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	<b>Title</b>	Procurement & Purchasing		

## PROCUREMENT & PURCHASING


APPROVAL RECORD		
	Designation	Date
Reviewed By	Procurement Manager	April 2020
Approved By	Financial Director	April 2020
Final Approval	Managing Director	<b>Effective Date</b>
		Aug 2012



RECORD OF REVISION		
Rev. No	Date Approved	Nature of Revision
05	August 2012	Revision
06	August 2013	Revision
07	Sept 2015	System Revision
08	Aug 2018	Addition of Clause 8.3.8
09	July 2019	System Revision
10	April 2020	System Revision

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## 1. Purpose:

To achieve the overall corporate objectives of procuring quality products and services to satisfy company's operational requirements in a cost-effective manner and on timely basis, whilst maintaining the ethical standards prescribed by Silulumanzi Code of Business Conduct.

## 2. Responsibility

- a) The Procurement Manager is responsible for ensuring that the procurement process is in compliance with this procedure.
- b) The Buyer and Senior Buyer are responsible for data entry into SAP Business One and for administration of purchase order documentation He/she reports to the Procurement Manager.
- c) The Procurement Manager and Financial Director are responsible for negotiating settlement discounts with suppliers.
- d) The Procurement Manager reports to the Financial Director.

## 3. Compliance:


- a) Black Economic Empowerment Act 53 of 2003 (BEE)
- b) Broad-Based Black Economic Empowerment codes of good practice
- c) Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000) (PPPFA)
- d) Preferential Procurement Regulations 2017
- e) Construction Industry Development Board (CIDB)

## 4. Application of Policy

This policy applies to all procuring of goods or services, including construction works and consultant services;

## 5. Value for money

'Value for money' remains the essential test against which procurement outcomes in Silulumanzi must be justified. While not a criterion in itself it is nonetheless the basis for comparing procurement alternatives and offers from suppliers in order to identify the one that meets the needs in the most cost-effective manner when all costs and benefits are taken into account.

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## 6. Core Principles

6.1. In achieving value for money Silulumanzi will base procurement outcomes around core principles of government procurement. This means the Company is committed to:

- a) ensuring transactions achieve the highest value for money for the Company;
- b) providing suppliers with the opportunity to compete for business in an open and transparent manner;
- c) to maintain laid down quality standards.

6.2. In addition, ethics and fair dealing considerations require Silulumanzi to conduct procurement so as to ensure that:

- a) suppliers are dealt with even handedly;
- b) the Company is not compromised through acceptance by employees of gifts or hospitality; and
- c) conflict of interest is identified and managed.

## 7. Risk Management

7.1. Risk Management shall provide for an effective system for the identification, consideration and avoidance of potential risks in the Company's supply chain management system. The Company will maintain a Corporate Risk Management Policy, which must be adhered to always. This chapter of the Procurement Policy is not intended as a Risk Management Policy but will emphasize certain aspects of risk management as they pertain to the supply chain management process.

7.2. Managing risk must be part of the Company's philosophy, practices and business plans and should not be viewed or practiced as a separate activity in isolation from line managers.

7.3. Risk Management shall be an integral part of effective management practice.


7.4. The risk management process shall be applied to all stages of supply chain management, be it the conceptual stage, project definition, specification preparation, acquisition approval or implementation to completion.

7.5. Risk management is an integral part of good management of acquisition activities and cannot be effectively performed in isolation from other aspects of acquisition management.

7.6. Appropriate risk management conditions should therefore be incorporated in contracts.

7.7. The key principles on managing risk in supply chain management include:

- a) Early and systematic identification of risk on a case-by-case basis, analysis and assessment of risks, including conflicts of interest and the development of plans for handling them,

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- b) Allocation and acceptance of responsibility to the party best placed to manage risk,
- c) Management of risks in a proactive manner and the provision of adequate cover for residual risks;
- d) Assignment of relative risks to the contracting parties through clear and unambiguous contract documentation,
- e) Acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it, and
- f) Ensuring that the costs incurred in managing risks are commensurate with the importance of the purchase and the risks to the City's operations.

7.8. The Company shall demonstrate that in its supply chain management:

- a) There exists a systematic approach to identifying risks including potential conflicts of interest, analysing their possible likelihood, impacts and consequences and managing those risks as the project proceeds through the phases of pre-bid, post-bid and contract management;
- b) The integrity and correctness of the process of risk identification, analysis, assessment and treatment is such that the relevant Department can demonstrate the scope of the risk analysis is appropriate for the stated objectives;
- c) All pertinent matters and assumptions have been tested adequately and that appropriate risk treatment techniques have been implemented;
- d) The causes of risk are clearly identified;
- e) The means of treating the identified risks are apparent;
- f) The party who accepts the risks also accepts responsibility management of those risks, except where informed, and objective decisions are taken to share risks;
- g) Alternatives have been evaluated; and

7.9. Appropriate conditions are to be incorporated in contracts to avoid or minimize risk including warranties and penalties where appropriate. There are six steps in the risk management process, namely;

- a) Establish a framework;
- b) Risk identification;
- c) Risk analysis;
- d) Risk assessment;
- e) Risk treatment; and
- f) Implementation, monitoring and review

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## 8. Purchasing Procedure

### 8.1. Range of Procurement Processes

Goods and services, including construction works and consultant services shall be procured through the range of procurement processes set out below.

#### a. Competitive Bids/Tender

Are those where the estimated transaction value exceeds R750 000 (VAT exclusive), or for any contract exceeding one year in duration (which includes any defects liability period, if applicable).

#### b. Annual Bids/Tender

Are those for the supply of goods and services or construction works that is of an ad-hoc or repetitive nature for a predetermined period of time.

#### c. Formal Written Price Quotations


Are those where the estimated transaction value exceeds R10 000 (VAT exclusive) and is less than or equal to R750 000 (VAT exclusive).

#### d. Written Price Quotations

Where the estimated transaction value exceeds R300 (VAT exclusive) and is less than or equal to R10 000 (VAT exclusive).

#### e. Petty Cash Purchases

Where the transaction value is less than, or equal to R300 (VAT exclusive).

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#### **f. Procurement of Consulting Services**


Where the estimated value of fees exceeds R750 000 (VAT exclusive) or where the duration of the appointment will exceed one year, a competitive bidding process shall apply.

Where the estimated value of fees is less than or equal to R750 000 (VAT exclusive) and the duration of the appointment will be less than one year, a selection process, on a rotation basis, shall be applied.

### **8.2. Tender**

#### **8.2.1. The invitation of tenders**

- a) Silulumanzi policy is to invite open tenders for procurement of goods and services exceeding the predetermined amount of R750 000.00 VAT exclusive and/or for any contract exceeding one year in duration. Full details and user requirement, specifications, plans, drawings and other related information must be submitted to the tender specification committee (see below for committees and composition).
- b) Where the market is highly specialised, it may be appropriate to confine invitation to tender to known suppliers or to negotiate directly with a sole supplier. Where this procedure is proposed the procurement, division must receive a recommendation, clearly indicating the reasons for it and how the process is going to meet the requirements for open and effective competition. The Head of Procurement must submit the recommendation for a restricted tender proposal to the Financial Director and Managing Director for approval.
- c) Any open tender invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally or nationally depending on the nature of goods and/or service and the information contained in a public advertisement, must include –
  - i. the closing date for the submission of bids, which may not be less than 14 days in the case of transactions over R5 million (VAT included), or which are of a long-term nature, or 7 days in any other case, from the date on which the advertisement is placed in a newspaper; and
  - ii. date, time and venue of any proposed site meetings or briefing sessions.
  - iii. The Financial Director may determine a closure date for the submission of bids which is less than the 14 or 7 days requirement, but only if such shorter period can be justified on the grounds of

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urgency or emergency or any exceptional case where it is impractical or impossible to follow official procurement process.

### **8.2.2. Waiver of Tender Requirements**

Written justification must be provided, and appropriate approval must be obtained for waiver of tender requirements. Where waiver of tender is sought, such request for waiver should be sought from the Managing Director of the company.

### **8.2.3. Procedure for handling, opening and recording of bids**


- 8.2.3.1. Bids must be opened only in public; and must be opened at the same time and as soon as possible after the period for the submission of bids has expired;
- 8.2.3.2. The opening of bids shall be performed in the presence of two or more witnesses, and at least 1 of the witnesses must be independent and not involved in the procurement process;
- 8.2.3.3. Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time be read out including each bidder total bidding price;
- 8.2.3.4. No information, relating to bid other than one in sub-paragraph (8.2.2.2) may be disclosed to bidders or other persons until an official award is made; and
- 8.2.3.5. A procurement rep must record in a register all bids received in time.

### **8.2.4. Communication with tenderers**

- 8.2.4.1. During the consideration of tenders communication by Evaluation Committee with the relevant companies may take place on approval of the Adjudication Committee.

### **8.2.5. Negotiations with preferred bidders**

- 8.2.5.1. The Procurement Manager may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidder and the final terms of the Contract must be approved by Financial and Managing Director, provided that such negotiation –
  - i. does not allow any preferred bidder a second or unfair opportunity;
  - ii. is not to the detriment of any other bidder; and
  - iii. does not lead to a higher price than the bid as submitted.


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## 8.2.6. Tender Committees and composition

### 8.2.6.1. Specification Committee

- a) The bid specification committee must compile the specifications for each procurement of goods and services by Silulumanzi
- b) Specifications -
  - i. Must be drafted in an unbiased manner to allow all potential suppliers to offer their goods and services;
  - ii. Must take account of any accepted standards such as those issued by South African Standards Board, The International Standards Organisation, or authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
  - iii. where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
  - iv. may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, design, testing and test methods, packaging, marking or labelling of conformity certification;
  - v. 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";
  - vi. must indicate each specific goal for which points may be awarded in terms of the pointing system set out in the Preferential Procurement Regulations 2001 (as amended); and
  - vii. must be approved by the Senior Manager of the department requiring the goods and/or service.
- c) The bid specification committee must be composed of a multi-disciplinary team of Silulumanzi employees which include at least:
  - i. one procurement rep;
  - ii. one technical rep;
  - iii. may when appropriate, include an external specialist advisor.



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- d) No person, advisor or corporate entity involved with the bid specification committee, or any other connected person of such person, advisor or corporate entity, may bid for any resulting contracts.

#### 8.2.6.2. Evaluation Committee

- a) The bid evaluation committee must –
- i. Evaluate bids in accordance with –
    - i. the specification for a specific procurement; and
    - ii. the pointing system
  - ii. evaluate each bidder's ability to execute the contract;
  - iii. submit to the adjudication committee a report and recommendation regarding the awarding of the bid or any other related matter.
  - iv. the bid or any other related matter.
- b) The pointing system is in accordance with the National Treasury Preferential Procurement Regulations. (80/20 or 90/10) principles  
A pointing system should be adopted for giving points in terms of at least tender price, vendor's reputation, Enterprise and Supplier development program, track record and managerial quality.
- c) The bid evaluation committee must as far as possible be composed of at least -
- i. one procurement rep
  - ii. one technical rep
  - iii. may when appropriate, include an external specialist advisor.

#### 8.2.6.3. Adjudication committee

- a) The bid adjudication committee must –
- i. Consider the report and recommendations of the bid evaluation committee; and
  - ii. Depending on its delegations, make a final award or a recommendation to the Managing Director to make the final award.
- b) The bid adjudication committee must consist of the senior management team of Silulumanzi which must include –
- i. The Financial Director or, if not available any other person delegated;

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- ii. The Procurement Manager or, if not available any other person delegated by the Procurement Manager.
  - iii. The Senior Manager heading the department which require the goods and/or service; and
  - iv. a technical expert in the relevant field who is an employee, if such an expert exists in an advisory capacity.
- c) The Managing Director may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.

### **8.2.7. Specifications of Quotations**

- 8.2.7.1. All request for quotations must be done on Email only. Quotations must be done on an original letterhead of the supplier or tender document.
- 8.2.7.2. One supplier cannot submit more than one quotation for the same item or service. In the case that services are broken into different segments to allow smaller companies to participate, a company can not bid more than once to a specific project.
- 8.2.7.3. The quotation must clearly indicate the name of the person that has submitted the quotation and contact details.
- 8.2.7.4. All quotations must be attached to the purchase requisition and order to be authorized.
- 8.2.7.5. For a written quotation to be considered –
  - a) Must be written in English.
  - b) Must be signed by a person with the necessary authority to act on behalf of the prospective supplier.
  - c) Substantially comply with the specification.
  - d) Be received within the specific time scale.
  - e) Other proof that the supplier possesses the necessary skills and resources to execute the quote properly.

### **8.3. Normal Purchasing**

This process must be followed when procuring goods and services or entering into any contract of any value below R750 000.00 exclusive of VAT and exceeding 1 year in duration.

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### 8.3.1. Purchase request (PR)

- a) A requisition must be completed.
- b) Authorised by the relevant person as started on the financial delegation of authority.
- c) *Requirements for a requisition are:*
- d) It should be fully completed with all the following information
  - i. Department and section
  - ii. GL account (number and description)
  - iii. Cost Centre
  - iv. Date
  - v. Details/Ref (e.g. Street/ business/ reservoir/ WPS/ SPS name or any other details)
  - vi. Stock code, description and quantity
  - vii. Employee's name requesting the items
  - viii. Supervisor/ Managers authorisation signature
- e) If the value of the requisition exceeds R10 000.00 (VAT exclusive), three (3) quotations must be attached
- f) In case where the value of the requisition exceeds R10 000.00 (VAT exclusive) and three quotations cannot be obtained for any reason, a motivation written on the prescribed form must be attached with the requisition.
- g) After above the documentation can then be sent to the procurement department for processing.

### Procurement Department

- a) Check PR to ensure it is fully completed and all supporting documents are attached.
- b) If the PR is not completed in full notify the requestor of the PR.
- c) Process PR in SAP Business One and attached all supporting documents.
- d) PR are electronically routed to the first line manager (Cost Centre owner) then to the Financial Director and Managing Director for electronic authorization as per financial delegation of authority.
- e) Once approved, the buyer converts the PR into a Purchase Order (PO), print and send to the Supplier and a copy of the PO to the requestor.
- f) All hardcopy documents are attached to relevant orders and handed to the creditors clerk for processing of payments.

### 8.3.2. Purchase request in an emergency

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- a) In the event of an emergency a purchase or service can be requested telephonically from the supplier.
- b) The person requesting the purchase or service should get telephonic approval from the relevant manager or senior manager in accordance of the delegation of authority.
- c) The documentation for the emergency purchase or service should be completed as soon as possible as per the normal procurement process.
- d) The manual purchase requisition should be clearly marked as an emergency purchase or service.
- e) The Procurement Manager should keep a list of purchases or services for which a purchase order was done after the purchase or service was already delivered.
- f) The Procurement Manager should periodically discuss the emergency purchase list with the Financial Director to monitor if there are any cases of misuse of the provision for emergency purchases to by-pass controls embedded in the procurement process.

### 8.3.3. Purchase order

It is the Buyer's responsibility to ensure that PR is properly supported with the necessary issuing Purchase Order (PO). A standard PO shall be issued if the required quantity, pricing and delivery schedule are clear and known. A blanket PO shall be issued if the requisition contains multiple delivery dates scheduled over a period.


The usage of manual PO is not acceptable.

The Buyer shall perform expediting on long outstanding open PO's on weekly or monthly basis. Open PO's that are no longer valid should be cancelled from the system immediately.

Terms and conditions of PO issued to vendors should be in accordance to standard terms and conditions as approved by Legal Department which would include a term stipulating that vendors are required to respect and follow Silulumanzi Code of Business Conduct in the performance of the contract with Silulumanzi.

### 8.3.4. Petty Cash or Cheque Purchase

- a) Goods and/or services below the value of R300.00 (VAT exclusive) will be purchased via petty cash (*Refer Petty Cash Procedure*)

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### 8.3.5. One-time Vendors


- a) Usage of One-time vendor account by-pass the controls of vendor pre-qualification and approval process, Hence, the use of One-Time vendor account in the system must be avoided and limited to instances where such usage can be justified e.g cheque payment of first and last salary of employees.
- b) The procurement manager and financial manager should conduct a periodic review of One-Time vendor transactions to highlight instances where one-time vendor is used more than once, and measures should be taken to ensure user do not repeat such usage in future. Users who misuse One-time vendor to circumvent controls for vendor pre-qualification and approval process should be reported to the finance director.

### 8.3.6. Adjustments/Amendments of Purchase Orders

- a) From time to time, variances between a PO and the supplier invoices will be identified by the creditors department and such will require the original document be amended.
- b) In all such cases the buyer will be notified in writing of the required amendment and will process the amendment to the system as follow:
  - i. Delete the line(s) to be amended from the PO and the PR
  - ii. Recreate, the PR and the system will automatically route the PR to the relevant manager for approval as described above.
  - iii. Once approved PO will be printed and given to the creditors department.

### 8.3.7. Receipt of Goods or Services

- a) Upon receipt of goods, Stores Assistants should compare goods and/or service delivered/rendered to confirm it corresponds with purchase order and sign the delivery note/invoice as evidence you receipt. Delivery note for services to be sent to the Financial Assistant and/or delivery note for stock items to Stores Controller to prepare Goods Received Notes.
- b) Financial Assistant or Stores Controller to write down the pre-numbered computer-generated Goods Received Note number on the delivery note and send to creditors clerk for matching with supplier's invoice.

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- c) If a delivery schedule was agreed with the vendor, the buyer and Procurement Manager should follow up regularly with the vendor and internal staff to ensure that the vendors adhere to this schedule.

### 8.3.8. Scrap

#### 8.3.8.1 Physical security of Scrap

All materials identified as no longer in use should be properly segregated from the existing inventory items and secured in a premise that can only be accessible by authorised personnel.

#### 8.3.8.2 Disposal of Scrap

- a) A periodic review should be carried out to determine if any materials are no longer in use and if it is feasible to be disposed of. Thereafter, the end-user should complete the asset disposal form and obtain approval from the Departmental Senior Manager and Asset Management Department to dispose of the scraps.
- b) Thereafter 3 quotes need to be obtained from scrap dealers specifying the price per kilograms for the different metals (such as copper, brass, stainless steel, aluminum, iron, etc.). The quotes should then be evaluated, and the selected quote should be approved accordingly. The rationale for selection should also be clearly documented. The quote shall be valid for a maximum period of 3 months - thereafter new quotes shall be obtained from the dealers. An employee from the Asset management office and the end-user shall be present at the collection area to ensure that the correct scrap materials are being collected by the scrap dealer. Two Silulumanzi representatives, one from the Operations Department and one from the Asset management office shall witness the scraps weighing at the third-party/dealer's site and ensure that the weighbridge's calibration certificate is still valid. The weighbridge ticket should also be signed off by the two representatives and the scrap dealer's representative.
- c) All payments by the Scrap dealer must be done by an electronic transfer to Silulumanzi (RF) (Pty) Ltd and the proof of payment must be sent directly to the Financial Manager and Accountant. The finance department will then send a receipt to the scrap dealer. No cash payments must be accepted.

## 8.4 Whistle – Blowers

In our efforts to create an Ethically compliant business environment, South Africa Water Works utilises the private and confidential service of Whistle – Blower PTY Ltd.

**ANY INSTANCES OF NON-COMPLIANCE THAT IT ENCOUNTERS (FRAUD, BRIBERY OR ANY OTHER ILLEGALLY ACTS). HOTLINE: 0800 222 113 OR E-MAIL INFORMATION@WHISTLEBLOWING.CO.ZA :**