

**SOUTH AFRICAN MEDICAL
RESEARCH COUNCIL**



SUPPLY CHAIN MANAGEMENT POLICY

Document review and approval

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1. REGULATORY FRAMEWORK

- 1.1. Section 217(1) of The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) (The Constitution) provides the basis for procurement and determines that:

“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 or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective”.

- 1.2. Section 217(3) of The Constitution further confers an obligation for national legislation to prescribe a framework providing for preferential procurement to address the social and economic imbalances of the past.
- 1.3. The Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) and its accompanying Regulations, as amended, are promulgated to prescribe a framework for a preferential procurement system. This Act and its Regulations incorporate the 80/20 and 90/10 preference point systems.
- 1.4. Sections 215-219 of The Constitution require that the National Treasury introduce uniform norms and standards within government, to ensure transparency and expenditure control measures, which should include best practices related to procurement and provisioning systems.
- 1.5. The Public Finance Management Act, 1999 (Act 1 of 1999 as amended by Act 29 of 1999) (PFMA) was promulgated to regulate financial management in the national and provincial spheres of government. Section 76(4)(c) of the PFMA and Treasury regulations 16A requires that each organ of state to adopt and implement a Supply Chain Management (SCM) policy, which gives effect to the requirements of the Act and Treasury regulations.
- 1.6. The Broad-Based Black Economic Empowerment Act (Act 53 of 2003), Codes of Good Practice and National Treasury Supply Chain Management Circular 5 of 2016/17 pertaining thereto are to be met.
- 1.7. In terms of sections 12 or 13 of the Prevention and Combating of Corrupt Activities Act, Act 12 of 2004, if a court of law convicts a person of an offence, the court may also rule that such person’s name be endorsed on the Register for Tender Defaulters.

When a person’s name has been endorsed on the Register, the person will be prohibited from doing business with the public sector for a period not less than five years and not more than 10 years. The National Treasury is empowered to determine the period of restriction and each case will be dealt with on its own merits.

According to section 32 of the Act the Register must be open to the public. The Register can be perused on the National Treasury website.

- 1.8. National Treasury Instruction/Practice Notes and Circulars.

The measures applicable relate to

- 1.8.1. Submission of procurement Plan to the National Treasury by 31 March of each year in respect of all expenditure to be incurred on goods,

works and services in excess of R500 000 (including VAT). Procurement plan should be in line with the SAMRC budget and annual performance plan for a specific financial year. Quarterly reports on- and approved amendments to the procurement plans to be submitted to National Treasury;

- 1.8.2. Publication of names of bidders in respect of advertised competitive bids (above the threshold value of R500,000 (all applicable taxes included);
 - 1.8.3. Legal vetting of formal contracts or service level agreements;
 - 1.8.4. Publication of awards;
 - 1.8.5. Placing of order for payment in another financial year;
 - 1.8.6. Management of expansions or variations of orders against the original contract;
 - 1.8.7. Payment goods, works or services to creditors are settled in terms of the agreement entered into with service providers; and
 - 1.8.8. Monitoring / assistance on the award of contracts by relevant treasuries.
- 1.9. Other National Treasury Guidelines mainly directed at National Accounting Officers and National Accounting Authorities to assist them in fulfilling their obligations.
 - 1.10. Accounting Authority Standards, issues in terms of section 51(1)(a)(iii) of PFMA to enable them to fulfil their fiduciary responsibilities.
 - 1.11. Establishment of procurement good governance procedures, policies, documentation and contract options and the implementation of sound systems of control and accountability should form the cornerstone for uniformity. Aligning the SAMRC as a public entity to National Treasury regulations, circulars and guidelines is essential.

2. PURPOSE OF THIS POLICY

The purpose of this policy is –

- 2.1. To give effect to section 217 of the Constitution of the Republic of South Africa, by implementing a Supply Chain Management (SCM) system that is fair, equitable, transparent, competitive and cost effective;
- 2.2. To give effect to the provisions of legislative requirements and any regulations pertaining thereto, including:
 - 2.2.1. the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
 - 2.2.2. the Preferential Procurement Regulations of 2017
 - 2.2.3. the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);
 - 2.2.4. the Construction Industry Development Board Act, 2000 (Act No. 38 of 2000);
 - 2.2.5. the Policy and Strategy documents (as amended) under direction of the National Treasury's Office of the Chief Procurement Officer, including SCM Guidelines, PPPFA/Regulations, Circulars, Practice/Instruction Notes, Standard Bidding Documents and General Conditions of Contract
 - 2.2.6. National Treasury SCM Instruction No 2 of 2017-2018: National Travel Policy Framework;

- 2.2.7. National Treasury Instruction 04 of 2017 – 2018: Cost Containment Measures related to Travel and Subsistence;
 - 2.2.8. National Treasury SCM Instruction No 2 of 2016-2017: Procurement Plans-Submission and Reporting;
 - 2.2.9. National Treasury SCM Instruction No 3 of 2016-2017: Prevention and combating abuse in SCM;
 - 2.2.10. National Treasury SCM Instruction No 4A of 2016-2017: Central Supplier Database;
 - 2.2.11. National Treasury Supply Chain Management Circular 5 of 2016/17: Submission of Broad-Based Black Economic Empowerment (B-BBEE) Status Level Certificates and Sworn Affidavits;
 - 2.2.12. National Treasury SCM Instruction No.09 of 2017-2018 Tax Compliance Status Verification.
 - 2.2.13. National Treasury Designated Sectors Circulars/Instruction: Minimum Threshold for Local Production and Content,
- 2.3. To ensure an integrated supply chain management function;
 - 2.4. To create a common understanding and interpretation of government's preferential procurement policy objectives;
 - 2.5. To promote consistency in respect of supply chain management policy;
 - 2.6. To provide a mechanism to ensure sound, sustainable and accountable supply chain management; and
 - 2.7. To facilitate an efficient and cost effective sourcing of the works, goods and services for delivery of works/goods/services to SAMRC community

3. POLICY STATEMENTS

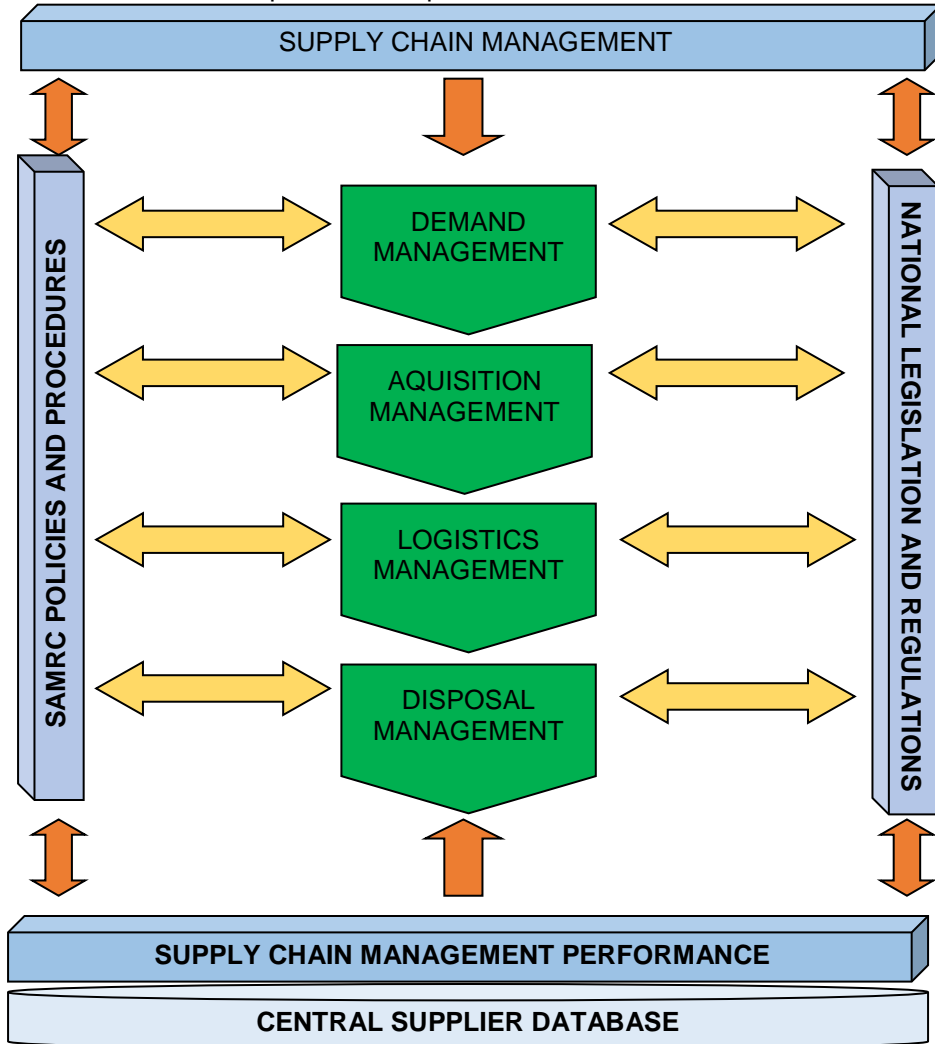
The following needs to be considered:

- 3.1. SCM Policy Oversight
 - 3.1.1. Supply chain management is an integral part of financial management, which intends to introduce international best practice. It seeks to bridge the gap between traditional methods of procuring goods and services and the balance of the supply chain and at the same time addressing procurement related matters that are of strategic importance.
 - 3.1.2. The SAMRC Board has oversight role to ensure that the Executive Management Committee (EMC) as the administration oversight body implements this SCM Policy.
 - 3.1.3. SCM Policy application for deviations and variations should be pre-approved in line with the SAMRC's Delegation of Authority Framework Policy and sections 8 and 9 of the National Treasury Instruction 3 of 2016/2017: Preventing and Combating Abuse in the Supply Chain Management System.

3.2. SCM process elements

The PFMA requires that a procurement master plan be prepared that will include the systems requirements to more fully support the adoption of the proposed integrated supply chain management function, interfacing with the SAMRC's financial system.⁵

The crux of the SCM process is depicted as follows:



The detail of above diagram is depicted in the Supply Chain Management Procedure of the SAMRC.

3.3. SCM Due Care

In dealing with suppliers and potential suppliers, SCM Practitioners and staff responsible for business unit requisitioning should, but not be limited to:

- 3.3.1. Preserve the highest standards of honesty, integrity, impartiality and objectivity;
- 3.3.2. Be fair, efficient, firm and courteous;
- 3.3.3. Achieve the highest professional standards in the awarding of contracts, so as to maximise value for money while adhering to standards;
- 3.3.4. Provide clear specifications of requirements which encourage innovation and refer, where appropriate, to relevant technical and other standards;
- 3.3.5. Make available as much information as suppliers need to respond to the bidding process, and to define and publicise procurement contact points;
- 3.3.6. Manage the bidding process so that genuine competition is preserved and discrimination is avoided;
- 3.3.7. Make available the broad criteria intended for the evaluation of bids, to evaluate bids objectively, and to notify the outcome promptly;
- 3.3.8. Debrief un/successful bidders of the outcome of the bidding process so as to facilitate better performance on future occasions, within the bounds of commercial confidentiality;
- 3.3.9. Achieve the highest professional standards in the management of contracts;
- 3.3.10. Pay promptly for work done in accordance to standards as set by a legal and binding contract; and
- 3.3.11. Respond promptly, courteously and efficiently to suggestions, enquiries and complaints.

3.4. Suppliers' Due Care

Furthermore, suppliers must demonstrate "good standing" as far as all their tax, levy and service charge obligations are concerned as a prerequisite to doing business with the SAMRC.

In compliance with National Treasury SCM Instruction 4A of 2016/2017: Central Supplier Database, departments, constitutional entities and public entities listed in schedules of the Public Finance Management Act (PFMA), must procure goods and services from a list of prospective suppliers established through Central Supplier Database by means of written price quotations depending on the procurement thresholds. Furthermore, paragraph 6 - **Tax Status Requirement** - states "Accounting Officers/Authority must verify the tax compliance status of bidders on the CSD for all price quotations and competitive bids".

Application for registration on the Central Supplier Database – refer to <https://secure.csd.gov.za/>

SAMRC may implement accreditation process for certain goods and/or services commodities.

Suppliers interested in bidding for advertised SAMRC tenders will be required to complete the specified tender documentation. With effect from 1 April 2016, SAMRC may not award any bid to suppliers not registered as prospective supplier on the Central Supplier Database. Negotiations for the bid award will only be concluded with the qualifying bidder(s) who is/are registered on Central Supplier Database.

In compliance with National Treasury SCM Instruction No. 09 of 2017/18: Tax Compliance Status Verification, a supplier(s) recommended for award who are found to have a non-compliant tax status should be afforded a reasonable time to rectify their tax compliance status with SARS, and will be given 7 working days to rectify their tax compliance status with SARS.

Note:

- 3.4.1. The SAMRC will not procure work/goods/services from suppliers/contractors who are persons in the employ of the SAMRC.
- 3.4.2. In applying the Public Administration Management Act, 2014, the SAMRC is not permitted to do business with employees of the state or public or private companies where an employee of the state is a director of the company.

3.5. All SAMRC staff Due Care

- 3.5.1. All members of staff, except otherwise stated, shall declare their financial interests annually.
- 3.5.2. Avoid any private business or professional activity that will create conflict between personal and employer interests
- 3.5.3. Staff may not accept gifts, benefits, favours, etc. from current or prospective suppliers
- 3.5.4. Obey laws governing SCM and remain alert of legal consequences of procurement decisions
- 3.5.5. Diligently follow employer's lawful instructions by using reasonable care and only the delegations of authority granted
- 3.5.6. Conduct procurement in accordance with the Laws and SAMRC Policies and Procedures
- 3.5.7. Prevent and combat abuse of the Supply Chain Management System

3.6. SAMRC Procurement Thresholds

All bidders price quotations will be verified in terms of tax compliance as per paragraph 6 of National Treasury SCM Instruction 4A of 2016/2017. Suppliers tax compliance status will be verified in line with National Treasury SCM Instruction No. 09 of 2017 – 2018: Tax Compliance Status at award stage.

Method	Threshold
1 x written quote required	Transaction value up to R2,000 (VAT included)
3 x written price quotations required	Transaction value over R2,000 and up to R30,000 (VAT included)
3 x formal written price quotations, Preference Points Calculations and tax compliance.	Transaction value over R30,000 and up to R500,000 (VAT included)
Competitive Bid Process (Unless in case of urgency or emergency, as approved in terms of Delegation Authority Framework Policy)	<ul style="list-style-type: none"> • Transaction value above R500,000 (VAT included); • Long-term contracts (greater than 12 months);
<i>NB: No requirement for goods or</i>	

Method	Threshold
<i>services above an estimated transaction value of R500 000 (VAT included) may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through competitive bidding</i>	<ul style="list-style-type: none"> • Consultants with fees above R500,000 (VAT inclusive) or appointment duration exceeding one year

- 3.7. The abovementioned SCM transaction thresholds are applicable to all transactions. However, National Treasury recognized that there will be instances when it would be impractical to invite competitive bids. In this regard, Treasury Regulation 16A6.4 applies

“If in a specific case it is impractical to invite competitive bids, the accounting officer or accounting authority may procure the required goods or services by other means, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the accounting officer or accounting authority.”

This provision is intended for cases of emergency/urgency where immediate action is necessary or if the goods and services required are produced or available from sole or single or limited service providers. The reasons for such action must be recorded and approved in advance by the accounting authority or applicable delegate(s)

The circumstances in which deviations will be considered, subject to reason, motivation, justification will be approved in terms of Delegation of Authority Framework Policy and section 8 of the National Treasury Instruction 3 of 2016/2017: Preventing and Combating Abuse in the Supply Chain Management System.

- 3.8. The SCM Policy is applicable to all transactions, except those relating to the following:
- 3.8.1. Membership or Professional fees;
 - 3.8.2. Payments to Tertiary Institutions and Non-profit organisations (refer to Research Collaborations Policy);
 - 3.8.3. Choice of tertiary institutions for studies;
 - 3.8.4. Payments for study support;
 - 3.8.5. Self-Initiated Research / Flagship / SHIP Project grants awarded by SAMRC to external grant applicants;
 - 3.8.6. Transfers/payments to Extramural Research Units;
 - 3.8.7. Payments for Conference/Workshop/Training fees;
 - 3.8.8. Journal publication and subscription costs;
 - 3.8.9. Employment contracts;
 - 3.8.10. Supply of Utilities from the municipality or a public entity, and
 - 3.8.11. Sponsorships

4. SCOPE

This policy is applicable to all persons employed by the SAMRC involved with procurement (SCM Officials, requisitioners, approvers and users) and SAMRC Suppliers.

5. DEFINITIONS APPLICABLE TO THE POLICY

- 5.1. Accounting Authority (AA)
In terms of the SAMRC, the AA is the Board.
- 5.2. Bid
A written offer in a prescribed or stipulated form in response to an invitation by an organ of state for the provision of goods, works or services.
- 5.3. CFO
The person who is appointed by the SAMRC as the Chief Financial Officer for the SAMRC and his delegates and to whom the Supply Chain Management function reports.
- 5.4. Contract
The written agreement entered into between the purchaser and the supplier, as recorded in the contract form signed by the parties, including all attachments and appendices thereto and all documents incorporated by reference therein.
- 5.5. Corrupt activity / practice
The offering, giving, receiving, or soliciting of anything of value to influence the action of a public official in the procurement process or in contract execution.
- 5.6. Delegation of Authority Framework
The SAMRC's formal policy defining accountability and responsibility, including responsibilities to the Executive Authority (National Department of Health), Accounting Authority (SAMRC Board), CEO / President, Executive Committee Members, Line Management or appropriately sub-delegated functions to other employees (as deemed necessary for business continuity needs).
- 5.7. "B-BBEE"
Means broad-based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act.
- 5.8. Line Management
For the purposes of this policy the terms 'senior / line managers', 'division managers' and 'unit directors' are used synonymously.
- 5.9. PFMA
The Public Finance Management Act (Act 1 of 1999).
- 5.10. Policy
A policy is an official document written by the SAMRC to provide guidance to persons involved with the SAMRC. It is typically described as a principle or rule to guide decisions and achieve rational outcomes. A policy includes high-level direction, detailed instructions, definitions, and other information sufficient to allow its users to implement its intent. All policies are binding after final approval.

- 5.11. Policy owner
This is a person with overarching responsibility for the policy and for ensuring policy implementation, progress monitoring and review.
- 5.12. Public entity
The SAMRC is a Schedule 3A Public entity in terms of the PFMA.
- 5.13. State:
State refers to:
 - (a) Any National or provincial department, national or provisional public entity or constitutional institution within the meaning of the PFMA;
 - (b) Any municipality or municipal entity;
 - (c) Provincial legislature;
 - (d) National Assembly or the National Council of Provinces; or
 - (e) Parliament

6. RELATED POLICIES

- 6.1. Code of Business Conduct Framework Policy
- 6.2. Delegation of Authority Framework Policy
- 6.3. Research Collaboration Policy
- 6.4. Fraud Prevention Policy
- 6.5. Risk Management Policy
- 6.6. Safety, Health and Environment Policy

7. POLICY AUTHORITY

The Executive Management Committee (EMC) is responsible for the maintenance and review of this policy.

Category:	Level 1
Risk:	Strategic
Effective Date:	August 2018
Review Date:	September 2019
Policy Owner:	Chief Financial Officer
Policy Manager / Cognisant Person:	Supply Chain Manager / Management of the SAMRC
Board Approval:	July 2018

Confirmation of Approval



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Prof Glenda Gray
President

14 August 2018
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Date