

# PROCUREMENT POLICY TT-FOA-27

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Standard Operating Policy – Finance,  
Operations & Administration

## DOCUMENT CONTROL



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### Approvals

The signatures below confirm that the reviewers agree with the content of the document and that this document is approved for implementation within Tshiamiso Trust.

Name	Position	Signature	Date
Prof. May Hermanus	Chairperson: Board of Trustees		
Kgomotso Molebatsi	Chairperson: Finance, Risk and Audit Committee		
Daniel Kotton	Chief Executive Officer		02/11/2021

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## 1. PURPOSE & OBJECTIVE

- 1.1. The purpose of this Procurement Policy (the “Policy”) is to establish and maintain a framework for the efficient and effective procurement of goods and services for the Tshiamiso Trust (the “Trust”).
- 1.2. It is essential that the procurement of goods and services for the Trust is conducted in a consistent, ordered, transparent, responsible and cost-effective manner in order to avoid fruitless and wasteful expenditure while also ensuring the attainment of ancillary policy objectives such as transformation.
- 1.3. The Policy sets out guidelines to ensure sound and best practise procurement, to ensure that procurement of goods and services by the Trust:
  - 1.3.1. is fair, equitable, transparent, competitive and cost effective;
  - 1.3.2. provides the Trust with the best value for money while improving its service delivery;
  - 1.3.3. implements efficient and effective supply chain management as an integral part of the Trust’s financial management; and
  - 1.3.4. ensures proper planning for the acquisition of goods and services.

## 2. ORGANISATIONAL SCOPE

- 2.1. This policy shall be applicable to all employees of the Trust and covers all aspects of the acquisition of goods and services by the Trust.
- 2.2. The procedures outlined in this manual are applicable but not limited to the procurement of:
  - 2.2.1. Goods;
  - 2.2.2. Services;
  - 2.2.3. Works; and
  - 2.2.4. Consultancies.
- 2.3. Items which may be excluded from standard ordering/tendering process set out in this Policy include:
  - 2.3.1. Standard Items for daily consumption like milk, coffee, tea and other catering requirements;

- 2.3.2. Travelling arrangements – although procurement of the designated travel agent is subject to this Policy;
  - 2.3.3. Incidental expenses paid for by Trustees or Management;
  - 2.3.4. The initial cost and ongoing maintenance and usage fees for the Trust's Claims Management System (CCMS); and
  - 2.3.5. Approved professional service providers like doctors, nurses, X-ray, Radiologists.
- 2.4. This Policy is applicable to all units/departments of the Trust, and any other individual who may be given authority to commit the Trust's funds by purchasing goods and services for the Trust.
- 2.5. It is of the utmost importance for line managers to ensure that all staff members involved in the application of financial resources are informed on and are properly trained in the Trust's procurement processes. Due to the high risk involved in procurement and the possibility of irregularities and fraud, any non-compliance to the Policy is viewed in a serious light.
- 2.6. The Board of Trustees (the "Board") is ultimately responsible for the achievement of the objective set out above.
- 2.7. The day-to-day management of the procurement process is the responsibility of the Chief Financial Officer (CFO), who shall, together with the institutional management of the Trust and other functionaries implement the Policy.

### **3. CODE OF PROCUREMENT ETHICS AND CONDUCT**

- 3.1. The procurement of goods, services must be executed with the highest standard of integrity in all business relationships with Suppliers, both internally and externally.
- 3.2. Confidential information received during the procurement process shall be respected at all times, e.g. prices from one Supplier may not be divulged to another. Under no circumstances may employees engaged in purchasing activities exploit their position for personal gain.
- 3.3. Any employee of the Trust involved in the procurement of goods, services and equipment on behalf of the Trust must comply with the Trust's Conflict of Interests policy, and disclose in advance any personal interest, which might impinge on, or might reasonably be deemed by

others to impinge on his/her impartiality, in any matter related to his or her duties. A signed written declaration indicating full current details of any personal or immediate family interest in any Supplier or potential Supplier should be furnished to the person responsible for authorising the purchase requisition and/or purchase order and copied to the CFO.

3.4. Employees must ensure that all purchases are made without prejudice, with a view to obtaining the best value for money while ensuring compliance with the strategic management objective and ancillary objectives of this Policy.

3.5. The Trust acknowledges that discretion may sometimes be required in the application of the Policy. Examples include instances where only a sole supplier exists for a particular product and/or service, where specialised services are rendered, where the suppliers are prescribed by a third party in terms of an agreement or for emergency procurement of services or products.

#### **4. PREFERENTIAL PROCUREMENT AND BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)**

4.1. The Trust believes that the development of a Preferential Procurement Policy aimed at encouraging the active participation of affirmative business enterprises will ensure broader and meaningful participation and growth in the economy.

4.2. Without compromising quality, standards, service levels or price, the procurement process of the Trust will be a fair, equitable, transparent, competitive and effective process that will enable all service providers, regardless of race, gender or ethnicity an opportunity to do business with the Trust, whilst complying with the requirements of the Broad-Based Black Economic Empowerment (BBBEE) legislation.

4.3. The Trust is committed to both the principles and the practical implementation of BBBEE. To this end, it will follow a phased approach to implement, measure and monitor progress on black economic empowerment and will strive to reach the targets set by the Codes of Good Practice, promulgated in Government Gazette 29617 published in February 2007, in respect of qualifying procurement spend with black empowered enterprises and/or black-owned enterprises.

4.4. Progress reports in respect of the achievement of the targets set by the Codes of Good Practice will be provided to the Finance, Risk and Audit Committee annually.

## **5. DELEGATIONS OF AUTHORITY (DOA)**

5.1. The delegation for procurement, contracting and authorisation is determined by the Board. The monetary values/ranges in the DOA may be amended from time to time as approved by the Board.

5.2. It is imperative that this policy is read together with the Trust's Delegation of Authority (Annexure A). Approvals must be in accordance with the DOA. These delegations vary according to whether procurement is within the approved budget or outside of the approved budget.

5.3. Procurement of goods or services may not be "divided" artificially to lower the monetary value in order to evade the prescribed commercial processes or delegation levels.

5.4. Prior written authorisation must be obtained in accordance with DoA for all procurement of goods and services by the Trust.

## **6. ROLES & RESPONSIBILITIES**

### **6.1. The Finance Department**

6.1.1. The Trust's Finance Department facilitates the procurement process as defined in the table below.

6.1.2. The responsibilities of the Finance Department in respect of this policy include:

- advising the procuring/ user department on drafting of specifications;
- determining timelines and processes;
- ensuring that:
  - all necessary documents have been submitted;
  - disqualifications are justified;
  - scoring is fair;
  - Declarations of interests have been taken into account
- providing policy advice; and

- contract management.

## **6.2. Procurement Awards Committee (PAC)**

6.2.1. Best practice requires that in some instances, the vendor selection is made by more than one person. The Policy therefore establishes a Procurement Awards Committee (PAC), which will always comprise not less than 3 (three) members and always an odd number, to adjudicate over the tender process.

6.2.2. The Procurement Award Committee will comprise:

- The CEO;
- The CFO (or delegated member of the Finance Department); and
- The Procuring Department.

Where the Procuring Department is the Finance Department, the COO or Medical Director will replace the Procuring Department.

6.2.3. The PAC will determine its own meeting procedures with due observance of generally accepted norms of fair administrative process and a record of all decisions on deviations from the prescribed requirements of this Policy must be kept. The PAC reports to the Trust's Finance, Risk and Audit Committee.

6.2.4. In exceptional circumstances, depending on the threshold and the nature of the procurement in question, the PAC may need to be re-established in order to include a subject matter expert or where there is a conflict of interest. Any reason for change of committee composition has to be approved by the CEO, documented and properly filed.

6.2.5. Responsibilities of the PAC in respect of this Policy:

- Ensures the compilation of unbiased specifications and/or terms of reference;
- Draws up measurable evaluation criteria;
- If applicable, includes special conditions in respect of the goods or service;
- Evaluates tenders in accordance with agreed criteria for tender:
  - Compliance with conditions
  - Compliance with specifications
  - Consideration of latent factors that might influence the award

- Comparison of prices and allocation of preference points
- Checking for completeness and technical correctness
- Checking all other registers for completeness and correctness e.g., site visits, briefing sessions
- Verifying vendor
- Awarding points in terms of preference points and status
- Calculating points awarded
- Completing a list of tenderers
- Makes a final award or recommendation as per the delegated authorities

## **7. PROCUREMENT METHODS, PROCESSES AND PRINCIPLES**

### **7.1. Maintenance of an Approved Vendor/Supplier List**

7.1.1. A supplier/ vendor database will be maintained, from which potential suppliers and vendors can be selected. This enables approved suppliers and vendors to be found, records and monitors the performance of suppliers on current and previous transactions and provides a central repository for information to be quickly retrieved.

7.1.2. Potential suppliers should be requested to complete a Supplier/ Vendor Registration Form. Following evaluation by the designated members of the Finance Team, the supplier/vendor may be added to the Trust's active supplier/vendor database.

### **7.2. Purchasing Thresholds and Methods of Procurement**

Purchasing thresholds distinguish amongst the various methods and processes of procurement to be used. The threshold levels recorded in the **Delegation of Authority** determine the methods of procurement, as detailed below:



### 7.2.1. Request for Quotations

Value Of Purchase	Method And Process	Approval Authority
<b>R0- R100 000</b> per transaction within approved budget  <b>R0 – R50 000</b> Per transaction if outside approved budget	Obtain three written quotations.  This will be applicable to all types of purchases.	<b>Person with buying responsibility.</b>  The originator is responsible for technical specification compliance, when applicable.
<b>R 100 001 – R500 000</b> Per transaction if within approved budget  <b>R50 001 – R250 000</b> Per transaction if outside approved budget	Obtain three written quotations and award to the most economical bidder on technical specification.  If only one or two suppliers responded, buyer to show evidence that effort was made to solicit three quotations. All evidence must be attached to every order and properly filed.	<b>COO, CFO or Medical Director</b>  <i>If the lowest bidder or BEE supplier is not recommended or any other material variance to recommended award criteria occurs between the value of R25 001 – R150 000, the CEO may authorize the transaction. This is to encourage using historically disadvantaged entities</i>

### 7.2.2. Tendering

Value Of Purchase	Method And Process	Approval Authority
<b>R 500 001 – R2 000 000</b> per transaction if within approved budget	A minimum of three written quotations must be obtained but can also be done on a tender basis if there is a need to cover a wider range of suppliers and award to the most economical bidder on technical specification.	<b>CEO</b>

	The originator is responsible for technical specification compliance	
<b>R 2 000 001 – R5 000 000</b> per transaction if within approved budget  <b>R1 000 001 -R2 500 000</b> per transaction if outside approved budget	A formal tender process must be followed.	<b>CHAIRPERSON OF THE BOARD OF THE TRUSTEES</b>
<b>Above R5 000 001</b> R2 500 001-per transaction if outside approved budget	A formal tender process must be followed.	<b>BOARD OF TRUSTEES</b>

### 7.2.3. **Single Source Procurement**

7.2.3.1. Single source negotiations should be used when procurement through quotations or tendering procedures is impractical or otherwise inappropriate. Comparison of prices with goods or services of like complexity or similar product/service costs should be used as a substitute for competitive procurement processes in this method.

7.2.3.2. The following are common reasons to justify sole-source awards:

- Goods or services are only available from one source;
- Contracts require highly specialized skills or technology;
- Where offers for identical requirements have been obtained competitively within a twelve-month period and prices and conditions offered remain the same; or
- After solicitation of a number of sources, competition is determined to be inadequate.

7.2.3.3. All decisions to appoint a sole supplier must be well documented by the relevant user and must always be approved by the relevant approver in accordance with the DoA.

#### **7.2.4. *Unsolicited Bids/ Proposals***

7.2.4.1. All unsolicited bids/ proposals should be treated or considered on a case-by-case basis, the overall consideration. Overall consideration will be the exception and not the norm and limited to unsolicited bids that demonstrate genuine innovation and value add.

7.2.4.2. The Trust is not obliged to consider unsolicited bids but may consider such a proposal if it meets the following requirements:

- The goods or services present a new and cost-effective method of service delivery- the unsolicited proposal must clearly demonstrate the anticipated benefits or cost advantage to the Trust;
- The unsolicited proposal must meet the Trust's due diligence requirements; and
- The unsolicited proposal is clear on how the proposed goods or services support the strategic growth and objectives of the Trust.

7.2.4.3. The Trust must reject an unsolicited proposal if the proposal:

- Relates to requirements that can, within reasonable and practical limits be acquired through a competitive bidding process;
- Relates to goods or services which are generally available;
- Relates to goods or services that do not fall within the Trust's strategic objectives; or
- Has not been submitted by a duly authorized representative of the Service Provider.

7.2.4.4. All accepted unsolicited bids/proposals are subject to approval by the CEO, unless for thresholds higher than the CEO's delegated authority, in which case the DoA will be applicable.

#### **7.2.5. *Emergency Procurement***

7.2.5.1. Emergency purchases are applicable only in unforeseen cases of emergency where immediate action is necessary to:

- Avoid or limit hardship or imminent hardship or deal with a dangerous situation;
- to enable the continuation of threatened key activities;
- to clear up damage, or prevent further damage or to deal with natural disasters; or
- to address imminent operational or other safety risks.

7.2.5.2. Emergency or urgent procurement **MUST NOT** be used to circumvent normal procurement procedures or as a result of poor or inadequate planning.

#### **7.2.6. Procurement of Consulting Services**

- 7.2.6.1. The Trust frequently engages service providers to render professional services (commonly referred to as Consultants) and to provide a wide range of expert advice and in connection with its operations and management responsibilities.
- 7.2.6.2. The procurement of Consultants must be supported by a motivated business case setting out an analysis of the underlying skills gap and required deliverables.
- 7.2.6.3. Consultants must be registered on the Trust's approved supplier database.
- 7.2.6.4. The procedures for selecting Consultants and contracting consulting services is overseen by the PAC.
- 7.2.6.5. Consultant Selection Process:  
Consultants shall be selected as follows:
  - A) **Ad-hoc consultancies for one off services:** for ad hoc consultancy services that are once off, a qualified Consultant may be contracted directly, without the requirement to select the Consultant competitively, provided that the total value of the contract does not exceed R1 500 000.
  - B) **Repeat Work over Extended Periods for repeat work consultancies over extended periods (more than 3 months)** a shortlist of qualified Consultants shall submit proposal for consideration. The selection of the preferred Consultant shall be based on evaluation of the shortlisted Consultants' technical and financial proposal. Should the contract negotiations with the preferred Consultant fail, the second ranked Consultant may be invited to contract negotiations.

#### **7.3. The Procurement Process**

This section described the steps or activities to be followed when procuring goods or services for the Trust. The following descriptions are minimum standards and modifications to suit prevailing conditions may be evaluated and approved by the PAC.

### **7.3.1. Requisition**

7.3.1.1. The purpose for the requisition is to demonstrate the need for a purchase and to obtain approval to incur an expense. Requisition approvals are internal and do not imply a commitment to purchase.

7.3.1.2. The need for procurement of goods and services must be documented through formal or informal requisitioning (i.e. standard form or email).

7.3.1.3. Information to be included in a requisition includes but is not limited to:

- Requestor's name and the Procuring Department
- Date of the requisition
- Description of goods or services to be procured'
- Quantities required

The requisition may need to be supported by other documentation, for example sole source justification form.

### **7.3.2. Procurement Decision**

7.3.2.1. On receipt of the procurement requisition by the Procuring Department, the estimated cost must be determined which will inform:

- The procurement method to be use; and
- The appropriate authority to approve the procurement in line with the DOA.

After obtaining approval from the authorized officer, written quotations or proposals should be sought.

### **7.3.3. Request for Quotation and Request for Proposal**

7.3.3.1. The Procuring Department must select the potential vendors.

7.3.3.2. Priority must be given to vendors on the approved vendor list. If the vendors on the approved vendor list do not meet the required criteria, other potential vendors can be identified. Quotes may be obtained from vendors that are not on the approved vendor list, but due diligence must be performed.

7.3.3.3. For the procurement of goods, the Procuring Department must issue a Request for Quotation (RFQ) and for services a Request for Proposal (RFP). This will ensure that uniform information is communicated to all potential vendors for consistence and transparency.

- 7.3.3.4. It is recommended that the RFQs/RFPs be sent to vendors via email.
- 7.3.3.5. The lowest quotation meeting the requirements should be accepted. If the lowest bidder or BEE supplier is not recommended or any other material variance occurs, adequate justification must be documented and approved by the authorized officer.
- 7.3.3.6. **ONCE AN AWARD HAS BEEN MADE TO A VENDOR SIMILAR PRODUCTS CAN BE PROCURED FROM THE VENDOR FOR A PERIOD OF THE AGREEMENT OR 1 YEAR WITHOUT HAVING TO REQUEST AN ADDITIONAL RFQ EACH TIME**

7.3.4. **Tendering**

- 7.3.4.1. The CFO receives a Purchase Requisition from the Procuring Department.
- 7.3.4.2. The Purchase requisition must contain the following information:
- Contain a proper and informative description of the requirements (drawing and or specification references if applicable)
  - Standards to which products or service must adhered to
  - Safety requirements for the product
  - Be indicative of the required quantities
  - Specifically, state where delivery should be made
  - Site visits if required
  - Be properly authorised by a person(s) with delegated powers to do so
- 7.3.4.3. The Tender specification must be developed and must, specify, contain or be attached with the following:
- Issue date, closing date and time and relevant contact details of stakeholder and procurement coordinator
  - Venue where tenders are to be lodged
  - Details of Tender briefing, if applicable
  - Tenders are to be submitted by the tenderer in a sealed envelope. The tender or quotation number, the subject and closing date, thereof shall be printed on the envelope
  - Facsimile and e-mail tenders or quotations will not be considered

- A proper and informative description of the required product and/ or service as submitted by the originator or as per standard product/ service description.
- The Trust's adherence to BBBEE principles must be clearly indicated on the tender document

7.3.4.4. Calling for tenders and quotations

Notices and the appropriate forms for tenders shall be issued in the name of the Trust

7.3.4.5. Opening and stamping of tenders and quotations:

- Tenders close 12H00 daily
- Two people have access to the tender box
- Tender boxes are emptied daily at 12H00
- All tenders received are recorded in a register
- All received envelopes are stamped
- All relevant pages of the document are stamped and initial

7.3.4.6. Late tenders:

Tenders or quotations arriving after the specified closing time shall not be considered and will be opened and stamped in as "Late tender".

7.3.4.7. Amendments before closing date:

The Trust is entitled to amend any tender condition, validity period, specification or plan, or extend the closing date of such tender or quotation before the closing date, provided that such amendments or extensions are properly communicated in writing through the available channels of communication. For these reasons' employees issuing tenders shall keep record of the names and addresses of the persons or enterprises to which tender documents have been issued.

7.3.4.8. Where the closing date of a tender/ quotation is extended the notice of such extension shall also mention that tenders/ quotations received, will be retained unopened in the tender box and be duly considered after the expiry of the extended period, unless the tenderer requests that such tender or quotation be returned to the tenderer or unless the tenderer cancels it by submitting a later dated tender or quotation before the extended closing date.

7.3.4.9. Amendments after closing date:

The Trust is entitled to amend any tender condition, validity period, specification or plan after the closing date of a tender and before acceptance of a tender or quotation has been notified, provided that all the parties who obtained tender documents are advised

thereof in writing and are given the opportunity to tender on the amended basis and by an extended closing date and time. Authority for such communication shall be obtained from the person(s) under whose jurisdiction the transaction falls. In the event of a significant change to the specification having been made, to which other (new) tenderers could respond, the issue of a new tender is required.

- 7.3.4.10.      Compilation of a comparative statement:
  - After all tenders or quotations have been opened, stamped and distributed to the buyer, the buyer shall compile a comparative schedule.
- 7.3.4.11.      The comparative schedule to be emailed to the end-user or responsible technical personnel for technical recommendation which will be included in the submission to the PAC.
- 7.3.4.12.      Submissions to the PAC shall be accompanied by the comparative schedule. The technical recommendation, or in instances where other criteria (other than price) are a prerequisite, a memorandum motivating how the relevant selection criteria can best be met, shall be submitted to the PAC.
- 7.3.4.13.      After approval by the PAC a letter of award will be issued to the successful tenderer, and letter of regrets will be emailed to all unsuccessful tenderers.

#### **7.3.5. Purchase Order Processing**

- 7.3.5.1.      After a vendor or service provider has been appointed, the Finance Department will issue a Purchase Order (PO) and the Procuring Department to release the PO. A PO is the document through which the Trust commits to accept the financial liability of a procurement of goods or services.
- 7.3.5.2.      A Vendor/Service Provider must supply the following information before any payment will be made to them:
  - 7.1.1      Valid tax certificate on the company
  - 7.1.2      Valid CIPC Certificate as proof of registration of company, otherwise documentation from the Master (in case of Trusts)
  - 7.1.3      Bank stamped bank letter



**7.3.6. Cancellation of Orders**

Orders can only be cancelled by the Procuring Department.

**7.3.7. Measurement and Reporting**

A monthly report will be submitted to the Trust Executive Committee on all approved orders, outstanding items, progress and pending orders.