outsource those services.

The relationship between the Board and the consultant should be one of purchaser/provider and not employer/employee. The work undertaken by a consultant should be regulated by a contract. The Board is, however, responsible for monitoring and evaluating contractor performance and outputs against project specifications and targets and should take remedial action if performance is below standard or reward contracts if performance is above standard.

3.2.5.3 Primary reasons for the appointment of consultants

Consultants are engaged principally for the following reasons:

- To provide specialised services for limited periods without any obligation of permanent employment;
• To benefit from superior knowledge and transfer of skills while executing an assignment; and

• To provide independent advice on the most suitable approaches, methodologies and solutions of projects.

3.2.5.4 Minimum requirements when appointing consultants

When appointing consultants, it is necessary to strive to satisfy the following minimum requirements:

• Meeting the highest standards of quality, timeousness and efficiency especially in terms of cost;

• Obtaining advice that is accurate, novel, solution orientated and unbiased, taking into account social, safety and environmental considerations and

• Ensuring the advice proposed, or assignment executed, meets the ethical principles of the consultancy profession.

3.2.5.5 Applicability of procedures

The procedures outlined herein apply to all contracts for consulting services. In procuring consulting services, the Board’s should satisfy himself/herself that:

• The procedures to be used will result in the selection of consultants who have the necessary professional qualifications, experience and ability;

• The selected consultant will carry out the assignment in accordance with the agreed schedule; and

• The scope of the services is consistent with the needs of the project and the interest of the Board.

3.2.5.6 General approach

The Accounting Authorities should be responsible for preparing and initiating the project, for selecting the consultant, awarding and administering the contract. While the specific rules and procedures to be followed for selecting consultants depend on the circumstances of the particular project, at least the following four major considerations should guide the Board’s policy on the selection process:

• The need for high-quality services;

• The need for economy and efficiency in context to market related values;

• The need to give qualified consultants an opportunity to compete in providing the services;
• The importance of transparency and fairness in the selection process; and

• Application of legal requirements.

In the majority of cases, these considerations can best be addressed through competition among firms in which the selection is based both on the quality of the services to be rendered and on the cost of the services to be provided (Quality and Cost-Based Selection [QCBS]) as described below. However, there are cases when QCBS is not the most appropriate method of selection. For complex or highly specialized assignments or those that invite innovations, selection based on the quality of the proposal alone (Quality-Based Selection [QBS]), would be more appropriate.

The method of selection is determined by the scope of the assignment, the quality of the service, the complexity of the assignment and whether assignments are of a specialised or routine nature.

3.2.5.7 Conflict of interest

Consultants are required to provide professional, objective and impartial advice and at all times hold the client’s interests paramount. Consultants should not be hired for any assignment that would be in conflict with their prior or current obligations to other clients, or that may place them in a position of not being able to carry out the assignment in the best interest of the State. Consultants should not be hired under the following circumstances:

• A firm, which has been engaged by the Accounting Authorities to provide goods for a project and any of its affiliates, should be prevented from providing consulting services for the same project. Similarly, a firm hired to provide consulting services for the preparation or implementation of a project and any of its affiliates, should be prevented from subsequently providing goods related to the initial assignment.

• Consultants or any of their affiliates should not be hired for any assignment which, by its nature, may be in conflict with another assignment of the consultants. As an example, consultants hired to prepare an engineering design for an infrastructure project should not be engaged to prepare an independent environmental assessment for the same project.

3.2.5.8 Associations between consultants

Consultants may associate with each other to assist, complement or develop their respective areas of expertise. Such an association may be for the long term or for a specific assignment. The “association” may take the form of a joint venture or a sub-consultancy. In case of a joint venture, all members of the joint venture should sign the contract and are jointly and severally liable for the entire assignment. The Board should not compel consultants to form associations with any specific firm or group of firms, but may encourage associations with the aim to enhance transfer of skills.(May want a firm to use an existing specialist)
3.2.5.9 Promoting government’s preferential policies

When consultants are appointed, the prescripts of the Preferential Procurement Regulations, must be adhered to. These relate to the compulsory involvement of HDIs and the promotion of the RDP goals.

3.2.5.10 Training or transfer of knowledge and skills

If the assignment includes an important component for training or transfer of knowledge and skills, the TOR should indicate the objectives, nature, scope and goals of the training programme, skills to be transferred, time frames and monitoring and evaluation arrangements. The cost for the training programme should be included in the consultant’s contract and in the budget for the assignment.

3.2.5.11 Steps to follow when selecting consultants

D&C Cluster must critically evaluate these steps

There are essentially four distinct stages in the recommended selection process:

- Identify the approach;
- Invite tenders/proposals;
- Receive responses; and
- Evaluate responses.

Other aspects of appointment (such as advertising, opening of proposals, etc) are no different from those set out in the rest of this Manual.

Each of the four stages above is described in the sections below.

Identify the approach

Various approaches may be followed in selecting consultants. As stated earlier, in most instances, ‘Quality and cost based selection’ (QCBS) is recommended. However, other possibilities are:

- Quality based selection;
- Selection under a fixed budget;
- Least cost selection; and
- Single source selection.
In determining the most appropriate approach, it may be useful to ask: What sort of Consultancy do I require? Is it for:-

<table>
<thead>
<tr>
<th>Description</th>
<th>Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>An assignment that is not complex or specialized?</td>
<td>Use ‘Quality and Cost Based Selection’ (QCBS)</td>
</tr>
<tr>
<td>A complex or highly specialized assignment, for which consultants are expected to demonstrate innovation in their proposals?</td>
<td>Use ‘Quality and Cost-Based Selection’ (QCBS)</td>
</tr>
<tr>
<td>An assignment that has a high downstream impact and requires the best available experts?</td>
<td>Use QCBS (but with more emphasis on Q)</td>
</tr>
<tr>
<td>An assignment that could be carried out in substantially different ways, hence proposals will not be comparable (for example, sector and policy studies in which the value of the services depends on the quality of the analysis)?</td>
<td>Use QCBS</td>
</tr>
<tr>
<td>A simple assignment, which is precisely defined and the budget fixed?</td>
<td>Use ‘Selection under a fixed budget’, but evaluate technical proposals first as in QCBS</td>
</tr>
<tr>
<td>A standard or routine assignment?</td>
<td>Use ‘Least-cost selection’. Potential suppliers may be obtained from the list of approved service providers.</td>
</tr>
<tr>
<td>A very small assignment which does not justify the preparation and evaluation of competitive proposals?</td>
<td>Selection based on Consultants’ qualifications. Potential suppliers may be obtained from the list of approved service providers.</td>
</tr>
<tr>
<td>A task that represents a natural continuation of previous work carried out by the firm?</td>
<td>Use ‘Single-source selection’</td>
</tr>
<tr>
<td>An emergency operation?</td>
<td>You MAY use ‘Single source selection.’</td>
</tr>
<tr>
<td>An assignment where only one firm is qualified or has experience of exceptional worth for the assignment?</td>
<td>Use ‘Single-source selection’</td>
</tr>
</tbody>
</table>
3.2.5.12 Inviting tenders/proposals using QCBS

Request for tenders

The following steps would generally be followed in appointing consultants where a clear TOR has been compiled and the objectives, goals and scope of the assignment are clearly defined:

<table>
<thead>
<tr>
<th>Preparation of the terms of reference (TOR)</th>
<th>The Regions and H/O should prepare the TOR. The scope of the services described should be compatible with the available budget. The TOR should define clearly the task objectives, goals and scope of the assignment and provide background information,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Time frames linked to various tasks as well as the frequency of monitoring actions should be specified. The respective responsibilities of the Board’s and the consultant should be clearly defined.</td>
</tr>
<tr>
<td></td>
<td>The evaluation criteria, their respective weights, the minimum qualifying score for functionality and the values that will be applied for evaluation should be clearly indicated. The evaluation criteria should include at least the following:</td>
</tr>
<tr>
<td>Consultant’s experience relevant to assignment;</td>
<td></td>
</tr>
<tr>
<td>The quality of the methodology;</td>
<td></td>
</tr>
<tr>
<td>The qualifications of key personnel; and</td>
<td></td>
</tr>
<tr>
<td>The transfer of knowledge (where applicable).</td>
<td></td>
</tr>
<tr>
<td>A clear indication should be given of which preference point system in terms of the PPPFA and its associated Regulations will be applicable as well as the goals to be achieved and the points allocated for these goals.</td>
<td></td>
</tr>
<tr>
<td>Detailed information on the evaluation process should be provided by firstly indicating the ratio of percentage between functionality and price. The percentage for price should be determined taking into account the complexity of the assignment and the relative importance of functionality.</td>
<td></td>
</tr>
</tbody>
</table>
If transfer of knowledge or training is an objective, it should be specifically outlined along with details of number of staff to be trained, etc., to enable consultants to estimate the required resources. The TOR should list the services necessary to carry out the assignment and the expected outputs.

Preparation of a well-thought-through cost estimate is essential if realistic budgetary resources are to be earmarked. The cost estimate should be based on the Board’s assessment of the resources needed to carry out the assignment such as staff time, logistical support and physical inputs. The cost of staff time should be estimated on a realistic basis.

The TOR should specify the validity period (normally 60 – 90 days).

The TOR should form part of the standard tender documentation.

### 3.2.5.13 Drafting of the terms of reference

A consultant shall execute his/her tasks according to the TOR.

The TOR shall clearly define the objectives, goals and scope of the assignment and provide background information. It shall include at least the following:

- Timeframes linked to various tasks;
- Nature and frequency of monitoring actions;
- Respective responsibilities of the Board and the consultant; and
- Evaluation criteria, their respective weights, minimum qualifying score for functionality, among others:
  - Consultant’s experience;
  - Qualification of key personnel;
  - Transfer of knowledge (where applicable);
  - Pre-tender briefing sessions or presentations by tenderers, if necessary;
The relevant PPPFA preference point system to be used;

PPPFA goals to be attained through the contract as well as points allocated for these goals;

The ration between price and functionality; and

Consultants may be requested to submit their prices and proposals in two separate envelopes (two-envelope system).

### 3.2.5.14 Request for proposals

The following documents shall be included in the RFP

<table>
<thead>
<tr>
<th>Preparation of Request for Proposals (RFP)</th>
<th>Whenever possible, Accounting Authorities should include at least the following documents in the RFP:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Letter of Tender;</td>
</tr>
<tr>
<td></td>
<td>• Information to Consultants;</td>
</tr>
<tr>
<td></td>
<td>• The TOR; and</td>
</tr>
<tr>
<td></td>
<td>• The proposed contract.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Letter of invitation (LOI)</th>
<th>The LOI should State the intention to enter into a contract for the provision of consulting services, the details of the client and the date, time and address for submission of proposals.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information to Consultants (ITC)</td>
<td>The ITC should contain all necessary information that would assist consultants to prepare responsive proposals. It should be transparent and provide information on the evaluation process by indicating the evaluation criteria and factors and their respective weights and the minimum qualifying score for functionality. A clear indication should be given of which preference points system will be applicable in terms of the PPPFA and its Regulations, as well as the goals to be targeted and the points allocated for each goal. The ITC should specify the proposal validity period (normally 60–90 days).</td>
</tr>
</tbody>
</table>
**Terms of Reference**

The TOR should be compiled by a specialist in the area of the assignment and the scope of services described should be compatible with the available budget. The TOR should define as clearly as possible the objectives, goals and scope of the assignment including background information. The TOR should be compiled in such a manner that consultants are able to propose their own methodology and staffing and be encouraged to comment on the TOR in their proposals.

Depending on the circumstances, it may be indicated that proposals should be submitted in two separate clearly marked envelopes, one containing the technical proposal and the other the cost for the assignment.

In cases where pre-qualification/shortlisting is required, the TOR should indicate the basis of pre-qualification/shortlisting, for instance the number of minimum points to be scored to pre-qualify.

**Contract**

Board’s should use the appropriate Standard Form of Contract issued by the relevant industry.

### 3.2.5.15 Receipt of proposals

The Board should allow enough time for consultants to prepare their proposals. The time allowed should depend on the assignment, but normally should not be less than four weeks or more than three months. During this interval, the firms may request clarification about the information provided in the RFP. The Board should provide clarification in writing. If necessary, the Board should extend the deadline for submission of proposals. Any proposal received after the closing time for submission of proposals should be returned unopened.

### 3.2.5.16 Evaluation of tenders/proposals

Tenders/proposals for the appointment of consultants should be evaluated on the basis of functionality and price as well as the achievement of specified RDP goals. The evaluation should be carried out in two phases – first the functionality and then the price. The ratio to be used for the division between functionality and price should be determined and approved by the Board and should be made known up-front in the tender documents. Score sheets should be prepared and provided to panel members to evaluate the tenders on functionality.
The score sheet should contain all the criteria and the weight for each criterion as indicated in the TOR as well as the values to be applied for evaluation. Each panel member should after thorough evaluation award his/her own value to every criterion without discussing any aspect of any tender with any of the other members. Score sheets should be signed by panel members.

3.2.5.17 Calculation of percentage for functionality

The percentage scored for functionality should be calculated as follows:

Each panel member should award values for each individual criterion on a score sheet. The value scored for each criterion should be multiplied with the specified weighting for the relevant criterion to obtain the marks scored for the various criteria. These marks should be added to obtain the total score. The following formula should then be used to convert the total score to a percentage for functionality:

\[ Ps = \frac{So}{Ms} \times Ap \]

where

- \( Ps \) = percentage scored for functionality by tender/proposal under consideration
- \( So \) = total score of tender/proposal under consideration
- \( Ms \) = maximum possible score
- \( Ap \) = percentage allocated for functionality

The percentages of each panel member should be added together and divided by the number of panel members to establish the average percentage obtained by each individual tenderer for functionality.

After calculation of the percentage for functionality, the prices of all tenders that obtained the minimum score for functionality should be taken into consideration.

Tenders/proposals that do not score a certain specified minimum percentage for functionality, should be disqualified and not be considered further.

3.2.5.18 Calculation of percentage for price

The percentage scored for price should be calculated as follows:

- The lowest acceptable tender/proposal will obtain the maximum percentage allocated for price. The other tenders/proposals with higher prices will proportionately obtain lower percentages based on the following formula:
where

\[ Ps = \frac{P_{\text{min}}}{P_t} \times Ap \]

\[ Ps = \text{percentage scored for price by tender/proposal under consideration} \]
\[ P_{\text{min}} = \text{lowest acceptable tender/proposal} \]
\[ P_t = \text{price of tender/proposal under consideration} \]
\[ Ap = \text{percentage allocated for price} \]

### 3.2.5.19 Calculation of points for functionality and price

The percentages obtained for functionality should be added to the percentage obtained for price to obtain a percentage out of 100 which in turn should be converted to points out of 80 or 90 in terms of Regulation 8 of the Preferential Procurement Regulations.

The points scored out of 80 or 90 should be calculated according to the following formula

The 80/20 preference point system

\[ Ps = 80\left(1 - \frac{H_s - R_s}{R_s}\right) \]

The 90/10 preference point system

\[ Ps = 90\left(1 - \frac{H_s - R_s}{R_s}\right) \]

where

\[ Ps = \text{points scored for functionality and price of the tender/proposal under consideration} \]
\[ H_s = \text{highest percentage scored by any acceptable tenderer for functionality and price} \]
\[ R_s = \text{percentage scored for functionality and price by tender/proposal under consideration} \]

Points scored for specified goals as contemplated by the PPPFA and its Regulations are then calculated separately and added to the points scored for price and functionality in order to obtain a final point. The contract should be awarded to the tenderer scoring the highest points.
Information relating to evaluation of tenders and recommendations concerning awards should not be disclosed to the consultants who submitted tenders or to other persons not officially concerned with the process until the successful consultant is notified.

| Evaluation of technical proposals (Functionality) | The evaluation of the proposals should be carried out in two stages: first the functionality (quality) and then the price. When the two-envelope system is used:  

- Evaluators of technical proposals should not have access to the financial proposals until the technical evaluation is concluded.  
- Financial proposals should be opened only after the technical evaluation and only in respect of those proposals that achieved the minimum qualifying score for functionality.  

The Board’s should evaluate each technical proposal in terms of the specified evaluation criteria that may include the following:  

- The consultant’s relevant experience for the assignment;  
- The quality of the methodology proposed;  
- The qualifications of the key staff proposed; and  
- Transfer of knowledge.  

More weight should be given to the methodology in the case of more complex assignments.  

Each proposal should be evaluated on the basis of its response to the TOR. A proposal should be rejected at this stage if it does not respond to important aspects of the TOR or it fails to achieve the minimum qualifying score for functionality as specified in the RFP.  

At the end of the process, the Board should prepare an evaluation report on the quality of the proposals. The report should substantiate the results of the evaluation and describe the relative strengths and weaknesses of the proposals. All records relating to the evaluation such as individual score sheets should be retained until |
| **Evaluation of financial proposal** | For the purpose of evaluation, the price shall include all local taxes and other reimbursable expenses such as travel, translation, report printing or secretarial expenses. The proposal with the lowest price will obtain the maximum percentage for price as prescribed in the RFP. Proposals with higher prices will proportionately obtain lower percentages according to the method as prescribed in the RFP. |
| **Negotiations and award of contract** | Negotiations should include discussions of the TOR, the methodology, staffing and special conditions of the contract. These discussions should not substantially alter the original TOR or the terms of the contract, the quality of the final product, its cost and the relevance of the initial evaluation. The final TOR and the agreed methodology should be incorporated in “Description of Services,” which should form part of the contract.

The selected firm should not be allowed to substitute key staff, unless both parties agree that undue delay in the selection process makes such substitution unavoidable or that such changes are critical to meet the objectives of the assignment. If this is not the case and if it is established that key staff were offered in the proposal without confirming their availability, the firm may be disqualified and the process continued with the next ranked firm.

If the negotiations fail to result in an acceptable contract, the Board should terminate the negotiations and invite the next ranked firm for negotiations. The original preferred consultant should be informed of the reasons for termination of the negotiations. Once negotiations are commenced with the next ranked firm, the Board should not reopen the earlier negotiations. |
## Contract award

According to the prescripts of the PPPFA and its Regulations, a contract may only be awarded to the tenderer who scored the highest number of points, unless objective criteria justify the award to another tenderer. Should this be the case, the Board should be able to defend the decision not to award the tender to the tenderer who scored the highest number of points in any court of law. It should be emphasized that not offering any contributions to prescribed goals as contemplated in the Preferential Procurement Regulations, does not disqualify a tenderer. Under these circumstances a tenderer will score no points for the specified goals.

The Board should award the contract, within the period of the validity of tenders, to the tenderer who meets the appropriate standards of capability and resources and whose tender has been determined:

- to be substantially responsive to the tendering documents; and
- to be the highest on points

## Rejection of all proposals and re-invitation

The Board will be justified in rejecting all proposals only if all proposals are non-responsive and unsuitable, either because they present major deficiencies in complying with the TOR, or because they involve costs substantially higher than the original estimate. In the latter case, the feasibility of increasing the budget, or scaling down the scope of services with the firm should be investigated. The new process may include revising the RFP and the budget.

### 3.2.5.20 Other methods of selection

#### Quality-Based Selection (QBS)

QBS is appropriate for the following types of assignments:

- Complex or highly specialized assignments for which it is difficult to define precise TOR and for which the client expects the consultants to demonstrate innovation in their proposals;
• Assignments that have a high downstream impact and in which the objective is to have the best experts; and

• Assignments that can be carried out in substantially different ways, such that proposals will not be comparable.

In QBS, the RFP may request submission of a technical proposal only (without the financial proposal), or request submission of both technical and financial proposals at the same time, but in separate envelopes (two-envelope system).

If technical proposals alone were invited, after evaluating the technical proposals using the same methodology as in QCBS, the Board should request the consultant with the highest ranked technical proposal to submit a detailed financial proposal. The Board and the consultant should then negotiate the financial proposal and the contract. All other aspects of the selection process should be identical to those of QCBS. If, however, consultants were requested to provide financial proposals initially together with the technical proposals, safeguards should be built in to ensure that the price envelope of only the selected proposal is opened and the rest returned unopened, after the negotiations are successfully concluded.

**Selection under a fixed budget**

This method is appropriate only when the assignment is simple and can be precisely defined and when the budget is fixed. The RFP should indicate the available budget and request the consultants to provide their best technical and financial proposals in separate envelopes, within the budget. The TOR should be particularly well prepared to ensure that the budget is sufficient for the consultants to perform the expected tasks. Evaluation of all technical proposals should be carried out first as in the QCBS method, where after the price envelopes should be opened in public. Proposals that exceed the indicated budget should be rejected. The consultant who has submitted the highest ranked technical proposal should be selected and invited to negotiate a contract.

**Least-cost selection**

This method is more appropriate to selection of consultants for assignments of a standard or routine nature where well-established practices and standards exist and in which the contract amount is small. Proposals to be submitted in two envelopes are invited. Technical envelopes are opened first and evaluated. Those securing less than the minimum mark should be rejected and the financial envelopes of the rest are opened in public. The firm with the highest points should then be selected. Under this method, the qualifying minimum mark should be established, keeping in view that all proposals above the minimum compete only on “cost” and promotion of HDIs and RDP objectives. The minimum mark to qualify should be stated in the RFP.
Selection based on consultants’ qualifications

This method may be used for very small assignments for which the need for preparing and evaluating competitive proposals is not justified. In such cases, the Board should prepare the TOR, request expressions of interest and information on the consultants’ experience and competence relevant to the assignment and select the firm with the most appropriate qualifications and references. The selected firm should be requested to submit a combined technical-financial proposal and then be invited to negotiate the contract.

Single-source selection

Single-source selection of consultants does not provide the benefits of competition in regard to quality and cost and lacks transparency in selection. Therefore, single-source selection should be used only in exceptional cases. The justification for single-source selection should be examined in the context of the overall interests of the client and the project.

Single-source selection may be appropriate only if it presents a clear advantage over competition:

- For tasks that represent a natural continuation of previous work carried out by the firm;
- Where a rapid selection is essential (for example, in an emergency operation);
- For very small assignments; or
- When only one firm is qualified or has experience for the assignment.

The reasons for a single-source selection should be recorded and approved by the Board or his/her delegate prior to the conclusion of a contract.

3.2.5.21 Selection of individual consultants

Individual consultants may normally be employed on assignments for which:

- Teams of personnel are not required;
- No additional outside professional support is required; and
- The experience and qualifications of the individual are the paramount requirement.

When coordination, administration, or collective responsibility may become difficult because of the number of individuals, it would be advisable to employ a firm.
Individual consultants should be selected on the basis of their qualifications for the assignment. Individuals employed by the Board should meet all relevant qualifications and should be fully capable of carrying out the assignment. Capability is judged on the basis of academic background, experience, knowledge of the local conditions, such as local language, culture, administrative system and government organization.

3.2.5.22 Selection of particular types of consultants

*Use of Nongovernmental Organizations (NGOs).* NGOs are voluntary non profit organizations that may be uniquely qualified to assist in the preparation, management, and implementation of projects, essentially because of their involvement and knowledge of local issues and/or community needs. NGOs may be included in the short list if they express interest and provided that the Board is satisfied with their qualifications.

*Banks.* Investment and commercial banks, financial firms and fund managers hired by the Board for the sale of assets and other corporate financial transactions, should be selected under QCBS. The RFP should specify selection criteria relevant to the activity and the cost of the services.

*Auditors.* Auditors typically carry out auditing tasks under well-defined TOR and professional standards. They should be selected according to QCBS, or by the “Least-Cost Selection.” When consultants are appointed to execute an audit function on behalf of the Board, the tariffs agreed by the Auditor–General and the South African Institute for Chartered Accountants (SAICA) may be used as a guideline to determine the appropriate tariff or to determine the reasonableness of the tariffs.

3.2.5.23 Establishment of a list of approved service providers

Where consultancy services are required on a recurring basis, a panel of consultants/list of approved service providers for the rendering of these services may be established.

See discussion on pages 35 to 37 re prospective providers.

3.2.5.24 Evaluation of the performance of consultants

The Board’s should evaluate the performance of consultants appointed in a fair and confidential process. In the case of repeated poor performance, the firm should be notified and provided an opportunity to explain the reasons for it and the remedial action proposed.

Consultants should be responsible for the accuracy and suitability of their work. Although the Board supervise and review the consultants’ work, no modifications should be made in the final documents prepared by the consultants without mutual agreement. In the case of supervision of works, consultants may have more or less authority to supervise, from full responsibility as an independent engineer, to that of advisor to the client with little authority to make decisions, as determined by the Board and captured in the contract agreement between the Board and the consultant.
3.2.5.25 **Types of contracts**

**Lump Sum (Firm Fixed Price) Contract:** Lump sum contracts are used mainly for assignments in which the content and the duration of the services and the required output of the consultants are clearly defined. Payments are linked to outputs (deliverables), such as reports, drawings and software programs. Lump sum contracts are easy to administer because payments are due on clearly specified outputs.

**Time-Based Contract:** This type of contract is appropriate when it is difficult to define the scope and the length of services, either because the services are related to activities by others for which the completion period may vary, or because the input of the consultants required to attain the objectives of the assignment is difficult to assess. This type of contract is widely used for complex studies, supervision of construction, advisory services, and most training assignments. Payments are based on agreed hourly, daily, weekly, or monthly rates for staff and on reimbursable items using actual expenses and/or agreed unit prices. This type of contract should include a maximum amount of total payments to be made to the consultants. Time-based contracts need to be closely monitored and administered by the client to ensure that the assignment is progressing satisfactorily and payments claimed by the consultants are appropriate.

**Retainer and/or Contingency (Success) Fee Contract:** Retainer and contingency fee contracts are widely used when consultants are preparing companies for sales or mergers of firms, notably in privatisation operations. The remuneration of the consultant includes a retainer and a success fee, the latter being normally expressed as a percentage of the sale price of the assets.

**Percentage Contract:** These contracts are commonly used for architectural services. They may be also used for procurement. Percentage contracts directly relate the fees paid to the consultant to the estimated or actual project construction cost, or the cost of the goods procured.

**Indefinite Delivery Contract (Price Agreement):** These contracts are used when the Board need to have “on call” specialized services to provide advice on a particular activity, the extent and timing of which cannot be defined in advance. These are commonly used to retain “advisers” for implementation of complex projects as well as procurement advice, normally for a period of a year or more. The Board and the firm agree on the unit rates to be paid for the experts and payments are made on the basis of the time actually used.

3.2.5.26 **Important provisions**

**Currency.** RFPs should clearly state that firms must express the price for their services, in Rand. If the consultants wish to express the price in different foreign currencies, they may do so, provided that the Board concurs with this practice and that the proposal includes no more than three foreign currencies outside the borders of South Africa.

**Price Adjustment.** To adjust the remuneration for foreign and/or local inflation, a price adjustment provision should be included in the contract if its duration is expected to exceed 6 months.
**Payment Provisions.** Payment provisions, including amounts to be paid, schedule of payments, and payment procedures, should be agreed upon. Payments should be made promptly in accordance with the contract provisions. To that end,

- Consultants can be paid directly by the Board;
- Only disputed amounts should be withheld, with the remainder of the invoice paid in accordance with the contract; and
- The contract should provide for the payment of financing charges if payment is delayed due to the client’s fault beyond the time allowed in the contract. The rate of charges should be specified in the contract.

**Board’s Contribution.** The Board normally assigns members of its own professional staff to the assignment in different capacities. The contract between the Board and the consultant should give the details governing such staff, as well as facilities that should be provided by the Board, such as office space, secretarial support, utilities, materials and vehicles. The contract should indicate measures the consultant can take if some of the items cannot be provided or have to be withdrawn during the assignment and the compensation the consultant will receive in such a case.

**Conflict of Interest.** The consultant should not receive any remuneration in connection with the assignment except as provided in the contract. The consultant and its affiliates should not engage in consulting activities that conflict with the interests of the client under the contract.

**Professional Liability.** The consultant is expected to carry out its assignment with due diligence and in accordance with prevailing standards of the profession. As the consultant’s liability to the Board will be governed by the applicable law, the contract need not deal with this matter unless the parties wish to limit this liability. If they do so, they should ensure that:

- There should be no such limitation in case of the consultant’s gross negligence or wilful misconduct;
- The consultant’s liability to the Board in no case be limited to less than the total payments expected to be made under the consultant’s contract, or the proceeds the consultant is entitled to receive under its insurance, whichever is higher; and
- Any such limitation may deal only with the consultant’s liability toward the client and not with the consultant’s liability toward third parties.

**Staff Substitution.** During an assignment, if substitution is necessary, the consultant should propose other staff of at least the same level of qualifications for approval by the Board.

**Applicable Law and Settlement of Disputes.** The contract should include provisions dealing with the applicable law and the forum for the settlement of disputes. Should it not be possible to settle a dispute by means of mediation, the dispute may be settled in a South African court of law.
3.2.5.27 Information to consultants

Scheduling the Selection Process

Modifications of Contract

Any granting of a substantial extension of the stipulated time for performance of a contract, agreeing to any substantial modification of the scope of the services, substituting key staff, waiving the conditions of a contract, or making any changes in the contract that would in aggregate increase the original amount of the contract by more than 15 percent, will be subject to the approval of the Board or his / her delegate.

Whenever possible, the Board should use RFPs, which include the ITC, covering the majority of assignments. The ITC should include adequate information on the following aspects of the assignment:

- A very brief description of the assignment;
- Standard formats for the technical and financial proposals;
- The names and contact information of officials to whom clarifications should be addressed and with whom the consultants should meet, if necessary;
- Details of the selection procedure to be followed, including:
  - A description of the two-stage process, if appropriate;
  - A listing of the technical evaluation criteria and weights given to each criterion;
  - The details of the financial evaluation;
  - The relative weights for quality and cost in the case of QCBS;
- An indication of minimum experience as well as academic achievement expected of key staff or the total budget, if a given figure cannot be exceeded;
- The deadline for submission of proposals;
- The method in which the proposal should be submitted, including the requirement that the technical proposals and price proposals be sealed and submitted separately in a manner that should ensure that the technical evaluation is not influenced by price;
- The period for which the consultants’ proposals should be held valid (normally 60–90 days) and during which the consultants should undertake to maintain, without change, the proposed key staff, and should hold to both the rates and total price proposed;
• The anticipated date on which the selected consultant should be expected to commence the assignment;

• A statement indicating all prices should be VAT INCLUDED; and

• The procedure to handle clarifications about the information given in the RFP.

3.2.5.28 Disbursements

The responsibility for the implementation of the project, and therefore for the payment of consulting services under the project, rests solely with the Board or its delegated members.

3.2.5.29 Consultants’ role

When consultants receive the RFP, and if they can meet the requirements of the TOR, and the contractual conditions, they should make the arrangements necessary to prepare a responsive proposal. If the consultants find in the RFP documents — especially in the selection procedure and evaluation criteria — any omission or internal contradiction, or any feature that is unclear or that appears discriminatory or restrictive, they should seek clarification from the Board, in writing, within the period specified in the RFP for seeking clarifications.

If consultants feel that any of the provisions in the RFP are inconsistent with the prescripts of the Framework for Supply Chain Management and / or the PPPFA and its Regulations, they should raise this issue with the Board in writing.

Consultants should ensure that they submit a fully responsive proposal including all the supporting documents requested in the RFP. It is essential to ensure accuracy in the curricula vitae of key staff submitted with the proposals. Non compliance with important requirements should result in rejection of the proposal.

3.2.5.30 Confidentiality

The process of proposal evaluation is confidential until the contract award is notified to the successful firm. If, during the evaluation process, consultants wish to bring additional information to the notice of the Board, they should do so in writing.

If consultants wish to raise issues or questions about the selection process, they should communicate directly in writing with the Board in this regard. All such communications should be addressed to CEO.
3.2.5.31 **Debriefing**

If after notification of award, a consultant wishes to ascertain the grounds on which its proposal was not selected, it should address its request in writing to the Board. If the consultant is not satisfied with the explanation given by the Board, the consultant may refer this matter to the relevant treasury, Public Protector or court of law.
3.3  **Section 14 Quotation/Tender compilation**

3.3.1  **Advertising of tenders**

3.3.1.1  **Policy**

For advertised tenders relevant media shall be chosen to ensure that the target market is reached.

All advertised tenders must at least be advertised in the Government Tender Bulletin for at least 30 days before closing time, except in urgent cases when tenders may be advertised for such shorter period as the Board may determine.

Advertisement costs will be for the account of SANRAL.

The following information must be clearly stipulated in an advertisement:

- The category of supplies, services or disposals involved as provided for in the Government Tender Bulletin;

- The estimated financial implication (whether the tender is less than R75 000 or more than R75 000 as provided for in the Government Tender Bulletin.) Please note that the Government Tender Bulletin’s categories of less than R75 000 or more than R75 000 has no bearing on the thresholds set by National Treasury or SANRAL. The intention of the R75 000 is only to indicate to micro enterprises that they may be able to tender for the smaller tenders;

- Detailed description of the requirement, including the contract period applicable;

- The place of work, installation or delivery;

- Tender number;

- Closing date and time;

- Tenders obtainable from: Name of the Institution, street address, postal address, e-mail address, contact person for enquiries, telephone number, facsimile number and office hours (Mondays to Fridays);

- Whether site meetings, information/briefing sessions are applicable and whether they are compulsory or not. For the Government Tender Bulletin, this information must be incorporated into the description; and

- Post or deliver tenders to: Name of the Institution, street address, postal address, tender box address, contact person for enquiries, telephone number and facsimile no.
### 3.3.1.2 
*Determining the closing period, including a shorter or longer period*

Normal closing period is not less than 30 days from the date of the publication of the invitation to tender or the date of availability of tendering documents, whichever is later.

A longer closing period may be necessary where a product is to be imported or a complex response is required from tenderers.

In justifiable cases tenders may be advertised for a shorter period as the Board or the delegate may determine. A shorter closing period should allow adequate time for responses to be prepared and submitted and should not disadvantage any prospective tenderer from tendering.

Normally this should not be shorter than 14 calendar days unless SANRAL is certain that all prospective tenderers are able to deliver a response in a shorter time.

Approval for the shortening or lengthening of the closing period should be obtained in accordance with the Board’s delegated powers.

Since most companies close between 15 and 31 December no tenders may be advertised or close during this period.

### 3.3.1.3 
*Closing time*

According to the GCC closing time means the date and hour specified in the tendering documents for the receipt of tenders.

To standardise on the closing time the Guide for Accounting Authorities recommends that tenders should close at 11:00.

Tenders of SANRAL close at 11:00 on the day indicated in the tendering documents.

### 3.3.1.4 
*Determining the validity period, including a shorter or longer period*

The validity period should allow SANRAL sufficient time to finalise the tender. Tenders must be valid for at least 60 days from the closing date of the tender. Should SANRAL expect problems with a sixty day period for finalising the tenders received, a longer period may be set if required, but preferably not longer than 90 days.

A 90 day period may be necessary for instance when a lot of tenders have to be evaluated during the same period. The SCM official responsible for the invitation of the tenders will also be responsible for the extension of the validity period, if and when required, before the validity lapses.

Tenderers should be required to submit tenders valid for a period specified in the tendering documents. This period should be sufficient to enable SANRAL to complete the comparison and evaluation of tenders, review the recommendation and award the contract.
An extension of tender validity, if justified in exceptional circumstances, should be requested in writing from all tenderers before the expiration date. The extension should be for the minimum period required to complete the evaluation, obtain the necessary approvals and award the contract.

3.3.1.5 Availability of tender documents

Tender documents will be available on the date on which the requirement is advertised.

3.3.1.6 Responses received

SANRAL is to maintain a list of responses to the advertisement.
3.3.2 Elements for inclusion in tender documents

3.3.2.1 Policy

SANRAL’s tender documents shall promote uniformity across the entity.

Tenderers shall all receive the same information in documentation and should be assured of an equal opportunity to obtain additional information on a timely basis to ensure fairness.

Where feasible, promote subcontracting and joint ventures with SMME’s.

The prescripts of the PPPFA and its regulations apply.

3.3.2.2 Specifications

The specifications should be written in an unbiased manner to allow all potential tenderers to offer their goods and/or services. It is recommended that specifications should be approved by the Board or the delegate, prior to advertisement of tenders as tenders may only be evaluated according to the criteria stipulated in the tender documentation.

3.3.2.3 Quotation/tender document pack

As a general rule a quotation/tender documentation pack will consist of the following:

- Standard tender documents as prescribed by National Treasury;
- Specification/Terms of reference;
- General conditions of contract;
- Special contract conditions; and
- Copy of the formal contract where applicable.

3.3.2.4 Elements to take into account when compiling quotation/tender documentation pack

Allocate a sequential tender number.

The closing period and time of the tender.

Validity period applicable.

The price must be quoted in Rand.

Compliance with any statutory requirements deemed necessary.
Whether a briefing session is required or not.

Evaluation criteria applicable

Evaluation method, such as for example the two-envelope system.

The format in which the tender must be submitted, such as the information on the envelope and sealing instructions.

The number of copies required. Do not ask for unnecessary copies or for an excessive number of copies.

The methods of tender delivery allowed.

### 3.3.2.5 Changing of information before closing time

It is preferable to cancel a tendering invitation and to invite fresh tenderers or to add an addendum to the existing documentation if conditions or specification or any other information have to be changed before the closing time or if mistakes are discovered in the documents before the closing time.

### 3.3.2.6 Postponement of closing date

The closing time may be postponed only if all prospective tenderers can be advised of the postponed date in writing before the original closing date.
3.4  **Section 15 Opening of quotations/tenders**

3.4.1  **Opening procedures for quotations up to R 200 000 (VAT INCLUDED)**

3.4.1.1  **Policy**

A fair and transparent process should be followed for the closing, receiving, opening and processing of quotations.

3.4.1.2  **Informal quotations up to R 10 000**

The quotations are to be received and opened by the SCM official and the award is to be approved as prescribed in the Board’s delegated powers.

The order shall be placed against written confirmation from the selected provider.

3.4.1.3  **Written quotations from R 10 000 up to R 200 000**

Quotations shall be received and opened by the SCM official or his representative.

A delegated official is to complete the evaluation and recommendation to be submitted to the Adjudication Authority, for approval.

The Adjudication Authority in this instance will be the official delegated to contractually commit SANRAL.

3.4.2  **Opening procedures for tenders above R200 000**

3.4.2.1  **Policy**

A fair and transparent process should be followed for the closing, receiving, opening and processing of tenders.

Tenders shall be allowed to submit tenders only by hand.

A tender box shall be visibly provided on the premise that is accessible during working hours.

A tender box must always be locked, to prevent unauthorised removal of tenders.

At least two delegated officials must be present during opening of tenders on the date and time of closing as specified.

Information on tenders received must be captured in a tender register.
It must be noted in the tender document that tenders that are hand delivered must be placed in the tender box before the closing date and time of the tender.

Tenders received by courier or similar service should be administratively dealt with and immediately be channelled to the physical address where tenders are to be received. Tenders received after the closing time at the physical address indicated in the tender document, must be considered as late and be dealt with accordingly.

The tender box must be opened at closing time, 11:00 by one delegated official from the user cluster and one delegated SCM official. The tender box may be opened more frequently if there are good reasons for example, when a tenderer asks for the return of his tender before closing time and when the box is full, provided that it is done openly and there are at least two people present.

As soon as the tenders have been removed from the tender box, the following activities must be performed:

- Open each tender;
- Tenders are given a mark of authenticity as proof that the tender was received not later than the closing time. In this regard it is recommended that a punch be used that authenticates the documents with an emblem that identifies SANRAL.
- Names of the tenderers and their prices, where possible, must be read out on request.

3.4.2.2 Admission of tenders

Tenders received by facsimile transmitter, telegram or telex do not meet the requirements and must be summarily rejected.

Only original tendering documents or photocopies of facsimiles, which are submitted in the prescribed manner and where all the essential forms are signed in ink before submission, may be accepted as valid.

3.4.3 Tenders received late

3.4.3.1 Policy

| Tenders received late should not be considered |
| Tenders are late if they are received at the address indicated in the tender documents after date and closing time. |

Late tenders should not be admitted for consideration and where practicable should be returned unopened to the tenderer accompanied by an explanation.
SANRAL should re-advertise the tender if no tender or no suitable tender was received by closing time.

Tenders received late must be recorded as such.

3.4.4 Dealing with unsolicited tenders

The Board is not obliged to consider unsolicited tenders received outside a normal tendering process.

If the Board decides to consider an unsolicited quotation/tender, he or she may do so only if—

- The product or service offered in terms of the tender is a unique innovative concept that will be exceptionally beneficial to, or have exceptional cost advantages for SANRAL.

- The person who made the tender is the sole provider of the product or service; and

- The need for the product or service by SANRAL has been established during its strategic planning and budgeting processes.
3.5 Section 16: Evaluation process

3.5.1 Policy

Members of evaluation committees shall be honest, fair, impartial and transparent.

Evaluation committees should be familiar with and adhere to prescribed legislation, directives and procedures in respect of SCM.

No person should interfere with the SCM system of SANRAL.

The Board must reject any tender from a provider who fails to provide original written proof from SARS that he/she has no outstanding tax obligations or has made arrangements to meet outstanding tax obligations and must reject a proposal for the award of a contract if the recommended tenderder has committed a corrupt or fraudulent act in competing for the particular contract.

3.5.2 Compliance check procedures

Before actual evaluation the SCM official shall do a compliance check.

The SCM official should ascertain whether quotations/tenders received:

- Include original, valid tax clearance certificates;
- Have been properly signed; and
- Are substantially responsive to the quotation/tender documents;

The SCM official should ensure that the provider’s name does not appear on the list for restricted tenderders/persons.

3.5.2.1 Signing of tenders

The Invitation to Tender (SDB1 or equivalent), or photocopy thereof, must be signed in ink.

All declarations must also be signed to qualify as valid claims.

Copies of facsimiles of tenders, which have been submitted in the prescribed manner and where the SBD1 or equivalent has been signed in ink before submission, are accepted as the official tenders.
3.5.3 Evaluation less than R 10 000

3.5.3.1 Policy

Formalised evaluation committees are not compulsory and the relevant delegated authority may perform the evaluation.

The evaluation must still be based on an examination of the relevant statutory and/or predetermined evaluation criteria.

Less than R10 000, an evaluation is performed by the user cluster and the SCM official taking the following principles into account:

- Conformance to conditions/specification/terms of reference; and
- Price.

3.5.4 Evaluation committee for procurement from R 10 000 and above

3.5.4.1 Policy

From R10 000 and above, a Tender Evaluation Committee shall evaluate quotations/tenders received and submit a recommendation regarding the award of the tenders to the Adjudication Committee.

The SCM official is to establish Evaluation Committees on an ad hoc basis to evaluate.

The evaluation and adjudication committees should be composed of different members to ensure that a transparent review of the evaluation is undertaken.

Tender Evaluation Committees shall be established before the closing date of the quotation or tender to ensure transparency.

The official delegated to contractually commit SANRAL, shall not be a member of the Evaluation Committee.

From R10 000 and up to R200 000 a Evaluation Committee must consist of at least one designated official from the relevant user cluster and an official representing the expertise of technical, financial and SCM.

Quotations/tenders are to be evaluated against the predetermined criteria in the quotation/tender document. The criteria to be taken into account are:

- Compliance with the specification/terms of reference and conditions of the tender;
- Preferential procurement;
  - Price;
- Functionality;
- Goals;

• Capability / ability of the tenderer to execute the contract; and
• Tax clearance certificate with SARS

Above R200 000 a cross-functional Tender Evaluation Committee must be constituted. At least the following skills must be represented on such a Committee:

• Procurement expertise;
• One user representative;
• Sufficient financial expertise;
• Sufficient technical expertise; and
• Additional technical expertise may be co-opted.

Tenders are to be evaluated against the criteria in the tender document. The criteria to be taken into account are:

• Compliance with the specification/terms of reference and conditions of the tender;
• Preferential procurement;
  - Price;
  - Functionality;
  - Goals;
• Capability / ability of the tenderer to execute the contract and
• National Industrial Participation Programme requirements (only applicable for contracts in excess of R 10 million).

3.5.5 Evaluation steps

From R10 000 each evaluator should check whether the information received from the SCM official is correct and ascertain him/herself of all the information and facts contained in each tendering document, this includes the preference points score sheet.
Evaluations are not based on consensus decisions. Each evaluator scores each quotation/tender individually according to the predetermined criteria and weightings as reflected in the original quotation/tender documents. Calculated average points for service providers are used for evaluation purposes.

Evaluation Committee members shall now discuss the strengths, weaknesses and peculiarities of each offer. Commence the discussions from the highest to the lowest point scorer.

All discussions of each quotation/tender as well as the recommendation must be recorded in a recommendation report that must be signed off by all members of the Evaluation Committee.

The final recommendation report must be submitted to the Adjudication Committee for consideration.

Tenderers may be requested to clarify information that is unclear.

3.5.6 Cancellation of quotations/tenders

Should it be determined through the evaluation process that no acceptable quotations/tenders were received, then a recommendation to cancel the quotation/tender must be submitted for approval as part of the evaluation report.

The reasons why no acceptable quotations/tenders were received must be investigated before a decision is made what alternative process need to be followed to satisfy the requirements.

The possible reasons for receiving unacceptable quotations/tenders may be the following:

- Wrong choice of media used to reach the target audience in the case of advertised tenders;
- Wrong group of potential providers targeted in the case of non-advertised tenders;
- Terms of reference were not clear and specific;
- Quotations/tenders submitted did not address the terms of reference as the latter was not understood or the providers were clearly inexperienced; and
- The period allowed for the submission of quotations/tenders was not sufficient for organisations to submit a sufficient quotation/tender

A recommendation may now be considered to either re-advertise/reinvite the tender/quotation or to target a specific number of pre-identified service providers.

The evaluation report must therefore contain the request for cancellation accompanied by the perceived reasons determined through the investigation as well as a recommendation on the alternative process to be followed to satisfy the requirements.
3.5.7 Negotiations with tenderers

Without the approval of the Adjudication Committee or his/her delegate no negotiations may be conducted with tenderers.

Where such negotiations are indeed authorised, the Adjudication Committee must ensure that the negotiations take place at least at the middle management level and that the agreement, which is reached is placed on record in writing.

3.5.8 Tax clearance certificates

An original valid Tax Clearance Certificate as indicated in SBD 2 must be submitted at the closing time. Should the certificate not be attached, or not be in the original, the tender will be regarded as invalid.

No contracts may, however, be awarded to tenderers who have failed to submit the original Tax Clearance Certificate.

3.5.9 Extension of validity periods

The extension of the validity periods of quotations/tenders is a facility, which is available to SANRAL, but its use is discouraged because it can result in amendments to quotations/tenders to the disadvantage of SANRAL.

When validity lapses, the contractual obligation, which the provider accepted on signing the SBD 1 falls away.

When it is necessary to ask providers to extend the validity periods of their quotations/tenders as the result of exceptional circumstances, the extension of the validity must be finalised while the quotation/tenders are still valid.

3.5.10 Amendment of tender prices, conditions and specifications when the validity period is extended

Changed circumstances, for which no provision is made in the quotation or tender, can occur and providers’ conditions, of which price may be one, can be affected. Providers may, therefore, wish to make changes when extending their validity periods. However, great care must be taken when considering these amendments so that justice and fairness to the other providers are not sacrificed. When validity period extensions are requested, providers must be asked to indicate the nature of and reasons for any such amendments.

3.5.11 Providers own conditions

The conditions as contained in the quotation/tender documents, enjoy precedence. All providers must accept these conditions. However, it sometimes happens that providers set their own conditions, which might be in conflict with the quotation/tender conditions. Such own conditions set by providers can be recommended for acceptance where it is in the interest of SANRAL to do so and where the interests of other providers are not prejudiced.
A provider must not automatically be requested to withdraw his own conditions since such conditions are not necessarily unacceptable. A recommendation by the relevant Evaluation Committee that such a request should be made to the provider concerned, must be submitted to the relevant Adjudication Committee for the necessary approval. If providers are not prepared to withdraw unacceptable or conflicting conditions, reasons why such conditions must be accepted, or why the quotation/tender must be rejected, must be submitted to the relevant Adjudication Committee for approval.

3.5.12 Deviations from specifications

Quotations/tenders with acceptable deviations from specification can be recommended for acceptance, provided that the competitiveness of another provider is not adversely affected.

3.5.13 Equal offers

When offers are equal in all respects on a comparative basis, thus scoring equal total points, the successful provider must be the one scoring the highest number of preference points for HDI/SMME/specified goals as stated in the Preferential Procurement Regulations, pertaining to the PPPFA.

3.5.14 Comparative prices: tenders for contracts with a duration of more than three years

In such instances a specific escalation rate determined by the market factors should form part of the tender. This rate will then be used to calculate the tariffs for each of the future years.

Examples of cases where this directive must be applied are the following:

- Rental contracts for office accommodation;
- Rental contracts for computer and other electronic equipment; and
- Maintenance contracts for elevators and other electrical and mechanical equipment with a long useful life.

3.5.15 Declaration of interest

All officials who can influence the award of a quotation/tender are seen as officials who are involved in the recommendation process. The register of attendance of the members of the Evaluation Committee and Adjudication Committee should contain the following:

- "I declare that I did not purposefully or unlawfully favour or prejudice anyone in the decision making process in the recommendation and award of the tender."; and
- All officials who are involved in the decision making process must sign a similar affidavit.
3.5.16 Confidentiality

After public opening of tenders, information relating to the evaluation process may not be disclosed to interested parties until the successful provider is notified of the award.

3.5.17 Clearance of providers prior to the award of a contract: restricted persons

Prior to the award of any contract, the Board should ensure that neither the recommended tenderer nor any of the directors are listed as companies/directors/persons restricted to do business with the public sector. This list of restricted persons is managed and maintained by the Office of SCM within the National Treasury.

3.5.18 Clearance of providers prior to the award of a contract: NIPP

Before a contract over R10 million is awarded, clearance should be obtained from the Department of Trade and Industry regarding the National Industrial Participation Program (NIPP).
3.6 Section 17: Adjudication

3.6.1 Adjudication structures

For adjudication, there are two structures. The first is for award less than R10 000 and the second is for award from R10 000 and above.

3.6.2 Adjudication structures less than R 10 000

3.6.2.1 Policy

The Evaluation and Adjudication Committees should be composed of different members to ensure that a transparent review of the evaluation is undertaken.

The Adjudication Committee shall be the official delegated to contractually commit SANRAL.

3.6.3 Powers of the adjudication structure less than R 10 000

3.6.3.1 Policy

The Adjudication Committee assesses if the specific procurement process followed, is in line with the approved policy and procedures, that the evaluation is fair and sound, the deal is acceptable and in SANRAL’s best interest, and then approves/rejects the recommendation.

The SCM official must present the recommendation report to the Adjudication Committee for consideration.

Once approval has been granted, the SCM official may commence preparing the contract or other contractual documentation.

3.6.4 Adjudication structure from R 10 000 and above

3.6.4.1 Policy

The Evaluation and Adjudication Committees should be composed of different members to ensure that a transparent review of the evaluation is undertaken.

The Adjudication Committee as delegated will finally award quotations/tenders from the monetary value of R10 000 and above.

The CEO and/or its delegate will award tenders from the monetary value of R10 000 up to the delegated amount approved by the Board. Above the delegated amount the Board will act as the Adjudication Committee.
3.6.5 Powers of the award structure from R 10 000 and above

3.6.5.1 Policy

The Adjudication Committee assesses if the specific procurement process followed, is in line with the approved policy and procedures, that the evaluation is fair and sound, the deal is acceptable and in SANRAL’s best interest, and then approves the award recommendation.

The SCM official must present the Evaluation Committee’s recommendation report to the Adjudication Committee for consideration.

Once approval has been granted, the SCM official may commence preparing the contract or other contractual documentation.
3.7 **Section 18: Contractual Commitments**

### 3.7.1 Policy

Up to a predetermined monetary value for quotations, the official with the necessary delegated authority shall sign all necessary documentation to commit SANRAL.

The official with the necessary delegated authority to commit SANRAL, must be satisfied that all the necessary contractual conditions have been included prior to signing.

### 3.7.2 Contractual commitment less than R 10 000 (per order/transaction)

On award of the quotation the SCM official or his representative shall present the official with the necessary delegated authority all necessary documentation (including 3 written quotes) through which to commit SANRAL.

The signatory must ensure that he/she is satisfied that all the necessary conditions are included.

The SCM official or his representative must inform the successful provider of the acceptance of the quotation and liaise with the provider to initiate the execution.

### 3.7.3 Contractual commitment from R 10 000 and above

#### 3.7.3.1 Policy

SANRAL’s contract documents shall promote uniformity across the entity

#### 3.7.3.2 Conclusion of contracts

After the awarding of a quotation/tender, the quotation/tender shall be finalised by the relevant SCM official or his representative by issuing the letter of acceptance, the contract form, including a service level agreement and formal contract, where applicable.

The SCM official or his representative must draw up the contractual documentation in line with recommendations approved by the Adjudication Committee. It is the responsibility of the SCM official or his representative to determine under which circumstances they have to solicit legal assistance.

Both parties to the contract shall sign the contract form or formal contract.

The SCM official or his representative must inform the successful provider of the award by way of the letter of acceptance and invite the provider to come and sign the contract form or formal contract where applicable.
The acceptance of a tender must be in writing and must be sent by registered/certified mail or as indicated in a special condition, the principle being that there must be a mechanism of proof of delivery. Therefore once the letter of acceptance has been sent a contractual commitment has been made and it comes effective. The relevant date stamp of the Post Office serves as proof of the time. The signing of the contract form or formal contract where applicable serves as proof of an established contract.

If more than one company tenders as a consortium, the letter of acceptance and the contract form must be addressed to the company that signed the tender on behalf of the consortium.

After the provider signature has been obtained, the SCM official or his representative will submit the contract form or formal contract to the official with the authority to commit SANRAL through a signature.

The signatory must ensure that he/she is satisfied that all the necessary conditions are included.

The contract form to be signed should be accurate and complete. The contract form, together with all the documents such as the specification, special conditions and GCC, which together make up the full contract documents serves as basis for placing orders, the administration of contracts and the settlement of disputes.

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

### 3.7.3.3 Formal contracts

Where further documentation is signed by all parties concerned as an agreement in addition to the letter of acceptance and the contract form it is defined as a formal contract.
3.8  Section 19 Access to tendering information

3.8.1  Policy

All tendering information remains strictly confidential.

The information of one tenderer shall not be disclosed to any other tenderer.

Each tenderer, on request, is entitled to feedback concerning its own tender.

3.8.2  Informing the successful tenderers

The successful tenderer must be notified in writing through a letter of acceptance signed by the relevant delegated authority, of the award within the original validity period of the tender. Although the successful tenderer may be informed telephonically, it must be followed up in writing with a note to that effect.

3.8.3  Informing the unsuccessful tenderers

Once the successful tenderer has been advised of the award, the SCM Official or his representative must inform unsuccessful tenderers in writing that their tenders were unsuccessful.

On written request any tenderer should be provided with the reasons why his / her own tender was unsuccessful, without disclosing any of the other tenderers information.

3.8.4  Disclosure of information

There must be a balance between one party’s right to access of information and the right to confidentiality of the other party.

Tenders are not available for perusal by the public.

No itemized prices other than the formal contract prices of the successful tenderer(s) should be supplied to competitors. According to the prescripts of section 36 of the Promotion of Access to Information Act, No 2 of 2000, no information may be revealed that will prejudice a third party in commercial competition. Revealing itemized prices of unsuccessful tenderers may reveal their trade secrets / strategies and no such information should be revealed without the written consent of the relevant tenderer(s).
3.8.5 Publishing of a award

The following information on the successful tenders should be made available on SANRAL’s website and the Government Tender Bulletin:

• Contract number and description;

• Name(s) of the successful tenderer(s); and

• Contract price(s), if applicable.
3.9 **Section 20 Sale of assets**

3.9.1 **Policy**

SANRAL shall apply the same policies to the sale of assets and goods as for the procurement thereof.

3.9.2 **Determination to sell**

The determination to sell assets and goods must first be made in terms of SANRAL’s Disposal Policy.

Once the decision has been made to sell such assets and goods, the same procurement processes must be utilised with the SCM Official or his representative playing an active role in the process.
3.10 Section 21 Contract/Project management

3.10.1 Policy

The relevant user cluster takes responsibility for day-to-day management of a contract in line with the contractual conditions.

The SCM Official or his representative takes responsibility for maintaining original contract documentation and monitoring contracts in terms of adjustments.

3.10.2 General responsibilities

Both the user cluster and the SCM Official or his representative has a responsibility towards managing a contract.

3.10.3 Contract documentation

The SCM Official or his representative shall ensure that the successful provider timely receives a copy of the signed contract in order to initiate contract execution.

The SCM Official or his representative is the custodian of the original signed contract document and must file the contract appropriately.

The SCM Official or his representative must supply the user cluster with a copy of the signed contract for management purposes.

3.10.4 Contract monitoring

The SCM Official or his representative must maintain a record which will at least indicate the contract (tender) number, contract expiry date, special conditions and any review dates.

The SCM Official or his representative is responsible for notifying the user cluster timely of contract expiry that will allow the user cluster sufficient time to decide whether to renew the contract or to re-advertise the requirement.
3.10.5 Managing the contract

3.10.6 Policy

| The SCM Official or his representative shall ensure that all reasonable steps are taken to properly enforce a contract. |

The user cluster shall ensure the day-to-day management of the contract.

The user cluster must ensure that the contractor performs according to the stipulations of the contract in delivering the goods or services on time, in the correct quantity and to the required standard.

The user cluster is responsible for receiving invoices from the contractor.

The user cluster must ensure that payment required is in line with the contractual stipulations.

Invoices may only cover payment for goods received/services rendered.

3.10.7 Transfer and cession of contracts

The SCM Official in conjunction with the user cluster shall deal with transfers/cessions.

The contractual conditions should stipulate the conditions under which transfers / cessions shall be considered and the process to be followed in such circumstance.

Applications for the transfer/cession of contracts must be completed and signed by both the transferor and the transferee and countersigned by two witnesses. Full reasons for the transferring of the contract must be provided and the transferee's ability to carry out the contract must be established and reported to the CEO. Unless it in the best interest of SANRAL, it is unlikely that the transfer will be approved if SANRAL would suffer a loss as a result thereof or if there is an increased risk to SANRAL.

If the transfer/cession is not viewed favourably for a justifiable reason, the SCM Official or his representative must inform the contractor of the decision in writing and provide the user cluster with copies of the correspondence for filing purposes.

If the transfer/cession is viewed favourably, the SCM Official or his representative may involve legal assistance for the purpose of drawing up the transfer/cession documentation if necessary. The SCM Official or his representative must facilitate the signing of the transfer/cession by all parties, must forward a copy to the user cluster and the contractor and must file the original signed transfer/cession documentation appropriately.
3.10.8 Transfer of contract payments

Contract payments may be transferred on the recommendation of SANRAL and with the Award Authority’s approval only. Transfer of payments may be considered in cases where a contractor makes application in an official letter signed by the managing director, or any other authorised person, for monies due to him to be paid to another person or organisation, such as a bank or supplier of materials.

When the request is received from the contractor's supplier, bank, attorney or any other organisation, written confirmation must be obtained from the contractor. After approval has been received for the transfer of the payments, the user cluster must be informed and the financial cluster advised of the new payment requirements and requested to make payments accordingly.

Although the transfer of payments is regarded as undesirable, every application must be dealt with on its own merits.

3.10.9 Non-contractual purchases

Small quantities of supplies or minor services may be procured outside of the contract in the following circumstances:

- In cases of emergency; or
- When the contractor's point of supply is not situated at or near the place where the supply or service is required; or
- If the contractor's supplies or services are not readily available.

Purchases outside the contract must be restricted to requirements that are absolutely necessary to satisfy the immediate requirement and the action must always be justifiable against the contract conditions. Acquisitioning procedures must in all instances be followed when procuring outside of existing contracts.

3.10.10 Contract variations/amendments

3.10.11 Policy

Contracts may be amended according to the Board’s delegated powers to achieve the original objective of the contract.

Amendments may not materially alter the original objective as such amendments should form part of a new tender.

All contractual parties must agree to the amendment.

No contracts may be amended without the parties signing the amendment.
The contractual conditions should stipulate the conditions under which amendments shall be considered and the process to be followed in such circumstance.

Any extension / variation / amendment of the contract will be done in accordance with the Board’s delegated powers. However for the appointment of consultants any granting of a substantial extension of the stipulated time for performance of the contract, agreeing to any substantial amendment of the scope of the services, substituting key staff, waiving the conditions of a contract, or making any changes in the contract that would in aggregate increase the original amount of the contract by more than 15 percent, will be subject to the approval of the Board or the delegate.

The user cluster must approach the SCM Official or his representative with the request for amendment. The SCM Official or his representative (or the delegate in the user cluster where capacity is not available) should contact the contractor to determine whether he/she will be agreeable to an amendment to the contract within the allowable parameters.

If the contractor is prepared to amend the contract and it is confirmed in writing, the user cluster request the SCM Official or his representative to process the amendment and supply the SCM Official or his representative with the details of the amendment and the written approval from the contractor.

The SCM Official or his representative can involve legal assistance for the purpose of drawing up the amendment, if required. The SCM Official or his representative must facilitate the signing of the amendment by all parties, must forward a signed copy to the user cluster and the contractor and must file the original signed amendment appropriately.

### 3.10.12 Amendment of conditions

Applications for the amendment of conditions are received from contractors from time to time and are usually to their advantage. Amendments may be considered on their merits bearing in mind SANRAL’s interests. Amendments, which prejudice SANRAL, can be agreed to only with the approval of the Board.

### 3.10.13 Price adjustments

#### 3.10.13.1 Contractual price adjustments

The contractual conditions should stipulate the circumstances under which adjustments shall be considered, the intervals for adjustment, the base date for adjustments as well as the price adjustment formula and the process to be followed in such circumstances.

The contractor in accordance with the contract must under normal circumstances initiate the request for adjustment.

The contractor will raise the issue with the user cluster in writing.
The user cluster must forward the request for price adjustment to the SCM Official or his representative for facilitation.

The SCM Official or his representative is responsible for confirming that the request is in line with the contractual conditions and will verify the calculations presented.

Once the request is accepted as correct and approved by the official with the necessary delegated authority, the SCM Official or his representative will inform the contractor in writing and will inform the user and the finance cluster of the approved amendment.

The SCM Official or his representative must file the amendment with the original contract.

3.10.13.2 Reduction of prices

Price reductions after award of a contract must be accepted where this is advantageous to SANRAL.
3.10.14 Unsatisfactory performance

Policy

Communicate unsatisfactory performance to contractors in writing.

Unsatisfactory performance occurs when performance is not in accordance with the contract conditions.

The user cluster must identify unsatisfactory performance in terms of the contract timely.

The user cluster must, in consultation with the SCM Official or his representative and legal assistance if required, bring unsatisfactory performance to the attention of the contractor in writing.

The contractor must be afforded a reasonable period in terms of the contract to rectify its performance.

If the performance is not rectified, the user cluster must inform the SCM Official or his representative of this fact.

The SCM Official or his representative with legal assistance shall give notice to the contractor of action to be taken in line with the contract due to non-performance.

3.10.15 Contract termination

3.10.16 Policy

The Board must terminate a contract awarded to a provider –

- If the provider committed any proven corrupt or fraudulent act during the tendering process or the execution of that contract.
- If any official or other role player committed any proven corrupt or fraudulent act during the tendering process or the execution of that contract that benefited that provider.

Contract termination required by SANRAL due to non-rectified breach of contract or corruption shall always be initiated by the SCM Official or his representative in consultation with the user cluster and legal assistance.

A notice of termination shall be forwarded to the contractor by the SCM Official or his representative and the user cluster must be kept informed of the actions taken.

If the contractor does not agree with the termination, the case must be handed over to legal assistance.
Termination of a contract may be considered for a variety of reasons, such as delayed deliveries, failing to perform any other contractual obligation or if the supplier has engaged in corrupt and fraudulent practises and insolvency.
Termination of a contract is usually detrimental to SANRAL. Therefore serious thought must be given to the grounds for considering termination. Clarity must be reached beforehand on the question of whether the contractor will have a claim against SANRAL or not, and if so, whether termination can be justified. If termination is decided upon, the matter must be explained fully in a memorandum to the Board and the following must be addressed:

- Indicate the arrangements to be made for completing the contract; and
- Indicate whether additional costs will be recovered from the contractor.
4 Logistics Management

The current SANRAL asset management policy covers the items mentioned below (1.1–1.11) and are attached marked “Annexure X”

4.1 Purchase requisitions

4.2 Purchase orders

4.3 Receiving of assets

4.4 Fixed asset register

4.5 Sale and scrapping of fixed assets (Also see chapter on disposal management)

4.6 Depreciation

4.7 Assets under construction (Buildings, Roads & Bridges and Equipment via project systems and materials management)

4.8 Disposal of land (Also see chapter on disposal management)

4.9 Insurance of assets

4.10 Land Acquisition

4.11 Leased assets
5 Handing and taking over procedures

**POLICY**

Uninterrupted determination of responsibility and accountability must be maintained at all times. To be able to ensure continuity, formal handing and taking over should take place whenever there is a change in personnel.

The formal handing and taking over of duties forms an integral part of control. Officials must be fully aware of their delegated responsibilities when relinquishing or taking over a post.

5.1.1 Assuming and relinquishing of accountability

Whenever a temporary or permanent change in appointment takes place, handing and taking over is to be carried out between the officials assuming and relinquishing the post.

After the two parties have taken stock and all discrepancies have been clarified to the satisfaction of both, they are to complete and sign a handing and taking over certificate. The signing of the certificate implies that the outgoing person relinquishes his accountability whilst the incoming person accepts it.

In case of failure to comply with the requirements of a handing and taking over certificate, the person taking over shall be liable for any shortages/irregularities, unless it can be established that the shortages/irregularities existed prior to his/her taking over.

5.1.2 Handing and taking over by chief executive officers

Procedure when the CEO relinquishing his/her post.

When the CEO hands over his/her duties and responsibilities, a complete stocktake within a reasonable time is impractical. The incoming CEO is to obtain supporting certificates from all officials pertaining to the following:

- Duties and responsibilities have been delegated in writing and acknowledged in writing;
- Accounting for equipment is being carried out as prescribed;
- Audit queries and inspection reports are attended to;
- Buildings, fixtures and fittings on charge of SANRAL are properly accounted for; and
- All facilities are properly maintained.

Procedures for relinquishing a post in the absence of a CEO.
If the CEO who relinquishes the post cannot attend the handing and taking over, the Board is to appoint a capable impartial official to assist the incoming CEO. The appointed official is to certify that he/she and the incoming CEO have complied with the procedures outlined for the completion of the handing and taking over certificate. Furthermore, he/she is to certify that he/she and the incoming CEO are satisfied that the state of SANRAL justifies a clearance between the two CEO’s or will justify a clearance if stocktaking has been carried out and discrepancies have been investigated and adjusted.

5.1.3 Handing and taking over between officials in charge of equipment

Procedures in the presence of member relinquishing post

When officials in charge of equipment relinquish their posts and are replaced, stocktaking of all equipment under their control is to be carried out in the presence of their successors. The procedure to be followed, is as follows:

- Compare the physical stock of equipment that has to be taken over with the ledger balances and other records. All discrepancies are to be investigated and adjusted where necessary; and
- Attach the list of equipment discrepancies, if any, to the handing and taking over certificate and submit it to the official responsible for supply chain management or his representative;

Procedures in the absence of officials who relinquish their posts

If a member who relinquishes his post, cannot be present during the handing and taking over, the CEO must appoint an impartial person to assist the incoming member. After finalising the stocktake and after the necessary adjustment actions have been taken, the appointed official is to certify that the provisions of the relevant instructions have been complied with.

5.1.4 Handing and taking over procedures for inventory holders

Changing of inventory holders are to be substantiated by the completion of the handing and taking over certificates on the reverse side of the inventory form.

If a member who relinquishes his/her post cannot be present during the handing and taking over, the CEO is to appoint an impartial person in writing to assist the incoming official. After finalising the stocktake and effecting the necessary adjustment action, it is to be certified that the provisions of the relevant instructions have been complied with.

The official handing over and the official taking over have to sign the original and copies of the inventory form.
Any discrepancies are to be fully explained. If there are not discrepancies, the word “none” is to be reflected on the certificate.
6 Labour saving devices

**POLICY**

Photocopiers, printers, scanners, faxmachines or any other electronic equipment have to be placed in a well-ventilated room.

The delegation of duties and responsibilities of the official in charge should therefore include the responsibility for the proper management of the electronic equipment.

### 6.1.1 Responsibilities and control

Officials in charge of electronic equipment will be responsible to:

- Ensure that electronic equipment are regularly serviced as stipulated in the contract;
- Ensure proper care of electronic equipment such as the use of dust covers and operation according to manufacturers instructions;
- Execute proper control over the use of electronic equipment. This includes the prevention of unauthorised use or misuse for private purposes;
- Ensure the safeguarding of the electronic equipment and consumables (paper, etc.) by placing the electronic equipment in lockable offices and/or under the direct supervision of responsible personnel;
- Maintaining a register for the use of electronic equipment, indicating the type of documents reproduced, number of copies made and the sections involved;
- Maintain monthly statistics on the use and effectiveness of electronic equipment;
- The certification and recommendation of contractor’s invoices;
- The submitting of invoices to the supply chain official or his representative for processing; and
- To ensure that toner and paper are available.
6.1.2 Repair and maintenance

The contractual conditions with regard to repairs must be carefully considered when repairs are to be undertaken. Rental contracts should contain clauses indicating the responsibility of the service provider in the event of normal wear and tear.

Only the contractor or his authorised agent may undertake repairs. No other persons or firms must be allowed to carry out repairs, as the guarantee of the machine may become null and void.

Electronic equipment are to be serviced by the contractor as laid down in the agreement. The SCM official or his representative is to ensure that servicing does take place and that the contractor keeps the service records up to date.

6.1.3 Monthly statistics

In instances where photocopying machines are hired, the contract would provide for costs incurred relative to the use of the machine. The number of copies and maintenance therefore forms an integral part of the records to be kept. The following monthly statistics must be kept:

- Number of copies produced during the month;
- Breakages/malfunctions during the month;
- Dates of reporting such breakages/malfunctions to the contractor; and
- Repair time (how long the electronic equipment was out of order).
7 Disposal management

7.1 Obsolescence Planning

Policy

The disposal phase is initiated when the economic life of the asset has expired, or when the need for the service provided by the asset has disappeared

- A proactive approach to the identification of potential obsolescence problems is recommended, using a combination of risk assessment and supplier notification.

- The following factors are crucial to the assessment of obsolescence risk:

  **Criticality point**

  This is the point in time at which availability of the equipment is threatened by lack of parts and/or spares. Identifying this point provides a benchmark against which all mitigation options can be considered.

  **Cost impact**

  This is determined by the expected costs that would be incurred to solve the problem if no action is taken until the time of occurrence of the obsolescence.

  **Prioritisation**

  Prioritise all current obsolescence risk by order of the point of criticality and in order of cost.

7.2 Renewal planning

- The asset renewal-planning phase involves the assessment of existing assets and planned acquisitions against service delivery requirements.

- The evaluation of existing assets determines whether their performance is adequate to support the selected service delivery strategy.

- The evaluation should reveal assets that provide more than their required capacity, or are surplus to requirements. As part of this process, assets should be evaluated in terms of their:

  **Physical condition**;

  Is the asset adequately maintained?

  **Functionality**;
How well suited is the asset to the activities and functions it supports?

Utilisation

How intensively is the asset used?

- Financial performance

Are the assets’ operating costs similar to those for other comparable assets?

7.3 Disposal Decision

POLICY

The disposal decision cannot be taken in isolation. Asset disposal decisions are to be made within an integrated, service and financial planning framework. While disposal is viewed as the final stage in asset management, it is common for disposal action to trigger the acquisition of a new asset or a replacement asset.

The asset register is a starting point for this analysis as it records the useful lives of assets and is able to provide an indication of the timing of major replacements in the normal course of business.

- To make a disposal decision, the following documents are important:
  - The obsolescence plan;
  - The renewal plan;
  - The list of unserviceable items;
  - The list of obsolete items; and
  - The list of redundant items.

7.4 Disposal Plan

A disposal plan establishes the rationale for, the anticipated time and method of, and the expected proceeds on disposal. The plan is reviewed and refined, if necessary, prior to disposal.

7.4.1 Methods of disposal
• The primary methods of disposal include sale by public auction or bidding, sale by private treaty, trade-in, write-off and letting.

• Before deciding on a particular disposal method, the following matters should be considered:

  - The nature of the asset;
  - Its potential market value;
  - Its location;
  - Its volume;
  - Its trade-in value;
  - Its ability to support other programmes;
  - Environmental considerations;
  - Market conditions; and
  - The asset’s lifetime.

• Appropriate means of disposal may include:

  - Public auction;
  - Public bidding;
  - Transfer to another institution in terms of section 42 of the PFMA;
  - Transfer to another institution at market related value;
  - Transfer to another institution free of charge;
  - Destroying such assets;
  - Sale to another entity;
  - Letting to another entity;
  - Sale to staff;
  - Trade-in; and
- Donations.

- The Supply Chain Manager must in relation to the sale or other disposal methods of assets, ensure that:

  - Bid documentation comply with the criteria prescribed in terms of the PPPFA (Act No 5 of 2000);
  - Immovable property is sold at market related prices, unless the relevant treasury determines otherwise;
  - Movable assets are sold either by way of a bidding process, auction or at market related prices, whichever is the most advantageous to SANRAL;
  - In the case of the disposal of computer equipment, the Department of Education must first be approached to indicate whether any educational institutions are interested in the equipment, and, if so, to arrange for the transport of such equipment at its own cost to any such interested education institutions;
  - In the case of the disposal of firearms, the National Conventional Arms Control Committee approves of any sale or donation of firearms to any person or institution within or outside the Republic;
  - Ensure that all immovable property, excluding state housing for state officials and political office bearers, is let at market related rates, unless the relevant treasury determines otherwise or approves the letting of property free of charge;
  - Annually review all fees, charges, rates, tariffs, and scale of fees or other charges relating to the letting of SANRAL’s property; and
  - In cases where assets are traded in for other assets, the highest possible trade-in price is to be negotiated.
8 Reporting

8.1 Monthly reporting

**POLICY**

The Accounting Authority must submit to the National Treasury such SCM information as that treasury may require and in such format and at such intervals as the National Treasury may require.

- SANRAL shall report monthly on the following aspects:
  - SANRAL shall submit reports in respect of each contract above the value of R 100 000 awarded during that month within 30 days of the end of each month. It is also recommended that the reporting should be completed as and when the Contracts Committee has awarded a contract.
  - Completed information must be submitted to the Department of Labour for forwarding to the National Treasury.
9 Performance measurement

POLICY

SANRAL shall monitor and assess the performance of all contractors during the contract period.

SANRAL shall measure and monitor the SCM policy and process through a performance measurement system.

- SCM performance can be broken down into two categories of performance measurement:
  - Contractor assessment;
  - Consultant assessment; and
  - Monitoring of the SCM policy and processes followed.

9.1 Contractor assessment

- SANRAL is to ensure that the performance of all contractors is to be assessed during the period of the contract.

- It is recommended that at the completion stage of the project/contract, an assessment of the contractor be undertaken and that this assessment should be available for future reference.

- The reliability of the contractor should be monitored in terms of, among others:
  - Capacity and capability to deliver (delivery periods);
  - Quality;
  - Quantity; and
  - Attainment of objectives.

- When contractors do not perform according to the contractual obligations and SANRAL does not address the matter during the execution of the contract, such non-performance cannot be deemed as sound reasoning for passing over the bid of such supplier/service provider when evaluating future bids.
9.2 Consultant assessment

- SANRAL is to ensure that the performance of all consultants is to be assessed at the completion of each assignment. This assessment will be kept on a database for future reference.

- The reliability of the consultant should be monitored in terms of, among others:
  - Capacity and capability to deliver (delivery periods);
  - Quality;
  - Quantity; and
  - Attainment of objectives.

- When consultants do not perform according to the contractual obligations and SANRAL does not address the matter during the execution of the contract, such non-performance cannot be deemed as sound reasoning for passing over the bid of such supplier/service provider when evaluating future bids.

9.3 Monitoring of the SCM Policy And Process

- The purpose of reporting is to effectively measure the achievement of SANRAL’s procurement objectives.

- All actions pertaining to the SCM function, with specific reference to the acquisition function must be recorded continuously in order to:
  - Prove accountability; and
  - Gather management information to enable managers to:
    - Measure performance in terms of achievement of goals;
    - Measure compliance with norms and standards;
    - Identify any breach of contract;
    - Determine cost efficiency of the acquisition process; and
    - Determine whether SCM objectives are consistent with Government’s broader policy focus.
9.4 Achieving of predetermined targets and record keeping

- SANRAL must gather as much information as possible on a continuous basis to adapt to changing targets and Government’s reporting requests pertaining to SCM.

- Keeping complete records pertaining to SCM will assist SANRAL in their performance monitoring and reporting role.

- Records (manual and electronic), which can be a list, spreadsheet or register, must be maintained.

- Records should be updated on a regular basis.

- The following records should be kept:
  - List of tender documents issued;
  - List of tenders received;
  - Records of verbal and written quotations;

1.1.1 Record of complaints;
1.1.2 Record of irregular, fruitless and wasteful expenditure;
1.1.3 Record of over and unauthorised expenditure; and
1.1.4 Record of circulars distributed within the Institution.