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TO ALL
ACCOUNTING OFFICERS: NATIONAL DEPARTMENTS
HEADS: PROVINCIAL TREASURIES
CHIEF FINANCIAL OFFICERS: PROVINCIAL DEPARTMENTS
CHIEF EXECUTIVE OFFICERS / CHIEF FINANCIAL OFFICERS:
CONSTITUTIONAL INSTITUTIONS / PUBLIC ENTITIES

Supply Chain Management Office

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT

This circular is applicable to all national and provincial departments, constitutional institutions and public entities as defined in schedule 3A and 3C of the Public Finance Management Act (PFMA). All accounting officers of national departments and heads of provincial treasuries are required to disseminate the contents of this circular to all chief financial officers of departments and public entities that fall under their jurisdiction.

The Supply Chain Management (SCM) system has been introduced to national and provincial departments and trading entities, constitutional institutions and schedule 3A and 3C public entities. To this end, the Policy To Guide Uniformity in Procurement Reform Processes in Government, the Regulations in terms of section 76(4)(c) of the PFMA: Framework for Supply Chain Management and the Amendment to the State Tender Board Act Regulations and other supporting documents were issued during December 2003 with a view to assist institutions with the implementation of the SCM process.

The National Treasury expresses its gratitude to all institutions that have commenced with the phasing in of the new concept as an integrated part of their financial management.



Communication with and analysis of implementation information received from institutions to which the framework for SCM apply, reveal that the following aspects require further clarity and guidance:

1. Accountability

1.1 Sections 36 and 49 of the Public Finance Management Act, No. 1 of 1999, (as amended by Act 29 of 1999) vest accountability with the accounting officer / authority. This includes the management of all finances. Only the accounting officer / authority may award bids where any finances are involved. This is for the procurement of goods and / or services by means of a competitive bidding process, including the procurement of fixed assets, as well as bids related to the sale of movable and / or immovable assets by means of a competitive bidding process. The sale of land must comply with the prescripts of the State Land Disposal Act, No. 48 of 1961. The accounting officer / authority is empowered to delegate decision-making to subordinates who are officials, but accountability cannot be delegated.

2. Unsolicited bids

2.1 An accounting officer / authority is not obliged to consider unsolicited bids received outside a normal bidding process.

2.2 If an accounting officer / authority decides to consider an unsolicited bid, he or she may do so only if –

(a) The product or service offered in terms of the bid is a unique innovative concept that will be exceptionally beneficial to, or have exceptional cost advantages for the institution;

(b) The person who made the bid is the sole provider of the product or service; and

(c) The need for the product or service by the institution has been established during its strategic planning and budgeting processes.

3. Payments of Accounts

3.1 The General Conditions of Contract prescribes that accounts must be paid within thirty (30) days after delivery of goods and / or services. Concerns were raised that institutions are not fulfilling their obligations in this regard. Non-payment within the prescribed contractual time limit may be regarded as breach of contract. Accounting officers / authorities are, therefore, requested to have the necessary measures in place to ensure that accounts are paid within the contractual time limit.

4. Appointment of Bid Committees

4.1 The accounting officer / authority should appoint bid committees as indicated below:

(a) Bid specification committee

This is the committee responsible for the compiling of bid specifications. The specifications should be written in an unbiased manner to allow all potential bidders to offer their goods and or services. The specification committee may be composed of officials of a department (i.e. the procurement department or the department requiring the goods or services), a committee appointed by the accounting officer / authority or his / her delegate, one or more qualified officials or an external consultant under direction of the officials concerned. It is recommended that specifications should be approved by the accounting officer / authority or his / her delegate(s), e.g. the adjudication committee, prior to advertisement of bid(s) as bids may only be evaluated according to the criteria stipulated in the bid documentation.

(b) Bid evaluation committee

This committee is responsible for the evaluation of bids received, which include verification of:

- the capability/ability of the bidder to execute the contract
- tax clearance certificate issued by the SARS
- national industrial participation programme requirements (only applicable for contracts in excess of R 10 million).

Bids may only be evaluated in accordance with the criteria specified in the bid documentation. According to the prescripts of section 2 of the Preferential Procurement Policy Framework Act, No. 5 of 2000 (PPPFA) bids must be evaluated in accordance with a preference point system. Any specific goal for which a point may be awarded must be clearly specified in the invitation to submit a bid.

The evaluation committee should be cross-functional and should be composed of supply chain practitioners and officials from the user departments requiring the goods and / or services.

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

(c) Bid adjudication committee

The adjudication committee should be cross functional of whom at least one member should be a supply chain practitioner. When

possible, the chairperson of the committee should be the institutions' chief financial officer. The committee should be composed of at least four senior officials and should consider the report(s) and recommendation(s) made by the evaluation committee. Depending on the delegations granted by the accounting officer / authority, the adjudication committee could make the final award of the bid, or make a recommendation to the accounting officer / authority to make the final award.

The evaluation and adjudication committees should be composed of different members to ensure that a transparent review of the evaluation is undertaken. Members of the evaluation committee may present their reports to the bid adjudication committee and clarify any uncertainties. Such members should not have any voting power on the adjudication committee.

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

The accounting officer / authority may utilize the services of any other institution's bid committees if and when required.

5. Late Bids

- 5.1 Bids received late should not be considered.
- 5.2 Bids are late if they are received at the address indicated in the bid documents after closure time.
- 5.3 Late bids should not be admitted for consideration and where practicable should be returned unopened to the bidder accompanied by an explanation.
- 5.4 Accounting officers / authorities should re-advertise the bid if no bid or no suitable bid was received by closure time.

6. Publication Of Awards

6.1 Notification of acceptance

- 6.1.1 Successful bidders should be notified by registered or certified mail of the acceptance of their bids.
- 6.1.2 The following information on the successful bids should be made available on the institutions website and, if so decided by the Accounting Officer, also in the media where the bid was originally advertised:

- (i) Contract number and description;
- (ii) Name(s) of the successful bidder(s), the contract price(s), brands, delivery basis and where applicable, preferences claimed.

Bids are not available for perusal by the public. Any bidder should, when requesting it in writing, be provided with the reasons why his / her own bid was not successful. The reasons why another bidder's bid was unsuccessful should not be supplied, as this may contain privileged information (e.g. a negative banking report). No itemized prices other than the formal contract prices of the successful bidder(s) should be supplied to competitors. According to the prescripts of section 36 of the Promotion of Access to Information Act, No. 2 of 2000, no information may be revealed that will prejudice a third party in commercial competition. Revealing itemized prices of unsuccessful bidders may reveal their trade secrets / strategies and no such information should be revealed without the written consent of the relevant bidder(s).

7. Delegations

7.1 Sections 44 and 56 of the PFMA empower the accounting officer / authority of an institution to delegate decision-making powers to officials. The following should apply to acquisition of goods and / or services and the disposal and letting of assets:

- (i) All delegations must be in writing to the individual officials;
- (ii) The accounting officer / authority should decide whether he/she delegates decision-making powers regarding the final award of bids to the adjudication committee and what the threshold values in this regard should be;
- (iii) Should the accounting officer / authority resolve that the adjudication committee awards bids only up to a specified threshold value, bids above that threshold value should be referred to the accounting officer / authority for finality;
- (iv) Should the adjudication committee or the accounting officer / authority decide to award a bid to a bidder other than the one recommended by the evaluation or adjudication committee respectively, the accounting officer / authority should, within seven working days, in writing, notify the Auditor-General, the relevant provincial treasury and the National Treasury and, in the case of a public entity, also the parent department, of the reasons for deviating from such recommendations.

8. Participation of advisors

8.1 The accounting officer / authority may procure the services of advisors to assist in the execution of the supply chain management function. These services should be obtained through a competitive bidding process. No advisor may, however, form part of the final decision-making process


regarding the award of bids, as this will counter the principle of vesting accountability with the accounting officer / authority. The accounting officer / authority cannot delegate decision-making authority to a person other than an official.

9. Training

- 9.1 It is the responsibility of the accounting officer / authority to ensure that supply chain practitioners within their institutions are trained in accordance with the *Guide for minimum training and deployment* issued as "Practice note number SCM 5 of 2004: Training of Supply Chain Management Officials". The National Treasury has also established a Validation Board (as an informal quality control mechanism) whereby training providers could apply to have specific courses validated. Courses that are of an acceptable level of quality and are consistent with the relevant legislation and reforms are granted validation. This form of validation is aimed at giving accounting officers / authorities an indication that the course would provide value for money. Details of courses that have been validated by the Validation Board are posted on National Treasury's web page <http://www.treasury.gov.za / pfma>.

10. Access to Supply Chain Management documents

- 10.1 All documents relevant to Supply Chain Management are available electronically on National Treasury's web page <http://www.treasury.gov.za /organisation/ specialist functions/ supply chain management: norms and standards>.


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