



Supply Chain Management Policy

Centlec (Soc) Ltd - Supply Chain Management Policy

CENTLEC (SOC) LTD	
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Definitions:

A-class Items	A-class items are those items that are not consumable or expendable.
Acquisition management	<p>Acquisition management is the process of procurement of goods or services :</p> <p><input type="checkbox"/></p> <p>in order to ensure that acquisition delegations are in place in the organisation, the market strategy is assessed and a sourcing (procurement) strategy is determined, bid documents are compiled, bids are solicited, responses are received, responses are evaluated and assessed and awarded by the Bid Adjudication Committees</p>
Affordable	<p>Affordable in relation to a PPP agreement, means that the financial obligations to be incurred by the entity in terms of the agreement can be met by:</p> <p><input type="checkbox"/> Funds designated in the entity's budget for the current year for the activity outsourced in terms of the agreement;</p> <p><input type="checkbox"/> Funds destined for that activity in accordance with the future budgetary projections of the entity;</p> <p><input type="checkbox"/> Any allocations of the entity;</p> <p><input type="checkbox"/> Or a combination of such funds and allocations.</p>
Agreement	In relation to a <i>prohibited Practice in terms of the Competition Act 89 of 1998 as amended</i> , includes a contract, arrangement or understanding, whether or not legally enforceable
Asset	<p>It is a resource controlled by an entity as a result of past events and from which future economic benefits or service potential is expected to flow to the entity. It has the following characteristics:</p> <p><input type="checkbox"/> It possesses service potential or future economic benefit that is expected to flow to the entity.</p> <p><input type="checkbox"/> It is controlled by the entity.</p> <p><input type="checkbox"/> It originates as a result of a past transaction or event.</p>
Buy out	Pay someone to give up an ownership.
Competitive bid	Means a bid in terms of a competitive bidding process.
Competitive bidding process	Means a competitive bidding process referred to in section 24 of this policy.
Concerted Practice	Means co-operative, or coordinated conduct between <i>firms</i> , achieved through direct or indirect contact, that replaces their independent action, but which does not amount to an <i>agreement</i> .

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Current asset (inventory-perishable goods)	An asset that would, in the normal course of operations, be consumed or converted to cash within 12 months after the last reporting date.
Customer service	It is the process of serving customers in accordance with acceptable, pre-determined standards in such a manner that it increases customer satisfaction and minimizes times and costs.
Demand management	Demand management ensures that the resources required to support the strategic objectives are delivered at the correct time, at the right price, location, quantity and quality that will satisfy the needs.
Depreciation	Depreciation refers to the reduction in the value of assets generally from wear and tear. The consumption of capital is recognised as a cost of production and an allowance for this is made before net profit is arrived at.
Disposal management	Disposal management is responsible to ensure that all unserviceable, redundant or obsolete assets are subjected to a formal process of doing away with movable assets in a cost-effective, but transparent and responsible manner. It also entails the maintenance of records and documents as prescribed.
E-class accountable	Accounting in respect of those stores approved by the relevant Treasury as consumables.
E-class items	E-class items are consumable and expendable stores that cannot be repaired when it becomes unusable.
Economic principle	Obtain the highest possible output for the lowest possible use of resources.
Economy of scale	Reductions in the average cost of a product in the long run, resulting from an expanded level of output
Equipment	A-class countable stores that are issued and accounted for on an inventory.
Final award	In relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept.
Formal written price quotation	Means quotations referred to in sub-section 11 of section 23 of this policy.
Historically disadvantaged individual	<p>Historically Disadvantaged Individual (HDI) means a South African citizen who:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 10 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act no 200 of 1993)(“the Interim Constitution”); and/or

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	<input type="checkbox"/> Is female and/or <input type="checkbox"/> Has a disability. <p>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.</p>
Horizontal Relationship	Means a relationship between competitors
Immovable assets	All non-produced, non-financial tangible assets, namely land, subsoil assets, water resources and some fixed tangible assets namely fixed structures (bridges, houses and roads).
Intangible assets	Intangible assets are trademarks, licenses and/or the legally enforceable rights associated with copyright and patents.
Integrated SCM	The foundation of the integrated SCM concept is total cost analysis, which is defined, as minimizing the total cost of SCM elements.
In the service of the state	<p>Means to be:</p> <input type="checkbox"/> A member of <ul style="list-style-type: none"> ▪ Any municipal council, ▪ Any provincial legislature; or ▪ The National Assembly or the national Council of Provinces. <input type="checkbox"/> A member of the board of directors of any municipal entity. <input type="checkbox"/> An official of any entity or municipal entity. <input type="checkbox"/> An employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No 1 of 1999). <input type="checkbox"/> A member of the accounting authority of any national or provincial public entity; or <input type="checkbox"/> An employee of Parliament or a provincial legislature.
Inventories	Including stock and stores (consumable stores, maintenance materials, spare parts, WIP, education/training course materials, client services). Properties/land held for sale. Strategic stocks (fuel supplies, precious stones and metals). Seized or forfeited property.
Inventory (movable assets) management	It shall be possible to determine accountability for all A-class-accountable items at all times. Records shall therefore be available to describe the full extent of the responsibility of officials for equipment belonging to the institution on personal account or sectional inventories for general usage. Inventory (distribution) ledger accounts shall therefore be maintained for all A-class items.

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Items	An individual article or unit.
Lifecycle costing	Lifecycle costing is a technique developed to identify and quantify all costs, initial and on-going, associated with a project or installation over a given period. Thus, it is a tool that forecasts the total cost of a purchase throughout its predetermined lifecycle.
List of accredited prospective providers	Means a list of accredited prospective providers which an entity or municipal entity must keep in terms of this policy.
Logistics management	Logistics management ensure that goods and services are available at the right place, time and quantities required to execute the functions of the entity.
Long term contract	Means a contract with a duration period exceeding one year.
Measurable objectives	Measurable objectives identify very specific things that the entity intends doing or delivering in order to achieve the strategic objectives and ultimately the strategic goals it has set. There must therefore be a direct causal link running from the measurable objective to one or more of the strategic objectives.
Movable assets	Movable assets are assets that can be moved (e.g. machinery, equipment, vehicles, etc). All inventories and valuables and most fixed assets belong to this category.
Municipal functions	Means: <ul style="list-style-type: none"> <input type="checkbox"/> A municipal service. <input type="checkbox"/> Any other activity within the legal competence of an entity.
Municipal property	In relation to an entity, includes any movable, immovable or intellectual property, owned by or under the control of: <ul style="list-style-type: none"> <input type="checkbox"/> A entity; or <input type="checkbox"/> A municipal entity under the sole or shared control of the entity.
Net present value (NPV)	The sum that results when the discounted value of the expected costs of an investment are deducted from the discounted value of the expected returns. If the NPV is positive the project in question is potentially worth undertaking.
Obsolete	No longer produced or used, out of date, to become obsolete by replacing it with something new.
Official	Official means: <ul style="list-style-type: none"> <input type="checkbox"/> An employee of an entity; <input type="checkbox"/> A person seconded to an entity to work as a member of the staff of the entity;

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	<input type="checkbox"/> A person contracted to an entity to work as a member of the staff of the entity otherwise than as an employee.
Operation and maintenance plan	The objective of operation and maintenance plans is to ensure assets remain appropriate to programme requirements, are efficiently utilised, and are maintained in the necessary condition to support programme delivery at the lowest possible long-term cost.
Other applicable legislation	<p>Means any other legislation applicable to municipal supply chain management, including:</p> <input type="checkbox"/> The Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000). <input type="checkbox"/> The Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003). <input type="checkbox"/> The Construction Industry Development Board Act, 2000 (Act No 38 of 2000).
Over-utilisation	Over-utilisation can have adverse effects in terms of deterioration in asset performance and condition, shortening productive life and increasing recurrent operating and maintenance costs.
Practitioner	A person who practices a profession or art.
Private party	<p>In terms of a PPP, excludes:</p> <input type="checkbox"/> A entity; <input type="checkbox"/> A municipal entity; or <input type="checkbox"/> An organ of state, including an institution listed in any of the schedules of the Public Finance Management Act, 1999 (Act 1 of 1999).
Procedures	Policies are carried out by means of more detailed guidelines called "standard methods". A series of actions conducted in a certain order or manner.
Process	A series of actions or steps towards achieving a particular end.
Project management	Project management is the planning, directing and controlling of an organisation's resources over a short term to ensure that specific objectives are successfully met.
Provider	A provider is the private person or institution that provides supplies, services or works to the Government.
Public-private partnership	<p>Means a commercial transaction between an entity and a private party in terms of which the private party:</p> <input type="checkbox"/> Performs a municipal function on behalf of an entity.

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	<ul style="list-style-type: none"> <input type="checkbox"/> Acquires the use of municipal property for its own commercial purposes. <input type="checkbox"/> Performs both a municipal function and acquires the use of municipal property as referred to above. <input type="checkbox"/> Assumes substantial financial, technical and operational risks in connection with the performance of the municipal function or use of municipal property <input type="checkbox"/> Receives a benefit for performing a municipal function or from utilising municipal property, by way of: <ul style="list-style-type: none"> ▪ Consideration to be paid by the entity. ▪ Charges or fees to be collected by the private party from users or customers of a service provided to them. ▪ A combination of the above.
Quittance	The acknowledgement by the recipient of the receipt of issued stores, reflecting a signature, receipt voucher number and date of receipt.
Redundant	No longer needed or useful, superfluous (unnecessary).
SCM Regulations	Means the Local Government: Municipal Finance Management Act, 2003: Municipal Supply Chain Management Regulations.
Renewal	Replace or restore (something broken or worn out).
Risk management	Risk management may be defined as the identification, measurement and economic control of risks that threaten the assets and earnings of a business or other enterprise.
Rules	Rules are statements that a specific action must or must not be taken in a given situation.
Salvage	The Act of saving any goods or property in danger of damage or destruction.
SMME	Means a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy and which can be classified as a micro, a very small, a small or a medium enterprise by satisfying the criteria opposite the smallest relevant size or class.
Sourcing	Find out where to obtain.
Stores/stock	All movable state property/assets that are kept in stock for issue purposes.

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Strategic goals	Strategic goals are areas of organisational performance that are critical to the achievement of the mission. They are statements that describe the strategic direction of the organisation.
Strategic objectives	Strategic objectives are more concrete and specific than strategic goals. They should give a clear indication of what the entity intends doing or producing in order to achieve the strategic goals it has set for itself. As such strategic objectives would normally describe high-level outputs or "results" of actions that the entity intends taking.
Treasury guidelines	Means the guidelines on supply chain management issued by the Minister in terms of section 168 of the Act.
The MFMA	Means the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003).
Under-utilization	Under-utilization will increase the unit cost of programme delivery and may prompt the purchase of new assets when they are not required.
Value for money	In relation to public-private partnership agreements, means that the performance of a private party in terms of the agreement will result in a net benefit to the entity in terms of cost, price, quality, quantity, risk transfer or any combination of those factors.
Written or verbal quotations	Means quotations referred to in sub-section 11 of section 23 of this policy.

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ABBREVIATIONS

AG	Auditor-General
AO	Accounting Officer – (Chief Executive Officer)
BBBEEA	Broad Based Black Economic Empowerment Act
BBBEE	Broad Based Black Economic Empowerment
BEE	Black Economic Empowerment
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
DTI	Department of Trade and Industry
EME	Exempted Micro Enterprise
HDI	Historically Disadvantaged Individual
IDP	Integrated Development Plan
IT	Information Technology
LCC	Life Cycle Costing
MFMA	Municipal Finance Management Act
MM	Municipal Manager (Accounting Officer) of Mangaung Metropolitan Municipality
MSA	Municipal Systems Act
MTEF	Medium Term Expenditure Framework
NIPP	National Industrial Participation Programme
PCCAA	Prevention and Combating of Corrupt Activities Act. 2004
PPP	Public Private Partnership
PPPFA	Preferential Procurement Policy Framework Act (Act 5 of 2000)
RDP	Reconstruction and Development Programme
RFI	Request for Information
RET	Radical Economic Transformation
RFP	Request for Proposal
RFQ	Request for Quotation
SANAS	South African National Accreditation Agency
SAPS	South African Police Services
SARS	South African Revenue Services
SBD	Standard Bidding Documents
SCM	Supply Chain Management
SCM Unit	Supply Chain Management Unit
SITA	State Information Technology Agency
SLA	Service Level Agreement

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SMME	Small Medium and Micro Enterprise
SP	Service Provider
TCO	Total Cost of Ownership
TOR	Terms of Reference
EME	means an exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;
QSE	QSE" means a qualifying small business enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act; "Rand value" means the total estimated

SECTION 1: OBJECTIVE OF THE POLICY

- 1.1 To have and maintain an efficient, fair, equitable, transparent, competitive and cost-effective supply chain operation when sourcing and procuring goods, services and works as well as the sale and letting of assets that conforms to constitutional and legislative principles and maximizes the benefits from its consolidated buying power in the market place.
- 1.2 To ensure the efficient, effective and uniform disposal of assets through the procurement process.
- 1.3 Centlec (SOC) Ltd shall manage its financial and administrative resources in such a manner to meet and sustain its supply chain goals.
- 1.4 Centlec (SOC) Ltd shall create a preferential procurement system that will encourage, promote and achieve social-economic objectives and good governance.

SECTION 2: SUPPLY CHAIN MANAGEMENT POLICY

- 2.1 The board of directors of Centlec (SOC) Ltd resolves in terms of section 111 of the MFMA to have and implement a supply chain management policy that:
 - 2.1.1 Gives effect to:
 - 2.1.1.1 Section 217 of the Constitution; and
 - 2.1.1.2 Part 1 of Chapter 11 and other applicable provisions of the MFMA.
 - 2.1.2 Is fair, equitable, transparent, competitive and cost effective.
 - 2.1.3 Complies with:
 - 2.1.3.1 The regulatory framework prescribed in Chapter 2 of the Local Government: Municipal Supply Chain Management Regulations, 2005;
 - 2.1.3.2 Preferential Procurement Regulations, 2000 (Act No.5 of 2000) and
 - 2.1.3.3 Any minimum norms and standards that may be prescribed in terms of section 168 of the Act.

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- 2.1.4 Is consistent with other applicable legislation.
- 2.1.5 Does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres, and
- 2.1.6 Is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
- 2.2 The entity may not act otherwise than in accordance with this supply chain management policy when:
 - 2.2.1 Procuring goods or services.
 - 2.2.2 Disposing of goods no longer needed.
 - 2.2.3 Selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies.
 - 2.2.4 In the case of the entity, selecting external mechanisms referred to in section 80(1)(b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
- 2.3 Subparagraphs 2.2.1 and 2.2.2 of this policy do not apply in the circumstances described in section 110(2) and 110(3) of the Act except where specifically provided otherwise in this policy.

SECTION 3: APPROVAL AND AMENDMENT OF THE SUPPLY CHAIN MANAGEMENT POLICY

- 3.1 The Accounting Officer shall:
 - 3.1.1 At least annually review the implementation of this policy.
 - 3.1.2 When the Accounting Officer considers it necessary, submit proposals for the amendment of this policy to the board of directors.
- 3.2 If the Accounting Officer submits a draft policy to the board of directors that differs from the model policy, the Accounting Officer must ensure that such draft policy complies with the Regulations. The Accounting

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Officer must report any deviation from the model policy to the National Treasury and the relevant provincial treasury.

3.3 When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

3.4 The Accounting Officer of the entity in terms of section 99(2)(h) of the Act, take all reasonable steps to ensure that the entity has and implements this supply chain management policy.

SECTION 4: LEGISLATIVE ENVIRONMENT

4.1 THE CONSTITUTION

4.1.1 In establishing a 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:

4.1.2 “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.

4.1.3 Subsection (1) does not prevent the Organs of State or institutions referred to in the subsection from implementing a procurement policy providing for:

4.1.3.1 Categories of preference in the allocation of contracts; and

4.1.3.2 The protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.

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

4.2 THE MUNICIPAL FINANCE MANAGEMENT ACT

- 4.2.1 The Municipal Finance Management Act, Act No 56 of 2003, sets out the responsibilities of the entity's Accounting Officer and highlights a number of aspects impacting on supply chain management. The main aspects pertaining to supply chain management are as indicated hereunder.
- 4.2.2 Section 2 stipulates that municipal entities must establish norms and standards and other requirements for:
 - 4.2.2.1 Ensuring transparency, accountability and appropriate lines of responsibility.
 - 4.2.2.2 The management of their revenues, expenditures, assets and liabilities.
 - 4.2.2.3 Supply chain management.
- 4.2.3 Section 90 stipulates an entity may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.
- 4.2.4 Section 94 (2) stipulates that the Accounting Officer may not act in a way that is inconsistent with the responsibilities assigned to him / her entities in terms of this Act; or use the position or privileges of, or confidential information obtained as Accounting Officer, for personal gain or to improperly benefit another person.
- 4.2.5 Section 96(1) stipulates that the Accounting Officer of an entity is responsible for the management of the assets of the entity, including the safeguarding and the maintenance of those assets.
- 4.2.6 Section 96(2) stipulates that the entity has and maintains a system of internal control of assets, including an asset register, as may be prescribed.
- 4.2.7 Section 111 stipulates that each entity must have and implement a SCM policy.
- 4.2.8 Section 112 stipulates that the SCM policy must be fair, equitable, transparent, competitive and cost-effective.
- 4.2.9 Section 113 stipulates that an entity is not obliged to consider an unsolicited bid received outside its normal bidding process.

- 4.2.10 Section 114 stipulates if a bid other than the one recommended in the normal course of implementing the SCM policy, is approved, the Accounting Officer must, in writing, notify the A-G, the provincial and national treasury, of the reasons for deviating from such recommendation.
- 4.2.11 Section 115 which stipulates that the Accounting Officer must:
- 4.2.11.1 Implement the SCM policy.
- 4.2.11.2 Take all reasonable steps to ensure that proper mechanisms and separation of duties in the SCM system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.
- 4.2.12 Section 116 stipulates that a contract or agreement procured through the supply chain management system must be in writing and stipulate the terms and conditions of the contract or agreement.
- 4.2.13 Section 117 stipulates that no councilor of the entity may be a member of a Bid Committee or any other committee evaluating or approving bids, quotations, contracts or other bids, nor attend any such meeting as an observer.
- 4.2.14 Section 118 stipulates that no person may interfere with the SCM system or amend or tamper with any bids, quotations, contracts or bids after the submission.
- 4.2.15 Section 119 stipulates that the AO and all other officials involved in the implementation of the SCM policy must meet the prescribed competency levels.

4.3 REGULATIONS

- 4.3.1 The purpose of the Regulations in terms of Section 168 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) is:
- 4.3.1.1 To cover the establishment of SCM policies and
- 4.3.1.2 To provide a framework for SCM policies.
- 4.3.2 The aspects of SCM are:

- 4.3.2.1 It stipulates that each entity must have and implement a SCM policy.
- 4.3.2.2 The board of directors must delegate such supply chain management powers and duties to the AO.
- 4.3.2.3 Each entity must establish a SCM unit (SCMU) to implement its supply chain management policy.
The SCM Unit must, where possible operate under the direct supervision of the CFO.
- 4.3.3 The training of officials involved in implementing a supply chain management policy should be in accordance with any guidelines issued by the National Treasury.
- 4.3.4 The SCM system must provide effective systems for the following:
 - 4.3.4.1 Demand management.
 - 4.3.4.2 Acquisition management.
 - 4.3.4.3 Logistics management.
 - 4.3.4.4 Disposal management.
 - 4.3.4.5 Risk management
 - 4.3.4.6 Performance management.

4.4 THE PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT (PPPFA) AND ITS REGULATIONS

- 4.4.1 The Preferential Procurement Policy Framework Act (PPPFA), Act No 5 of 2000 and its regulations issued in August 2001, was promulgated to give effect to Section 217(3) of the Constitution by providing a framework for the implementation of the procurement policy contemplated in Section 217(2) of the Constitution.
- 4.4.2 The following are the key elements noted in the Act and regulations:
 - 4.4.2.1 The Entity must determine its preferential procurement policy within the framework of the legislation.
 - 4.4.2.2 A preference point system must be followed.

4.4.2.3 The 90/10 principle must be applied for contracts with the Rand value above R50 million.

4.4.2.4 The 80/20 principle must be applied for contracts from the Rand value of R30 000 and up to the Rand value of R 50 million (inclusive of all applicable taxes).

4.4.3 Specific goals may include:

4.4.3.1 Contracting with persons or categories of persons historically disadvantaged because of race, gender or disability.

4.4.3.2 Promoting local production and content.

4.4.4 Functionality and price may be evaluated.

4.4.5 Tax affairs of companies must be in order.

4.5 THE BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT (BBBEE ACT)

4.5.1 The Broad Based Black Economic Empowerment Act (BBBEE Act), Act No 53 of 2003, provides the framework for the promotion of black economic empowerment, the establishment of a balanced scorecard and the publication of transformation charters. A supporting strategy has also been published.

4.5.2 Black Economic Empowerment (BEE) is defined as an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the numbers of black people that manage, own and control the country's economy, as well as significant decreases in income inequalities.

4.5.3 The strategy is underpinned by the following principles:

4.5.3.1 BEE is broad-based in that it seeks to accelerate the deracialisation of the economy and fast track the re-entry of historically marginalized communities into the mainstream of the economy.

4.5.3.2 BEE is an inclusive process that includes all enterprises operating within South Africa.

4.5.3.3 BEE is part of a growth strategy for a more equitable economy that will benefit all South Africans, individuals and enterprises. As such it stresses growth and enterprise development, including new enterprises and not only the redistribution of existing wealth. Progress of the BEE is to be measured by a balanced scorecard that provides a framework against which to benchmark the BEE process in different enterprises and sectors.

4.5.3.4 Economic empowerment of black people including women, workers, youth and people with disabilities and people living in rural areas will be promoted through preferential procurement in order to enable meaningful participation in the economy.

4.5.3.5 The Minister of Trade and Industry has developed broad-based charters to promote BEE, and issued codes of practice that include qualification criteria for preferential procurement and other economic activities.

4.5.3.6

4.6 CONSTRUCTION INDUSTRY DEVELOPMENT BOARD ACT (CIDB ACT)

4.6.1.1 The Construction Industry Development Board Act, 2000 (Act No.38 of 2000);

4.7 THE KING IV REPORT ON CORPORATE GOVERNANCE SOUTH AFRICA 2016

4.7.1 The entity will subscribe to the Code of Corporate Practices Conduct in all material respects as it affects supply chain management.

4.7.2 The Report concludes that successful governance requires organisations to adopt an inclusive approach and there must be greater emphasis on the sustainable or non-financial aspects of its performance.

4.7.3 The tests of fairness, accountability, responsibility and transparency to all acts or omissions and be accountable to the organisation, but also responsive and responsible towards the organisation's stakeholders must be applied.

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

4.8 THE PREVENTION AND COMBATING OF CORRUPT ACTIVITIES ACT

- 4.8.1 The Entity will adhere to the directives contained in the Prevention and Combating of Corrupt Activities Act, No 12 of 2004 as it affects the supply chain process.
- 4.8.2 The Act regulates offences in respect of corrupt activities relating to contracts, activities pertaining to acceptance of any gratification and the improper influence of another person as well as offences in respect of corrupt activities relating to procuring and withdrawal of tenders.
- 4.8.3 The act focusses on :
 - 4.8.3.1 Part 1 – General offence of corruption
 - 4.8.3.2 Part 2 – Offences in respect of corrupt activities relating to specific persons
 - 4.8.3.3 Part 3 – Offences in respect of corrupt activities relating to receiving or offering of unauthorised gratification
 - 4.8.3.4 Part 4 – Offences in respect of corrupt activities relating to specific matters
 - 4.8.3.5 Part 5 – Miscellaneous Offences relating to possible conflict of interest
 - 4.8.3.6 Part 6 – Other offences relating to corrupt activities
 - 4.8.3.7
 - 4.8.3.8

4.9 THE NATIONAL SMALL ENTERPRISE ACT

- 4.9.1 The National Small Enterprise Act, No 102 of 1996, as amended, establishes structures to promote small enterprises. The main functions are inter alia:
 - 4.9.1.1 To expand, coordinate and monitor the provision of training, advice, counselling and any other non-financial services to small enterprise in accordance with the National Small Enterprise Support Strategy.
 - 4.9.1.2 To consult with any organ of government, the NSBC or a service provider in order to inter alia:
 - 4.9.1.3 Facilitate the provision of business advice and counseling services to small enterprises.
 - 4.9.1.4 Facilitate national market access for products and services of small enterprises.
 - 4.9.1.5 Generally strengthen the capacity of service providers to support small enterprises and small enterprises to compete successfully in the economy.

- 4.9.2 To enable small enterprises to compete successfully in the economy, the procurement policies and practices influence the economic behavior of small enterprises, and therefore during the procurement process, it is important to implement guidelines to promote small enterprises.

4.10 STATE INFORMATION TECHNOLOGY AGENCY (SITA) ACT

- 4.10.1 The State Information Technology Agency (SITA) Act, Act No 88 of 1998, as amended by Act 38 of 2002, requires that SITA must act as the procurement agency for every department's information technology requirements. This act prescribes that all municipalities are compelled to procure all information technology through SITA, as listed in the National Treasury Practice Note Number 5 of 2009/2010.

4.11 PUBLIC-PRIVATE PARTNERSHIPS

- 4.11.1 Whatever goods, works and/or services are procured by means of public private partnerships, section 120 of the MFMA as well as the Municipal Public-Private Partnership Regulations, and must be adhered to.

Section 120 of the MFMA states that:

Conditions and process for public-private partnerships.

(1) A municipality may enter only into a public-private partnership agreement with the municipality can demonstrate that the

Agreement will—

- a) Provide value for money to the municipality;
- b) Be affordable for the municipality; and
- c) Transfer appropriate technical, operational and financial risk to the private party.

2) A public-private partnership agreement must comply with any prescribed regulatory framework for public-private partnerships.

3) If the public-private partnership involves the provision of a municipal service, Chapter 8 of the Municipal Systems Act must also be complied with.

- 4) Before a public-private partnership is concluded, the municipality must conduct a feasibility in accordance with Section 120.4 of the MFMA

4.11.2 study that—

4.12 COMPETITION ACT

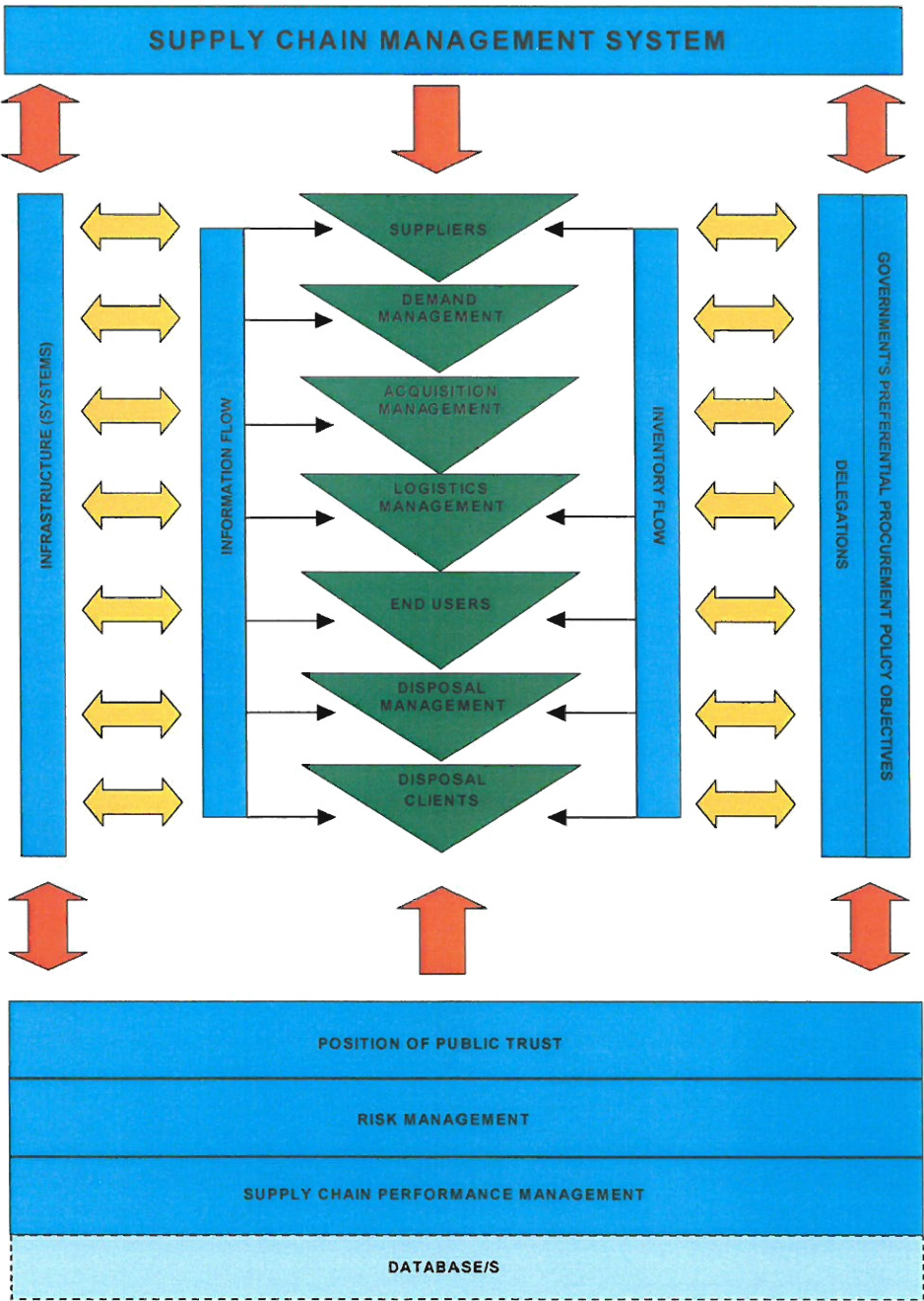
- 4.12.1** The Competition Act No. 89 of 1998, as amended, prohibits an agreement between, or concerted practice by firms, or a decision by an association of firms, if it is between parties in a horizontal relationship and if it involves collusive bidding (or bid rigging).

4.13 OTHER APPLICABLE BY-LAWS, ORDINANCE OR LEGISLATION

- 4.13.1 All other applicable by-laws, ordinances or legislation impacting on SCM must be taken into account.

SECTION 5: THE SUPPLY CHAIN MANAGEMENT SYSTEM

- 5.1 The supply chain management system can be seen as an integrated system, taking into account suppliers, clients, information and inventory flow.
- 5.2 The diagram below illustrates how the main functions are interlinked.



SECTION 6: SUPPLY CHAIN MANAGEMENT UNIT

6.1 The Accounting Officer shall establish a supply chain management unit (SCM Unit) under finance department to implement this supply chain management policy.

6.2 The SCM Unit shall, operate under the direct supervision of the Chief Financial Officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

6.3 The supply chain management unit provides for the following systems:

6.3.1 Demand management.

6.3.2 Acquisition management.

6.3.3 Logistics management

6.3.4 Disposal management.

6.3.5 Risk management.

6.3.6 Performance management.

6.4 All the activities involved in acquisition and disposal of movable, immovable assets and other goods and services will done and finalized in SCM Unit.

SECTION 7: TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS

7.1 The Accounting Officer and all other officials of the entity involved in the implementation of the supply chain management policy of the entity must meet the prescribed competency levels.

7.2 The entity shall for the purposes of sub-paragraph 3.1 provide resources or opportunities for the training of officials referred to, to meet the prescribed competency levels.

7.3 The National Treasury or the Provincial Treasury may assist the entity in the training of officials.

7.4 The training of officials involved in implementing this supply chain management policy should be in accordance with Local Government: Municipal Regulations on Minimum Competency Levels, 2007 and any guidelines as may be issued by National Treasury from time to time.

7.5 Due to the nature of training or workshop or seminar it will be impossible to follow proper procurement process as a result, the approval by the Accounting Officer or any other official delegated by the Accounting Officer in terms of section 106 of MFMA will be sufficient to regularize the transaction. The transaction should not form part of the deviations as it not in terms of section 36 of Supply Chain Management Regulation.

SECTION 8: AUTHORITY TO EXECUTE

8.1 All supply chain activities will be executed in accordance with pre-established levels of authority through delegations to ensure control and division of responsibility.

8.2 Any activity to be executed shall be done in accordance with a delegation. These delegations must be in writing and contained in the entity's delegation document.

SECTION 9: DELEGATION OF SUPPLY CHAIN MANAGEMENT POWERS AND DUTIES

9.1 The Accounting Officer of the entity:

9.1.1 Shall develop an appropriate system of delegation that will both maximize administrative and operational efficiency and provide adequate checks and balances in the entity's financial administration.

9.1.2 May, in accordance with that system, delegate to a member of the entity's top management or any other official of the entity:

9.1.2.1 Any of the powers or duties assigned to the Accounting Officer in terms of the Act.

9.1.2.2 Any powers or duties reasonably necessary to assist the Accounting Officer in complying with a duty which requires the Accounting Officer to take reasonable or appropriate steps to ensure the achievement of the aims of a specific provision of the Act.

9.1.3 Shall regularly review delegations issued in terms of its authority and, if necessary, amend or withdraw any of those delegations.

9.2 The Accounting Officer may not delegate to any political structure or member of the board of directors of the entity any of the powers or duties assigned to Accounting Officers in terms of the Act.

- 9.3 A delegation in terms of the above:
 - 9.3.1 Shall be in writing.
 - 9.3.2 Is subject to such limitations and conditions as the Accounting Officer may impose in a specific case.
 - 9.3.3 May either be to a specific individual or to the holder of a specific post in the entity.
 - 9.3.4 May, in the case of a delegation to a member of the entity's top management authorise that member to sub-delegate the delegated power or duty to an official or the holder of a specific post in that member's area of responsibility.
 - 9.3.5 Does not divest the Accounting Officer of the responsibility concerning the exercise of the delegated power or the performance of the delegated duty.
- 9.4 The Accounting Officer may confirm, vary or revoke any decision taken in consequence of a delegation or sub-delegation in terms of this section, but no such variation or revocation of a decision may detract from any rights that may have accrued as a result of the decision.
- 9.5 The board of directors may delegate to the Accounting Officer its power to transfer ownership or otherwise dispose of a capital asset in respect of movable capital assets below a value determined by the board of directors, but only after the board of directors, in a meeting:
 - 9.5.1 Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services.
 - 9.5.2 Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.
- 9.6 The board of directors shall delegate such supply chain management powers and duties to the Accounting Officer in order to enable the Accounting Officer to:
 - 9.6.1 Maximize administrative and operational efficiency in the implementation of the supply chain management policy.

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- 9.6.2 To enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of the supply chain management policy.
- 9.6.3 To comply with his or her responsibilities in terms of section 115 and other applicable provisions of the MFMA.
- 9.7 No supply chain management powers and duties may be delegated or sub-delegated to:
 - 9.7.1 A person who is a councilor of any municipality or a board member of the entity.
 - 9.7.2 A committee of which a councilor of any municipality or board member of the entity is a member.
 - 9.7.3 A person who is not an official of the entity.
 - 9.7.4 A committee which is not exclusively composed of officials of the entity.
- 9.8 This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in this policy.

SECTION 10: SUB-DELEGATIONS

- 10.1 The Accounting Officer may in terms of section 106 of the Act sub-delegate any supply chain management powers and duties, including those delegated to the Accounting Officer in terms of this policy.
- 10.2 The power to make a final award:
 - 10.2.1 Above R10 million (VAT included) may not be sub-delegated by the Accounting Officer.
 - 10.2.2 Above R2 million (VAT included), but not exceeding R10 million (VAT included) may be sub-delegated but only to:
 - 10.2.2.1 The chief financial officer.
 - 10.2.2.2 A senior manager.
 - 10.2.2.3 A bid adjudication committee of which the chief financial officer or a senior manager is a member.
 - 10.2.3 Not exceeding R2 million (VAT included) may be sub-delegated but only to:
 - 10.2.3.1 The chief financial officer.
 - 10.2.3.2 A senior manager.
 - 10.2.3.3 A manager directly accountable to the chief financial officer or a senior manager.
 - 10.2.3.4 A bid adjudication committee.
- 10.3 An official or bid adjudication committee to which the power to make final awards has been sub-delegated must within five days of the end of each month submit to the official stipulated in subparagraph 10.4 a written report containing particulars of each final award made by such official or committee during that month, including:
 - 10.3.1 The amount of the award.
 - 10.3.2 The name of the person to whom the award was made.

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- 10.3.3 The reason why the award was made to that person.
- 10.4 A written report referred to in paragraph 10.3 above, must be submitted:
 - 10.4.1 To the Accounting Officer, in the case of an award by:
 - 10.4.1.1 The chief financial officer.
 - 10.4.1.2 A senior manager.
 - 10.4.1.3 A bid adjudication committee of which the chief financial officer or a senior manager is a member.
 - 10.4.2 The chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by:
 - 10.4.2.1 A manager referred to in subparagraph 10.2.3.3 above.
 - 10.4.2.2 A bid adjudication committee of which the chief financial officer or a senior manager is not a member.
- 10.5 This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in this policy.
- 10.6 No supply chain management decision-making powers may be delegated to an advisor or consultant.
- 10.7 All delegations must be in writing to individual officials in top or senior management.

SECTION 11: DELEGATION OF DUTIES AND RESPONSIBILITIES

- 11.1 Uninterrupted determination of responsibility and accountability should be maintained at all times to ensure that the supply chain is managed efficiently. It is imperative that the duties and responsibilities of every member of the SCM Unit be clearly defined and delegated.

Responsibility

- 11.2 Responsibility must be clearly delegated in writing. Formal acceptance of the delegated duties and responsibilities is also required if it is to be binding.
- 11.3 For an official to accept responsibility he/she has to receive formal training to execute the responsibilities and duties bestowed upon him/her. Any delegation should include referrals to the various policies/procedures for which execution the delegate is held responsible. Where necessary, post incumbents should receive on the job training to enhance their proficiency.

Authority

- 11.4 Duties and responsibilities cannot be successfully executed without proper authority. The individual, to whom duties and responsibilities have been delegated, must have the mandate to give orders and the authority to enforce obedience within the organisational parameters for proper conduct. The person must therefore be empowered to exercise the rights and to use the discretion assigned to a position.
- 11.5 The following types of authority can be delegated:
- 11.5.1 Executive authority to make defined decisions without referral to higher authority.
 - 11.5.2 Authority to make recommendations.
 - 11.5.3 Authority to agree with a decision before it comes mandatory.
 - 11.5.4 The authority to be informed.
 - 11.5.5 Authority must therefore be clearly defined and delegated in writing. Formal acceptance of the delegated authority is also required if it is to be binding.

Accountability

- 11.6 The delegation of responsibilities and authority creates the obligation and liability to perform duties properly and in accordance with regulations. Delegation to a lower level within the entity does not diminish the accountability vested in the higher levels within the entity. It is therefore clear that accountability is created at every level, but can never be delegated.

Influence of expertise on delegations

- 11.7 A function or task may only be delegated to a qualified and competent official. Accountability cannot be established if it is known that the person to be delegated to is not competent or qualified to execute the task.
- 11.8 A gradual delegation of responsibilities can be considered as the expertise seated in any decentralised offices increases through experience and training.

SECTION 12: PARTICIPATION OF ADVISORS

- 12.1 The Accounting Officer may procure the services of advisors to assist in execution of the supply chain management function, provided that:
- 12.1.1 The appointment shall only be made through a competitive bidding process.
- 12.1.2 No advisor shall participate in the final decision-making process regarding the award of bids.
- 12.1.3 No decision-making authority shall be delegated to an advisor.

SECTION 13: ROLES AND RESPONSIBILITIES

13.1 SUPPLY CHAIN FOCUS

- 13.1.1 The roles and responsibilities of all the structures hereunder are defined only from the perspective of supply chain management.

SECTION 14: OVERSIGHT ROLE OF THE BOARD OF DIRECTORS

- 14.1 The board of directors shall maintain an oversight over the implementation of supply chain management policy to ensure that it is within the ambit of the applicable legislation.
- 14.2 The Accounting Officer shall, within 30 days of the end of financial year or whenever there are serious and material problems in the implementation of the supply chain management policy, submit reports on the implementation of the supply chain management to the board of director.
- 14.3 The Accounting Officer shall within 10 days after the end of each quarter submit a report of implementation of supply chain management policy to the board of directors.
- 14.4 The reports shall be made public in accordance with section 21A of the Municipal Systems Act.

SECTION 15: ROLE OF THE ACCOUNTING OFFICER (CEO)

- 15.1 The Accounting Officer shall:
- 15.2 Implement a supply chain management policy for the entity.
- 15.3 Take all reasonable steps to ensure that proper mechanisms and separation of duties in the supply chain management system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.
- 15.4 The Accounting Officer shall prepare and review supply chain management policy and submits to the board of directors of the entity for approval.
- 15.5 The Accounting Officer shall establish and appoint members to the following bid committees:

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15.5.1 A bid specification committee.

15.5.2 A bid evaluation committee.

15.5.3 A bid adjudication committee.

15.6 The Accounting Officer shall appoint the members of each committee, taking into account:

15.6.1 That no councilor or board member may be a member of a municipal bid committee or any other committee evaluating or approving bids, quotations or contract, nor attend such meeting as an observer.

15.6.2 No person may:

15.6.2.1 Interfere with the supply chain management system.

15.6.2.2 Amend or tamper with any bids, quotations, and contracts after their submission.

15.7 The committee system must be consistent with:

15.7.1 The MFMA.

15.7.2 The Preferential Procurement Policy Framework Act and its Regulations.

15.7.3 The Broad-based Black Economic Empowerment Act and its Strategy.

15.8 The Accounting Officer may apply the committee system to formal written price quotations if he deems it fit.

15.9 The Accounting Officer may procure goods and services for the entity by utilising the committee system of another municipality or municipal entity in terms of an agreement with that other municipality or municipal entity.

15.10 Approve the amount to be paid by prospective service providers as non-refundable deposit for bid / tender documents issued by the entity.

SECTION 16: ROLE OF THE CHIEF FINANCIAL OFFICER (CFO)

- 16.1 The Chief Financial Officer shall be the custodian of SCM policy and report progress regarding the implementation of the supply chain management and supply chain management policy to the Accounting Officer who will report to the board of directors.
- 16.2 Responsible for the overall management of the supply chain management unit
- 16.3 Responsible to ensure that the supply chain management policy is adhered to.
- 16.4 Responsible to ensure that all employees involved in the supply chain management process receive the necessary training and support to implement the SCM Policy.
- 16.5 Responsible to determine the amount to be paid by prospective service providers as a non-refundable deposit for enquiry documents issued by the entity.
- 16.6 Shall approve all applications of service providers for possible inclusion in the register of service providers (service providers' data base).

SECTION 17: ROLE OF BID SPECIFICATION COMMITTEES

17.1 COMPOSITION

- 17.1.1 The bid specification committee shall be composed of:
 - 17.1.1.1 One or more officials from the entity and preferably from user departments requiring goods or services.
 - 17.1.1.2 Supply chain practitioners must be present.
 - 17.1.1.3 May, where appropriate, include external technical specialists.
 - 17.1.1.4 No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

17.2 RESPONSIBILITIES

17.2.1 To compile the specifications for each procurement of goods or services by the entity.

17.2.2 Specifications –

17.2.3 Shall be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services.

17.2.4 Shall take account of any accepted standards such as those issued by standard South Africa, the international standard organisation, or an authorised accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply.

17.2.4.1 Must where possible, be described in terms of performance required rather than In terms of descriptive characteristics.

17.2.4.2 May not create trade barriers in contract requirements in the form of specification, plans, drawing, designs, testing and test method, packaging, marking or labelling of conformity certification.

17.2.4.3 May not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word equivalent.

17.2.4.4 Shall indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations of 2001.

17.2.4.5 Shall be approved by the Accounting Officer/his delegate prior to publication of the invitation for bids.

SECTION 18: ROLE OF BID EVALUATION COMMITTEE

18.1 COMPOSITION

18.1.1 The Committee shall so far as it may be possible:

18.1.1.1 Be cross-functional.

18.1.1.2 Be composed of:

18.1.1.2.1 Officials from the departments requiring the goods or services.

18.1.1.2.2 At least one supply chain management practitioner.

18.1.1.3 Allow for a neutral or independent person to monitor the fairness of the proceedings.

18.2 FUNCTIONS AND RESPONSIBILITIES

18.2.1 The bid evaluation committee shall:

18.2.1.1 Evaluate bids in accordance with:

18.2.1.1.1 The specifications for a specific procurement.

18.2.1.1.2 The preference point system in terms of the Preferential Procurement Policy Framework Act and its regulations.

18.2.1.2 Evaluate each bidder's ability to execute the contract.

18.2.1.3 Check in respect of each bidder whether:

18.2.1.3.1 A valid tax clearance certificate, issued by SARS, has been submitted;

18.2.1.3.2 Municipal rates and taxes and municipal service charges owed by the preferred bidder or any of its directors to the entity or to any other municipality or municipal entity, are not in arrears for more than three months;

18.2.1.3.3 The names of the preferred bidders and their directors / trustees / shareholders are not listed on the Register for Tender Defaulters and the Database of Restricted Suppliers;

18.2.1.3.4 Where bidders claim preference point, a Bidder has submitted, together with their bids, the original and valid B-BBEE Status Level Verification Certificates or certified copies thereof to substantiate their B-BBEE rating claims. Bidders who do not submit B-BBEE Status Level Verification

Certificates do not qualify for preference points for B-BBEE but should not be disqualified from the bidding process.

- 18.2.1.3.5 The evaluation must also confirm the validity of a B-BBEE Status Level Verification Certificate by tracing the name of the issuing Verification Agency to the list of all SANAS accredited agencies.
- 18.2.1.4 The Chief Financial Officer shall ensure that, irrespective of the procurement process followed, no award above R30 000 (vat included) is given to a person whose tax matters have not been declared by the South African Revenue Services to be in order. SARS tax clearance certificate will be sufficient in this regard.
- 18.2.1.5 SARS may be consulted as a secondary measure, if SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph 18.2.1.4 be presumed to be in order.
- 18.2.1.6 Verify whether national industrial participation programme requirements have been complied with, if the contract is in excess of R100 million.
- 18.2.1.7 Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter for consideration.

SECTION 19: ROLE OF BID ADJUDICATION COMMITTEE

19.1 COMPOSITION

- 19.1.1 The Bid Adjudication Committee must be cross-functional.
- 19.1.2 The Bid Adjudication Committee shall consist of:
 - 19.1.2.1 The Chief Financial Officer of the entity who will be the chairperson or if the Chief Financial Officer is not available, another top or senior management official of the entity designated by the Accounting Officer.
 - 19.1.2.2 At least four top or senior management (including the CFO) officials of the entity.
 - 19.1.2.3 At least one supply chain management practitioner, who is an official of the entity.

19.1.2.4 When necessary, a technical expert in the relevant field, who is an official.

19.1.3 If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside the meeting.

19.1.4 Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.

19.1.5 A member of the bid evaluation committee might be asked to present the bid evaluation report but shall not vote in the proceedings.

19.2 FUNCTIONS AND RESPONSIBILITIES

19.2.1 The bid adjudication committee shall consider the report and recommendations of the bid evaluation committee and either make a final award depending on delegations, or make another recommendation to the Accounting Officer to make the final award.

19.2.2 Make another recommendation to the Accounting Officer on how to proceed with the relevant procurement.

19.2.3 If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee shall prior to awarding the bid:

19.2.3.1 Check in respect of the preferred bidder whether the bidder's municipal rates and taxes and municipal services charges are not in arrears for the period more than three months.

19.2.3.2 Notify the Accounting Officer.

19.2.4 The Accounting Officer may:

19.2.4.1 After due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee.

19.2.4.2 If the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.

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- 19.2.5 The Accounting Officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to the committee for reconsideration of the recommendation.
- 19.2.6 The Accounting Officer must, in writing, notify the Parent Municipality, Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation, within 10 working days.
- 19.2.7 Prohibition on awards to persons in the service of the state.
- 19.2.7.1 The Accounting Officer shall ensure that irrespective of the procurement process followed, no award may be given to a person:
- 19.2.7.1.1 Who is in the service of the state.
- 19.2.7.1.2 Who has been in the service of state within the last twelve months of the date of an award.
- 19.2.7.1.3 If that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state.
- 19.2.8 Awards to close family members of persons in the service of the state without prior disclosure.
- 19.2.8.1 The notes to the annual financial statements must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including:
- 19.2.8.1.1 The name of that person.
- 19.2.8.1.2 The capacity in which that person is in the service of the state.
- 19.2.8.1.3 The amount of the award.

SECTION 20: ROLES OF THE DISPOSAL COMMITTEE

20.1 COMPOSITION

- 20.1.1 The chairperson (Accounting Officer) of the Committee shall appoint at least a further two members to the committee in writing. One of the members of the Committee must be proficient in logistics management (Supply Chain Management Practitioner). All members of the Committee must at all times objectively evaluate the items that are submitted for disposal.
- 20.1.2 In addition to the abovementioned members of the Committee, the chairperson may at any time during the process of evaluation of specialized stores/equipment co-opt additional members who possess specialized knowledge in the relevant field in writing. An official who is in direct control of stores/equipment, which is to be evaluated may not serve as a member of the Committee, but can assist the Committee in the evaluation process.

SECTION 21: ETHICS IN THE SUPPLY CHAIN MANAGEMENT

21.1 COMBATING THE ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM

- 21.1.1 In combating the abuse of the supply chain management system, the Accounting Officer shall:
- 21.1.2 Take all reasonable steps to prevent such abuse.
- 21.1.3 Investigate any allegations against an official or other role player of fraud, corruption, favoritism, unfair or irregular practices or failure to comply with the supply chain management policy, and when justified:
- 21.1.3.1 Take appropriate steps against such official or other role player.
- 21.1.3.2 Report any alleged criminal conduct to the South African Police Service (SAPS).
- 21.1.4 Check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector. National Treasury SCM Instruction Note 3 of 2016/2017 Prevention and Combating Abuse in SCM.
- 21.1.5 Reject any bid from a bidder:

- 21.1.5.1 Who fails to provide written proof from the South African Revenue Services (SARS) that that bidder either has no outstanding tax obligations or has made arrangements to meet outstanding tax obligations.
- 21.1.5.2 Whose municipal rates and taxes or municipal service charges owed to the entity and Mangaung Metropolitan Municipality, or other municipalities, are in arrears.
- 21.1.5.3 Who during the last five years has failed to perform satisfactorily on a previous contract with the entity or entity after written notice was given to that bidder that performance was unsatisfactory.
- 21.1.6 Reject a recommendation for the award of a contract if the recommended bidder has committed a corrupt or fraudulent act in competing for the particular contract.
- 21.1.7 Cancel a contract awarded to a person if:
 - 21.1.7.1 The person committed any corrupt or fraudulent act during the bidding process or the execution of the contract.
 - 21.1.7.2 An official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person.
- 21.1.8 Reject the bid of any bidder if that bidder, or any of its directors:
 - 21.1.8.1 Has abused the supply chain management system of the entity or has committed any improper conduct in relation to such system.
 - 21.1.8.2 Has been convicted of fraud or corruption during the past five years.
 - 21.1.8.3 Has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years.
 - 21.1.8.4 Has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act No 12 of 2004.
- 21.2 The Accounting Officer shall inform the Parent Municipality and the Provincial Treasury in writing of any actions taken in terms of the above paragraphs.

22 ETHICAL STANDARDS

- 22.1 A code of ethical standards shall be established and acknowledged by all role players to comply with paragraph 22.2 for officials and other role players in the supply chain management system in order to promote:
- 22.1.1 Mutual trust and respect.
 - 22.1.2 An environment where business can be conducted with integrity and in a fair and reasonable manner.
- 22.2 The code of ethical standards shall stipulate that an official or other role player involved in the implementation of the supply chain management policy of the entity:
- 22.2.1 Must treat all providers and potential providers equitably.
 - 22.2.2 May not use his or her position for private gain or to improperly benefit another person.
 - 22.2.3 May not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person.
 - 22.2.4 Notwithstanding paragraph 22.2.3, must declare to the Accounting Officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person.
 - 22.2.5 Must declare to the Accounting Officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the entity.
 - 22.2.6 Must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest.
 - 22.2.7 Must be scrupulous in his or her use of property belonging to the entity.

22.2.8 Must assist the Accounting Officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system.

22.2.9 Must report to the Accounting Officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including:

22.2.9.1 Any alleged fraud, corruption, favouritism or unfair conduct.

22.2.9.2 Any alleged contravention in the promise, offer or grant of any reward, gift, favour or hospitality.

22.2.9.3 Any alleged breach of the code of ethical standards.

22.3 This policy provides that:

22.3.1 All declarations in terms of paragraph 22.2.4 and 22.2.5 shall be recorded in a register, which the Accounting Officer must keep for this purpose.

22.3.2 All declarations by the Accounting Officer shall be made to the mayor and that the mayor must ensure that such declarations are recorded in the register.

22.3.3 Contain measures to ensure that appropriate action is taken against any official or other role player who commits a breach of the code of ethical standards.

22.4 The National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management must be taken into account.

22.5 The entity may adopt the National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management. When adopted, such code of conduct becomes binding on all officials and other role players involved in the implementation of the supply chain management policy of the entity.

22.6 A breach of the code of conduct adopted by the entity must be dealt with in accordance with schedule 2 of the Systems Act.

23 REWARDS, GIFTS AND FAVOURS TO THE ENTITY'S OFFICIALS AND OTHER ROLE PLAYERS

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23.1 No person who is a provider of goods or services or prospective provider of goods or services to the entity, or a recipient or prospective recipient of goods disposed, or to be disposed of, by the entity, may either directly or through a representative or intermediary promise, offer or grant any reward, gift, favour or hospitality to:

23.1.1 Any official of the entity.

23.1.2 Any other role player involved in the implementation of the supply chain management policy of the entity.

23.1.3 Any inducement or reward to the entity for or in connection with the award of a contract.

23.2 The Accounting Officer shall promptly report any alleged contravention of paragraph 23.1 to the Parent Municipality and the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

23.3 The promise, offer or grant of any reward, gift, favour or hospitality does not apply to gifts less than R350 in value.

24 SPONSORSHIPS

24.1 The Accounting Officer shall promptly disclose to the National Treasury and the Provincial Treasury any sponsorship promised, offered or granted to the entity, whether directly or through a representative or intermediary, by any person who is:

24.1.1 A provider of goods or services or prospective provider of goods or services to the entity or entity.

24.1.2 A recipient or prospective recipient of goods disposed, or to be disposed of, by the entity.

25 OFFENCES

25.1 The Accounting Officer is guilty of an offence if he/she:

25.1.1 Deliberately or in a grossly negligent way:

- 25.1.1.1 Contravenes or fails to comply with a provision of sections 94(1), (94(2) or 95 of the Act.
- 25.1.1.2 Fails to take reasonable steps to implement the entity's supply chain management policy.
- 25.1.1.3 Fails to take all reasonable steps to prevent unauthorised, irregular or fruitless and wasteful expenditure.
- 25.1.1.4 Fails to take all reasonable steps to prevent corruptive practices in:
 - 25.1.1.4.1 The management of the entity's assets.
 - 25.1.1.4.2 The implementation of the entity's supply chain management policy.
- 25.1.2 Deliberately provides false or misleading information in any document which in terms of a requirement of the Act must be:
 - 25.1.2.1 Submitted to the Auditor-General, the National Treasury or any other organ of state.
 - 25.1.2.2 Made public.
- 25.2 A senior manager or other official of the entity exercising financial management responsibilities and to whom a power or duty was delegated in terms of Section 106, is guilty of an offence if that senior manager or official deliberately or in a grossly negligent way contravenes or fails to comply with a condition of the delegation.
- 25.3 False information submitted by tenderer

Upon detecting that a tenderer submitted false information regarding its BBBEE status level of contributor, local production and content, or any other matter required in terms of these Regulations which will affect or has affected the evaluation of a tender, or where a tenderer has failed to declare any subcontracting arrangements, the organ of state must-

- inform the tenderer accordingly
- Give the tenderer an opportunity to make representations within 14 days as to why -
 - (i) the tender submitted should not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part

(ii) if the successful tenderer subcontracted a portion of the tender to another person without disclosing it, the tenderer should not be penalised up to 10 percent of the value of the contract; and

(iii) the tenderer should not be restricted by the National Treasury from conducting any business for a period not exceeding 10 years with any organ of state; and

if it is concluded, after considering the representations referred to in subregulation such false information was submitted by the tenderer

- disqualify the tenderer or
- terminate the contract in whole or in part

if applicable, claim damages from the tenderer or the successful tenderer subcontracted a portion of the tender to another person without disclosing, penalize the tenderer up to 10 percent of the value of the contract.

As an organ of state Centlec (SOC) Ltd. must inform the National Treasury, in accordance with section 14 of Preferential Procurement Regulation 2017.

SECTION 22: RISK MANAGEMENT

22.1 RESPONSIBILITY FOR RISK MANAGEMENT

22.1.1 Risk management is a key responsibility of the Accounting Officer. Treasury Regulations assign responsibilities for aspects of risk management to the CFO, the internal audit function and the Audit Committee, each of which are accountable to the Accounting Officer for the discharge of their responsibilities.

22.1.2 Risk management is a continuous and proactive process that relates to all organisational activities at all levels. All managers must have a thorough understanding of the risks involved in the activities under their control and actively work towards managing these risks. Each manager has a responsibility toward risk management.

22.2 ELEMENTS OF RISK MANAGEMENT

22.2.1 Assessing the nature and extent of the risks associated with the entity's operations.

22.2.2 Deciding an acceptable level of loss or degree of failure.

22.2.3 Deciding how to manage (minimise) the risk.

22.2.4 Monitoring, reporting and from time to time re-assessing the level and implications of the risk exposure.

22.3 APPLICATION OF RISK MANAGEMENT

22.3.1 Risks must be identified and assessed and are essentially driven by the objectives that must be achieved.

22.3.2 Decisions must be taken with regard to minimising the entity's exposure to risk, as well as to the potential effects of risks. The focus should be on an approach involving preventing risks from materialising, detecting the effects of risks as soon as possible and correcting or recovering from the consequences.

22.3.3 Risk management decisions must continuously involve a cost benefit analysis (considerations of economy). The cost of controlling (minimising) a risk must not exceed the benefits to the Entity. Benefits can include the objective or subjective measurement of the cost to the organisation if the particular risk should materialise. (If it is not controlled what is the potential cost to the entity?).

22.3.4 The identification, assessment and controlling of risks necessarily implies a specific management process including various stages and steps.

22.3.5 The controlling (minimising) of identified risks essentially refers to the development and implementation of risk management techniques.

22.3.6 Risk management entails, inter alia, a management culture that accepts that all business opportunities entail risk taking. The trade-off between success and failure and to decide what is an acceptable risk (having regard to its cost and other social or political factors) that a programme might not achieve any or all of its objectives.

22.3.7 A major component of risk management is the establishment of a fraud prevention plan which aims to manage the risk of fraud through cost-effective use of the control environment, information systems, control procedures and an ethical culture within the Entity.

22.3.8 Risk shall be:

22.3.9 Identified on a case-by-case basis.

22.3.10 Allocated to the party best able to manage such risks.

22.3.11 The entity should bear the cost of risks where the costs of transferring risk is greater than that of retaining such risk and transfer to risk where this is not the case.

22.3.12 The exercise of risk management in a proactive manner and providing adequately for the cover of residual risks.

22.3.13 Contract documentation clearly and unambiguously assigning relative risks to the contracting parties.

22.3.14 Risk management should form part of the business plan for the acquisition of all goods, services and works.

22.3.15 The entity should either insure for procurement related physical risks, establish risk management programmes or make advance provision for losses associated with such risks. Suitable arrangements should also be made to ensure that insurance related excesses do not cause the failure of emerging small and micro enterprises.

22.4 GUARANTEES

22.4.1 Performance guarantees should be commensurate with the degree of contractual risks to which the entity is exposed.

22.4.2 In cases of large and complex contracts, it is advisable to call for bid guarantees to circumvent the submission of irresponsible bids.

22.4.3 Performance guarantees should spread the cost of the risk of failure between the contracting parties and should be set at such a level that all the entity's costs relating to such failure are likely to be recovered.

22.4.4 It would be prudent to make adequate provision in all engineering and construction works contracts to ensure that monies are available to rectify defects.

- 22.4.5 Performance bonds in engineering and construction works contracts should be waived in low value, low risk contracts or where a third party carries the risk of failure in an acceptable manner.

22.5 RISK MANAGEMENT SYSTEM

- 22.5.1 A supply chain management processes shall provide for an effective system of risk management for the identification, consideration and avoidance of potential risks in the supply chain management system.

22.6 PROJECT MANAGEMENT

- 22.6.1 To be firstly effective, risk management should be managed as a project with written objectives, milestones and resources (people, time, finances, etc). The following aspects are highlighted:
- 22.6.2 Integrated control is essential to achieve the desired result.
- 22.6.3 The scope, timeframes, cost, other resources must all be investigated and documented.
- 22.6.4 The quality of the outcome must also be identified and quantified.
- 22.6.5 Risk management policies, plans and procedures, including duties and responsibilities, must be effectively communicated to all concerned.
- 22.6.6 All real or potential risks must be identified.

SECTION 23: DEMAND MANAGEMENT

23.1 SYSTEM OF DEMAND MANAGEMENT

23.1.1 The purpose of demand management is to translate the annual performance plans into current and future needs, to cost and budget for it.

23.1.2 The Accounting Officer shall establish, through operational procedures, an effective system of demand management in order to ensure that the resources required to supporting the strategic and operational commitments are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs.

23.1.3 The system has eight (8) specific sub-processes:

	Activity	Responsibility
1.	Appointment of other members	Accounting Officer
2.	Assessment of current and future needs	Accounting Officer & Heads of Departments
3.	Assessment of current assets and determine the net requirements	Chief Financial Officer & Heads of Departments
4.	Analysis of past expenditure	Budget Office
5.	Analysis of the supplying industry	SCM Unit
6.	Determine the optimum method to satisfy the needs	SCM Unit
7.	Determine a sourcing strategy	SCM Unit
8.	Formulate budget inputs	Heads of Departments

23.2 CROSS-FUNCTIONAL TEAM

23.2.1 Demand management will be a cross-functional exercise that bring the supply chain practitioners closer to the end user and ensures that value for money is achieved.

23.2.2 Cross-functional activities can be form part of the accounting officer's management meetings.

23.3 COMPOSITION OF THE CROSS-FUNCTIONAL TEAM

- Accounting Officer (also the chairperson).
- The Head of the Supply Chain Management Unit.

- Heads of all departments.
- Representative from Human Resources.
- Representative from the Budget Office.
- Any technical expertise as required.

23.4 FUNCTIONS AND RESPONSIBILITIES

- To determine the current and future needs as required by the integrated development plan and to cost these requirements.
- To formulate inputs for the 5-year strategic and performance plan, the annual performance plan and the operational plan.
- To finalise the business plan for the next financial year.

23.5 ASSESSMENT OF CURRENT AND FUTURE NEEDS

- The Multi-Year Business Plan (MYBP) shall be analysed in terms of goods, services and works required over the short and medium term.
- Forecasting techniques could be used to determine the quantity of resources needed.
- The MYBP will also indicate where, when and the frequency of needs required.
- Any critical delivery dates of resources must be noted.

The Chief Financial Officer shall, after consultation with Head of Departments, compile a procurement plan for capital projects in respect of each financial year.

During consultations between the CFO and Head of Departments, all reasonable efforts shall be made to determine:

- the desired date and time at which a specific contract must be awarded;
- the desired date and time when specific goods must be delivered, services rendered or work executed;
- the place where any goods to be supplied shall be delivered;
- the quantity and quality of any goods to be supplied; and Any other relevant matter.

23.6 ASSESSMENT OF CURRENT ASSETS AND DETERMINE NET REQUIREMENTS

- 23.6.1 The annual stock take will give details on available stock (including assets).
- 23.6.2 The accounting records must be used to determine goods in transit.
- 23.6.3 The following list must be compiled:
 - 23.6.4 List of redundant assets.
 - 23.6.5 List of obsolete assets.
 - 23.6.6 List of assets to be renewed.
- 23.6.7 With the abovementioned information the supply and demand requirements of each and every commodity and service can be determined to give the net requirements.
- 23.6.8 The net requirements are in terms of current and future needs to support the Multi-Year Business Plan.

23.7 AN ANALYSIS OF PAST EXPENDITURE

- 23.7.1 The expenditure in the past shall be analysed in terms of commodities and services purchased.
- 23.7.2 The following information must be noted:
 - 23.7.3 Supplier/service provider.
 - 23.7.4 The price.
 - 23.7.5 The location of the supplier/service provider.
 - 23.7.6 Availability of specifications/terms of reference.
 - 23.7.7 If necessary compile the required specifications/terms of reference.

23.8 ANALYSIS OF THE SUPPLYING INDUSTRY

23.8.1 The supplying industries must be analysed to determine the following:

23.8.2 Name of the supplier/service provider.

23.8.3 What is available in terms of the specifications/terms of reference?

23.8.4 The current price and any discounts applicable.

23.8.5 The location of the goods.

23.8.6 The lead and delivery times.

23.9 DETERMINE THE OPTIMUM METHODS TO SATISFY NEEDS

23.9.1 Calculate the lifecycle cost (LCC) of each commodity.

23.9.2 Lifecycle costing must include costs associated from the commencement of the budgeting process until the disposal phase.

23.9.3 Determine cost saving levers:

23.9.3.1 The levers for the saving of costs are transversal and therefore applicable to all SCM functions.
Cost saving levers can be applied in the following areas:

23.9.3.2 Quicker and more effective and efficient procurement.

23.9.3.3 Just-in-time principle.

23.9.3.4 Value for money.

23.9.3.5 Term contracts for repetitive requirements.

23.9.3.6 Streamlined procedures and control measures.

23.9.3.7 Establishing trained and competent SCM officials.

23.9.3.8 Effective use of procurement stages.

23.9.3.9 Discount for early payments.

23.9.3.10 The regular management of cash flow.

23.10 Determine the net present value of each project.

23.11 Make use of economies of scale.

23.12 Determine total cost of ownership (TCO).

23.12.1 The TCO is used for decisions on ownership of assets. All costs applicable to ownership should be included in any analysis where decisions should be made on the options of owning a capability or the contracting for the supply of the service.

23.12.2 The cost of ownership should be projected over several years to obtain a balanced result about the actual costs and the influence of the decision on future budgets.

23.13 The optimum method to satisfy the needs must be evaluated by the following dimensions to determine the optimum method:

23.13.1 Equity

23.13.1.1 Measures of equity would monitor the extent to which the entity has achieved and been able to maintain an equitable supply of comparable services across race groups, regions, and urban and rural areas.

23.13.2 Efficiency

23.13.2.1 Measures of efficiency seek to reflect how productively resources are translated into service delivery.

23.13.3 Economy

23.13.3.1 Measures of economy look at the cost of inputs, and mode of production to evaluate whether it is cost-effective.

23.13.4 Effectiveness

23.13.4.1 Indicators of effectiveness seek to reflect how well the outputs contribute to the achievement of the desired outcomes/objectives/goals.

23.13.5 Value for money

23.13.5.1 Indicators of value for money explore people's perceptions on whether resources have been well used to impact upon specific outcomes.

23.14 DETERMINE A SOURCING STRATEGY

23.14.1 With the information on current and future needs available the acquisition management practitioners can develop a sourcing strategy.

23.14.2 A sourcing strategy determines together with the strategic plan where the goods, services and works can be obtained. This does not imply that these requirements should be procured from outside sources only. Thus all possible methods of obtaining the requirements should be investigated.

23.14.3 The sourcing strategy shall address value for money principles, such as the just in time principle.

23.14.4 Cognisance shall be taken of the nature of the commodity or service required, the conditions of delivery, the prospective providers and the goals to be promoted.

23.14.5 Priorities shall be determined and risk management plans shall be developed by using the following sub-categories:

23.14.6 Non-critical (simple, low risk, low value goods/services).

23.14.7 Supportive (simple, low risk, but relatively high value goods/services).

- 23.14.8 Critical (high complexity, high risk, but relatively high value goods/services).
- 23.14.9 Risks can be transferred to providers where possible, by specifying risks to be carried by them and guarantees to be provided in this regard.
- 23.14.10 Strategic sourcing includes a streamlined approval process. The following serves as a guideline:
- 23.14.11 Increasing the threshold for purchasing manager approval.
- 23.14.12 Databases of authorised items can be automatically checked, excluding manual approval.
- 23.14.13 Approval against budgets without top management intervention. This eliminates the need for multiple managers to approve a purchase, which was already planned as part of the budget.
- 23.14.14 Limiting approvals to the appropriate level of knowledge and/or experience. Thus eliminating multiple approvals.
- 23.14.15 Streamline sign-off by means of after the facts audits (sampling) to ensure that purchasing guidelines are appropriately followed.

23.15 DETERMINING A SELECTION METHOD

- 23.15.1 The following methods should be used:
 - 23.15.1.1 Available stock.
 - 23.15.1.2 Sourcing from other government institutions.
 - 23.15.1.3 Transversal term contracts.
 - 23.15.1.4 Sourcing from the State Information Technology Agency approved suppliers.
 - 23.15.1.5 Building, engineering or construction works.
 - 23.15.1.6 Public Private Partnership
 - 23.15.1.7 Quotations.

23.15.1.8 Competitive bidding.

23.15.1.9 List of redundant/obsolete material/goods from other institutions.

23.15.1.10 Negotiations.

23.16 GOODS NECESSITATING SPECIAL SAFETY ARRANGEMENTS

23.16.1 The entity should, to the extent possible, refrain from bulk acquisition and storage of goods, including gasses and fuel, which necessitate special safety arrangements. Where an Accounting Officer justifies the storage of bulk goods, such justification must be based on sound reasons including the total cost of ownership, cost advantages for the entity and environmental impact.

23.17 COMPILATION OF SPECIFICATIONS / TERMS OF REFERENCE

23.17.1 The bid specification committee shall ensure specifications/terms of reference are drafted in an unbiased manner to allow all potential providers to offer their goods and services.

23.17.2 The specification/terms of reference shall indicate each specific goal for which points may be awarded in terms of the Preferential Procurement Policy Framework Act.

23.17.3 All specifications/terms of reference shall be approved by the Accounting Officer /or his delegate prior to publication of the invitation of bids.

23.17.4 Specifications must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply.

23.17.5 Specifications where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design.

23.17.6 Specifications may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification.

- 23.17.7 Specifications may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words "equivalent".

SECTION 24: ACQUISITION MANAGEMENT

24.1 SYSTEM OF ACQUISITION MANAGEMENT

- 24.1.1 The Accounting Officer shall establish, through operational procedures, an effective system of acquisition management in order to ensure:
- 24.1.2 Goods and services shall only be procured in accordance with authorised processes.
- 24.1.3 Expenditure on goods and services may only be incurred in terms of an approved budget and within the limits of the amounts appropriated for the different votes in an approved budget.
- 24.1.4 Threshold values of different procurement processes shall be complied with.
- 24.1.5 Bid documentation, evaluation and adjudication criteria, and general conditions of a contract, must be in accordance with applicable requirements, including:
- 24.1.6 The criteria prescribed in terms of the Preferential Procurement Policy Framework Act.
- 24.1.7 Any conditions of the Construction Industry Development Board as approved by the National Treasury, in the case of bids relating to construction.
- 24.1.8 Procurement guidelines issued by the National Treasury, including on the appointment of consultants, must be properly taken into account.

This supply chain management policy, except where provided otherwise in the policy, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act.

- 24.1.9 The following information must be made public wherever goods or services contemplated in section 110(2) of the Act are procured other than through the supply chain management system:

- The kind of goods or services;

- The name of the supplier and
- The total rand value of the contract.

24.2 COMPILATION OF LIST OF ACCREDITED PROSPECTIVE PROVIDERS

24.2.1 The Accounting Officer through the SCM unit shall keep a list of accredited prospective providers to be used to procure goods and services. This list shall be used effectively to promote the objectives of the Preferential Procurement Regulations. The Accounting Officer shall through local commonly circulated newspapers, website and by any other means possible, invite prospective providers to apply for evaluation and listing as an accredited prospective provider with Centlec (SOC) Ltd. The listing criteria for accredited prospective providers should also be specified. Providers should be allowed to submit applications for listing at any time during the course of a financial year. The new applications shall be accredited by the Chief Financial Officer in terms of the framework to be determined by his/her office. The list should be updated at least quarterly.

24.2.2 When listing the supplier on the database the following should be completed by the prospective supplier:

- Application form including all annexures;
- Attach the following returnable:
 - Valid tax clearance certificate;
 - Valid BEE certificate; (Not compulsory)
 - Certified copies of Identity documents of the Directors of the company;
 - Proof of banking details;
 - Company profile and
 - All the accreditation certificates of the company (where applicable).

The prospective supplier should choose the type of commodities they are supplying or services they are providing. Prospective supplier should choose only four (4) types of goods or services as per list of commodities attached to the appropriate application forms for listing on the database of providers.

24.2.3 Once the list has been compiled per commodity and per type of service, quotations should be invited from such a list. The invitation of quotations from the compiled list of prospective providers per commodity should be done on rotational basis in such a manner that ongoing competition amongst providers is promoted, however ensuring value for money for the entity.

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- 24.2.4 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 obtain quotations as per section 24.4 of this policy, the reasons should be recorded and approved by the Accounting Officer or his/her delegate. When quotations are not obtained from the prospective providers listed on the database of providers, quotations may also be obtained from service providers who are not listed on the database of providers, provided such providers meet the listing criteria as set in 24.2.
- 24.2.5 The prospective provider list should be reviewed annually and invitations for listing as a prospective provider be advertised annually. A provider can be added to the list of prospective providers anytime within the financial year through the approval of the Accounting Officer or his/her delegate.
- 24.2.6 The Chief Financial Officer must prevent the listing of any prospective provider whose name appears on the National Treasury's database as person prohibited from doing business with the public sector.
- 24.2.7 When using the list of accredited prospective providers the Chief Financial Officer shall:
- 24.2.8 Promote ongoing competition amongst providers, including by inviting providers to submit quotations on a rotation basis. However value for money be insured.
- 24.2.9 Take all reasonable steps to ensure that the procurement of goods and services through written or verbal quotations or formal written price quotations is not abused.
- 24.2.10 On a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation.
- 24.2.11 Determine requirements for proper record keeping.

24.3 BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) STATUS LEVEL CERTIFICATES

- 24.3.1 Bidders are required to, together with their application for listing on the database of providers or bids and all other required documents, submit original and valid BBEE Status Level Verification Certificates or certified copies thereof to substantiate their B-BBEE rating claims.
- 24.3.2 Bidders who do not submit B-BBEE Status Level Verification Certificates do not qualify for preference points for BBEE but should not be disqualified from the bidding process and / or listing of the database of providers