



Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

SUPPLY CHAIN MANAGEMENT POLICY

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Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

TABLE OF CONTENTS

1. PREAMBLE	5
2. PURPOSE	5
3. SCOPE	5
4. APPLICABLE LEGISLATION	5
5. DEFINITIONS	6
6. OBJECTIVES	8
7. AUTHORITY AND RESPONSIBILITY	8
8. DELEGATIONS AND DEVIATIONS	8
9. SUPPLY CHAIN MANAGEMENT UNIT	9
10. ELEMENTS OF SCM	9
11. BID COMMITTEES	10
12. DEMAND MANAGEMENT	12
13. SUPPLIER LIST OF DEFAULTERS	12
14. ACQUISITION MANAGEMENT	13
15. ACQUISITION THRESHOLD LIMITS	13
16. NEGOTIATIONS	13
17. EMERGENCY SITUATIONS	14
18. SOLE SUPPLIER SITUATIONS	14
19. BID PROCESS	15
20. EVALUATION OF BIDS	16
21. PREFERENCING	16
22. ENTERPRISE DEVELOPMENT	16
23. PARCELLING	16
24. CONFLICT OF INTEREST	16



Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

25. EXEMPTIONS	17
26. CANCELLATION OF BID PROCESS AND RE-INVITATION OF BIDS	17
27. DISPOSAL MANAGEMENT	17
28. LOGISTICS MANAGEMENT	17
29. SCM RISK MANAGEMENT	18
30. SCM PERFORMANCE MANAGEMENT	18
31. OVERSIGHT ROLE OF THE BOARD	18
32. TRANSACTIONS WITH UW OFFICIALS AND STAFF	18
33. SANCTIONS FOR IMPROPER BEHAVIOUR	19
34. COMBATING ABUSE OF SCM SYSTEM	20
35. ETHICAL STANDARDS	20
36. OBJECTION AND COMPLAINTS	22
37. RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS	22
38. APPEALS	22
39. TERMINATION	23
40. PROUDLY SOUTH AFRICAN	23
41. CROSS REFERENCE WITH OTHER POLICIES	24



Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

Abbreviations

UW: Umgeni Water
DM: Demand Management
SCM: Supply Chain Management
PFMA: Public Finance Management Act No. 29 of 1999, as amended No.29 of 1999
PPPFA: Preferential Procurement Policy Framework Act, No. 5 of 2000 as amended
BBBEE: Broad Based Black Economic Empowerment Act, No.53 of 2003
BEE: Black Economic Empowerment
GM: General Manager
BAC: Bid Adjudication Committee
BEC: Bid Evaluation Committee
BSC: Bid Specification Committee
DOA: Delegations of Authority
Board: Umgeni Water Board (Accounting Authority)
EXCO: Executive Committee of Umgeni Water
CIDB: Construction Industry Development Board
SANS: South African National Standard SOE: State Owned Enterprise
HDI: Historically Disadvantaged Individuals
SMME: Small, Medium, Micro Enterprises
CE: Chief Executive
SCM: Supply Chain Management
TR: Treasury Regulations
DC: Disposal Committee
RSA: Republic of South Africa



Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

1. PREAMBLE

- 1.1 Although UW is listed as a public entity under Schedule 3b in the PFMA and is therefore not obliged to comply with Public Sector SCM Framework, UW has adopted these principles. Further to these principles, National Treasury has released the Preferential Procurement Policy Framework Regulations 2011, which apply to all organs of state including all public entities listed in schedules 2, 3(a), 3(b), 3(c) and 3(d). This policy is available on UW's website and can be viewed at www.umgeni.co.za.

2. PURPOSE

The purpose of this Policy is to make provision for a system of demand and acquisition of goods and services and Disposal of assets that:

- 2.1.1 Is fair, equitable, transparent, competitive and cost effective;
2.1.2 Promotes the objectives of the BBBEE
2.1.3 Facilitate an efficient and cost effective sourcing of the goods and services for delivery to UW customers thereby contributing to the national development agenda.

3. SCOPE

- 3.1 This policy applies to all elements of SCM from Demand, Acquisition, Logistics, Risk, Supply Chain Performance and Disposal management in respect of all goods and services of UW. Processes and mechanisms are detailed in the SCM procedures.
- 3.2 The policy does not apply if UW contracts with another organ of state for the following:
- 3.2.1 Provision of goods and services to UW
3.2.2 The procurement of goods and services under contracts secured by the organ of state, provided that the supplier involved has agreed to such procurement.

4. APPLICABLE LEGISLATION

- 4.1 The policy is based on the requirements embodied in the following legislation/regulations:
- 4.1.1 The Constitution of the Republic of South Africa, Act 108 of 1996, s217(1) to 217(3).
4.1.2 Public Finance Management Act, 1999 (PFMA), Act 1 of 1999 as amended by Act 29 of 1999;
4.1.3 Framework in terms of the Public Finance Management Act, 1999: Framework for Supply Chain management;
4.1.4 Treasury Regulations for departments, constitutional institutions and public entities issued in March 2005 in terms of the PFMA;
4.1.5 Preferential Procurement Policy Framework Act No. 5 of 2000
4.1.6 Preferential Procurement Regulations of 2011
4.1.7 Broad-Based Black Economic Empowerment Act No. 53 of 2003;
4.1.8 Supply Chain Management – A Guide for Accounting Officer's/Accounting Authorities (February 2004);
4.1.9 Construction Industry Development Board Act 38 of 2000



Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

4.1.10 Any SCM norms and standards that may be prescribed

5. DEFINITIONS AND INTERPRETATIONS

5.1 The definitions appearing hereunder shall be applicable in respect of terms used in this Policy save where the regulatory framework or the context clearly indicate(s) otherwise expressly provided.

5.1.1 **“Bid Adjudication Committee”** means the Committee appointed in terms of Clause 11.1.3 to UW’s SCM Policy;

5.1.2 **“Bid Evaluation Committee”** means the Committee appointed in terms of Clause 11.1.2 to UW’s SCM Policy;

5.1.3 **“Bid Specification Committee”** means the Committee appointed in terms of Clause 11.1.1 to UW’s SCM Policy;

5.1.4 **“Disposal Committee”** means the Committee appointed in terms of Clause 11.1.4 to UW’s SCM Policy;

5.1.5 **“Statutory Eligibility Criteria”** means any Criteria imposed by Statute or other law and required to be fully complied with by a bidder, failing which the bidder must be automatically disqualified from further participation in the bid. It is specifically recorded that the disqualification will be automatic and no SCM Committee shall be entitled to exercise any discretion to uplift or otherwise interfere with the disqualification;

5.1.6 **“Non-Statutory Eligibility Criteria”** means any criteria other than the criteria imposed by statute or other law and required to be fully complied with by a bidder in respect of a two stage or two envelope bidding process, failing which the bidder must be automatically disqualified from further participation in the bid. It is specifically recorded that the disqualification will be automatic and no SCM Committee shall be entitled to exercise any discretion to uplift or otherwise interfere with the disqualification;

5.1.7 **“Evaluation Criteria”** means any criteria other than Statutory Eligibility Criteria and Non-Statutory Eligibility Criteria required to be fully complied with by a bidder other than a bidder participating in a two stage or two envelope bidding process, failing which the bidder may be automatically disqualified from further participation in the bid: Provided that a discretion not to disqualify the bidder may only be exercised in circumstances where the Project Manager and Evaluation Committee have satisfied themselves that, notwithstanding non-fulfilment of a particular criterion, the bidder has demonstrated that there are alternative appropriate measures acceptable to the Evaluation Committee to enable the bidder to eliminate the risks and deliver on the outputs envisaged in the Evaluation Criteria;

5.1.8 **“Procedure Related Deviations”** includes sole source bidding, and emergency orders;

5.1.9 **“Sole source bidding”** means where Demand Management confirms that there is only one supplier available in the market for the goods or services required.

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Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

- 5.1.10 **“Emergency Orders”** means purchases made for emergency situations, including threats to human life or safety; threats of interruptions in the provision of water to customers; client service obligations; the threat of major expense system failure and/ or loss of revenue to Umgeni Water.
- 5.1.11 **“SCM Practitioners”** means the practitioners of UW envisaged in TR 16A.4;
- 5.1.12 **“SCM Unit”** means the unit of SCM practitioners responsible for implementation of UW’s Supply Value Chain in terms of UW’s SCM Policy and Procedures, which unit consists of the BSC, BEC , BAC and DC;
- 5.1.13 **“Tender Related Deviations”** means any deviation from the normal tender procedures when the need occurs to contact a bidder after closure of bids.to which the BAC needs to provide the mandate to proceed.
- 5.1.14 **“Treasury Regulations”** means SCM Regulations issued by National Treasury in terms of Section 76 (4)(c) of the PFMA as amended from time to time or issued by Provincial Treasury to the extent appropriate in the circumstance: Provided that, in the event of a conflict or inconsistency between regulations or directives or instructions or guidelines or other pronouncements from National Treasury and Provincial Treasury, the regulations or directives or instructions or guidelines or other pronouncements from the former shall prevail.
- 5.1.15 **“Turnkey Projects”** means a complete project usually including many major units completed under one overall contract.
- 5.2 The Interpretations appearing hereunder shall be applicable in respect of terms used in this Policy save where the regulatory framework or the context clearly indicate(s) otherwise expressly provided:
- 5.2.1 clause and paragraph headings are for purposes of reference only and shall not be used in interpretation;
- 5.2.2 unless the context clearly indicates a contrary intention, any word connoting:
- 5.2.2.1 any gender includes the other genders;
- 5.2.2.2 the singular includes the plural and vice versa;
- 5.2.2.3 insolvency includes provisional or final sequestration, liquidation or judicial management.
- 5.2.3 When a number of days are prescribed such number shall exclude the first and include the last day unless the last day is not a business day, in which case the last day shall be the next succeeding business day.
- 5.2.4 A reference to a business day is a reference to any day excluding Saturday, Sunday and a public holiday in the RSA.
- 5.2.5 If any definition in clause 5.1 to this Policy includes a substantive provision conferring rights or imposing obligations on any party, then notwithstanding that such provision is contained in such clause to this Policy, effect shall be given thereto as if such provision were a substantive provision in the body of the Agreement.



Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

5.2.6 Where any term within the context of a particular clause in this Policy, the term so defined shall, unless it appears clearly from the clause in question that such term has limited application to the relevant clause, bear the meaning ascribed to it for all purposes in terms of this Policy, notwithstanding that such term has not been defined in clause 5.1 to this Policy.

5.2.7 This Policy shall be governed by and interpreted in accordance with the laws of the RSA.

5.2.8 The termination or expiry of this Policy shall not affect those provisions of this Policy which expressly provide that they will operate after such expiry or termination, or those which of necessity must continue to have effect after such expiry or termination, notwithstanding that the clauses themselves do not expressly provide for this.

5.2.9 The rule of interpretation that a contract shall be interpreted against the party responsible for the drafting or preparation of the contract, shall not apply.

6. OBJECTIVES

6.1 To guide UW in properly administrating the various processes relating to the SCM function.

6.2 To ensure the efficient, effective and uniform procurement systems of assets, goods and services required for the proper functioning of UW's business.

6.3 To create conditions which are conducive to the principles of Broad-Based Black Economic Empowerment;

6.4 To prevent irregularities in the procurement of goods and services;

6.5 To ensure efficient disposal of UW's assets.

7. AUTHORITY AND RESPONSIBILITY

7.1 Approval and adoption of policy is the responsibility of the Board.

7.2 Execution of policy is delegated by the CE through the SCM department.

8. DELEGATIONS AND DEVIATIONS

8.1 Delegations

8.1.1 All Delegations of Authority relating to SCM must be in line with UW's Delegations of Authority.

8.2 Deviations

8.2.1 Tender Related Deviations are delegated to BAC by the CE

8.2.2 Procedure Related Deviations are the responsibility of the CE.



Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

9. SUPPLY CHAIN MANAGEMENT UNIT:

- 9.1 UW has established a SCM unit to execute the functions of SCM.
- 9.2 The procurement of all goods and services and disposal of assets shall be the sole responsibility of SCM unit.
- 9.3 SCM unit shall be the custodian of all Bid Committees and their Terms of Reference.
- 9.4 The CE must:
- 9.4.1 ensure that training is developed and/or approved for the capacitation of SCM practitioners and other officials directly or indirectly responsible for UW's SCM instruments;
- 9.4.2 the training referred to in Clause 9.4.1 hereof is reviewed, benchmarked and adapted to the ruling regulatory framework and best practice on an annual basis;
- 9.4.3 submit UW SCM practitioners other officials directly or indirectly responsible for UW's SCM instruments to training referred to in Clause 9.4.1 and on an annual basis;
- 9.4.4 Ensure that:
- 9.4.4.1 the training referred to in Clause 9.4.1 hereof complies with ruling minimum standards including training and deployment in accordance with the requirements of the Framework for Minimum Training and Deployment issued by National Treasury; and
- 9.4.4.2 a written report serves before the Board of UW on an annual basis detailing steps undertaken by the CE to give effect to the provisions of this Clause 9 together with a summary of challenges encountered, steps undertaken to surmount such challenges, recommendations for approval by the Board in respect of insurmountable challenges and any other information reasonably necessary to enable the Board of UW to properly apply its mind insofar as the enhancement of capacitation in respect of UW's SCM training and deployment is concerned.

10. ELEMENTS OF SUPPLY CHAIN MANAGEMENT

- 10.1 This policy shall provide for the six elements of SCM, namely:
- 10.1.1 Demand Management
 - 10.1.2 Acquisition Management
 - 10.1.3 Logistics Management
 - 10.1.4 Disposal Management
 - 10.1.5 Risk Management
 - 10.1.6 SCM Performance Management

10.1.1 Demand Management:

- 10.1.1.1 Provides for a system that ensures that acceptable suppliers are sourced and are available to support the strategic and operational commitments of UW.



Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

10.1.2 Acquisition Management:

10.1.2.1 To ensure the acquisition of goods and services in compliance with the relevant SCM prescripts.

10.1.3 Logistics Management:

10.1.3.1 Addresses the setting of inventory levels; stock replenishment, goods receiving, warehousing and goods issuing.

10.1.4 Disposal Management:

10.1.4.1 To provide for a system that ensures the determination of the disposal strategy and execution of the physical disposal in accordance with the prescribed legislation.

10.1.5 Risk Management:

10.1.5.1 To provide for an effective system of risk management for the identification, consideration and avoidance of potential risk in the SCM system.

10.1.6 Supply Chain Performance:

10.1.6.1 Undertake SCM retrospective analysis to determine whether proper processes and procedures have been followed.

11 BID COMMITTEES

11.1 The CE shall appoint the following four committees, namely:

- 11.1.1 BSC
- 11.1.2 BEC
- 11.1.3 BAC
- 11.1.4 DC

11.2 In this regard the following must be noted:

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

11.2.2 Members of each committee must be appointed by the CE.

11.2.3 The members must sign the relevant declaration of interest prior to attending a meeting;

11.2.4 The chairperson of each committee may invite other members in an advisory capacity that shall assist in the decision process. In the case of an external advisor, the Chairperson may recommend the appointment of such an advisor to the CE and such an advisor shall not have voting rights.

11.2.5 No person who is a member of a Committee may be part of another Committee.

11.2.6 Each Committee shall have its own terms of reference as indicated or prescribed in the Supply Chain Management: A Guide to Accounting Officers/Authorities.



Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

11.3 Bid Specification Committee

11.3.1 This committee shall be composed of multi-disciplinary teams which shall include amongst others, at least one SCM representative, a technical/ user department representative or any other specialist as may be required for each bid.

11.3.2 No person or business entity involved with the bid specification shall bid for the resulting contracts.

11.3.3 This committee is responsible for ensuring that specifications are written in an unbiased manner to allow all potential bidders to offer their goods or services and comply with the PPPFA Regulations of 2011.

11.4 Bid Evaluation Committee

11.4.1 The bid evaluation committee shall be a multi-disciplinary team and shall be composed of at least one supply chain management practitioner and officials from the user departments requiring the goods and / or services.

11.4.2 A bid evaluation committee shall –

11.4.2.1 Evaluate bids in accordance with the evaluation criteria and specific goals as specified by the BSC.

11.4.2.2 Submit to the adjudication committee, a report detailing the evaluation process, ranking of suppliers including details of risks associated with the offer received from each supplier or any other related matter.

11.5 Bid Adjudication Committee

11.5.1 The BAC shall be a multi-disciplinary team of whom at least one member shall be a supply chain practitioner.

11.5.2 The committee shall be composed of at least four General Managers and shall consider the report(s) and recommendation(s) made by the evaluation committee.

11.5.3 In terms of the delegations of authority, the BAC makes the final award of all bids, in respect of the procurement of internal audit services, the final decision to appoint a service provider vest with the Board and not the BAC.

11.6 Members of the Evaluation Committee may present their reports to the BAC and clarify any uncertainties.

11.7 Such members shall, however, not have any voting power on the Adjudication Committee.

11.8 Disposal Committee

11.8.1 The appointment of a DC shall be a multi-disciplinary team of whom at least one member shall be a supply chain practitioner.



Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

11.8.2 This committee shall approve the disposal plan and all disposals of a value of R 500,000.00 and above.

11.8.3 UW has accepted "auction" as the preferred method of disposal and any deviation must be obtained from the CE.

12 DEMAND MANAGEMENT:

12.1 Supplier Database

12.1.1 UW shall undertake market research to inform the development and maintenance of its own supplier database.

12.1.2 UW shall develop and maintain a suppliers database.

12.1.3 UW shall categorise the suppliers on the database based on a portfolio matrix.

12.1.4 UW shall categorise suppliers in terms of the Type of Enterprise and BBBEE Status level.

12.2 Supplier Performance and Development Management

12.2.1 UW shall put in place systems to ensure supplier performance management and development programme

12.3 Procurement Plan

12.3.1 UW shall have a consolidated Procurement Plan for all budgeted goods / services required before the commencement of each financial year.

12.3.2 The consolidated Procurement Plan shall be submitted to the CE for approval and sign off.

13 SUPPLIER LIST OF DEFAULTERS

13.1 UW shall list as defaulters on the system, suppliers for:

13.1.1 Non-performance

13.1.2 Misrepresentation

13.1.3 Any reason as UW deems fit where justifiable

13.2 UW shall not transact with any owners or directors of companies listed as defaulters or who have formed a new entity while still on defaulters list.

13.3 UW shall not do business with suppliers who are on the National Treasury's Defaulters list.

14 ACQUISITION MANAGEMENT

14.1 PURCHASING MECHANISMS

14.1.1 Goods and or services shall be procured using one of the following purchasing mechanisms:

14.1.1(a) Petty Cash

14.1.1(b) Quotations

14.1.1(c) Competitive Bids

14.1.1(d) Two stage bidding

14.1.1(e) Two Envelope System

14.1.1(f) Negotiations

14.1.1(g) Multiple source bidding



Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

- 14.1.1(h)
- 14.1.1(i) Sole source bidding
- 14.1.1(j) Unsolicited bids
- 14.1.1(k) Preferred suppliers
- 14.1.1(l) Strategic supplier sourcing
- 14.1.1(m) Existing Term Contracts for Goods & Services
- 14.1.1(n) Emergency Situations
- 14.1.1(o) Request for Proposals
- 14.1.1(p) Transversal Contracts

15 ACQUISITION THRESHOLD LIMITS

- 15.1 Threshold limits are as per the current Acquisition Management Procedures
- 15.2 Threshold limits shall be inclusive of VAT.
- 15.3 Orders for goods/ services may not be deliberately split into parts or items of lower values in order to avoid complying with these threshold limits.
- 15.4 The threshold limits shall apply to acquisition management,
- 15.5 Threshold limits shall comply with PPPFA

16 NEGOTIATIONS

16.1 Negotiations with Successful

- 16.1.1 Negotiations with Successful Bidders shall be regulated by the provisions of the Acquisition Management Procedure.

A minimum of 2 UW officials including an SCM representative must be present at negotiations (as per the mandate where applicable) after the appointment of the service provider to negotiate payment provisions, special conditions of contract, deliveries and settlement of disputes.

16.2 Negotiations with Eligible Bidders

- 16.2.1 Negotiations with Eligible Bidders shall be regulated by the provisions of the Acquisition Management Procedure.

A minimum of two UW officials including an SCM representative (as per the mandate where applicable) must be present at negotiations with the successful service provider as per the BAC approved mandate requested by the BEC. The proceedings of the negotiations should be reported to the BAC to conclude the contract in the event that the negotiations were successful. If the negotiations are unsuccessful, a written report will be submitted to the BAC requesting an amended mandate.



Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

17 EMERGENCY SITUATIONS AND EX - POST FACTO APPROVALS:

17.1 Purchases made for emergency situations, which have the effect of circumventing; dispensing the need for three quotes/bids shall be limited to the following types of situations as approved by the relevant GM and ex-post facto approval by the BAC.

17.1.1 threats to human life or safety

17.1.2 threats of interruptions in the provision of water to customers

17.1.3 the threat of major expansive system failure and/ or loss of revenue to Umgeni Water

18 SOLE SUPPLIER SITUATIONS

18.1 Sole source purchases occur where there is only one supplier available in the market for the goods or service sought or that the supplier has sole distribution rights.

18.2 The supplier has exclusive/patent rights or unique original equipment manufacturer (OEM).

18.3 For the purchase of spare parts and maintenance of existing machinery and equipment which is only available from the original manufacturer or its appointed agents.

18.4 The product source is of a proprietary nature and can only be sourced from a specific supplier.

18.5 It is important to note that the writing of tight specifications or the adoption of a specific supplier's specifications, or the procurement of specific branded products or services, which have the effect of eliminating competition, is not acceptable.

18.6 The CE shall approve sole source appointments to the maximum value of R5 million rands. The BAC shall approve all sole source appointments with a value exceeding R5 million rands.

18.7 A written motivation, together with the market assessment report from Demand management, should be submitted via the General Manager: Corporate Services to the CE for values below R5million and to the BAC for values greater than R5million , confirming that SCM has reviewed the motivation and that the supplier qualifies to be appointed in terms of this policy.

18.5 All sole source appointments made in terms of clauses 18.1 to 18.4 should be disclosed to the CAPEX Committee on a quarterly basis for noting.

19 THE BIDDING PROCESS:

19.1 The bidding process comprises of the following stages:

19.1.1 Compiling bid documents

19.1.2 Inviting bids

19.1.3 Receiving bids

19.1.4 Evaluating bids

19.1.5 Adjudicating bids

19.1.6 Notifying bidders

19.1.7 Appeal's period and

19.1.8 Awarding contracts



Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

20 THE EVALUATION OF BIDS:

- 20.1 The evaluation of bids must be in line with the PPPFA No.5 of 2000 and the PPPFA Regulations of 2011 as detailed in the Acquisition Management Procedures.
- 20.1.1 Bids are to be evaluated in accordance with the evaluation criteria and specific Goals, which includes the evaluation in terms of functionality in the event that specialized goods and services are procured.
- 20.1.2 Evaluation of all bids shall comply with the five (5) values as per s217 of the Constitution of SA, ie. Fair, Equitable, Transparent, Cost-Effective and Competitive.
- 20.2 Only contractors registered on CIDB shall be invited to bid for construction related work and will be evaluated based on applicable method as advertised in the tender document.
- 20.3 Criteria to assess the bidder's works capability may be included as part of the Statutory Eligibility Criteria or Non-Statutory Eligibility Criteria or Evaluation Criteria where applicable.

21 PREFERENCING

- 21.1 Preference point system shall be used for the procurement of goods and services with an estimated value exceeding R30 000 (Vat Inclusive)
- 21.2 Preference points shall be calculated in terms of the PPPFA Regulations 2011.

22 ENTERPRISE DEVELOPMENT

- 22.1 Enterprise Development shall be encouraged for identified projects such as Co-Operatives and SMMEs.

23 PARCELING

- 23.1 Parceling of orders including variation orders is not allowed.
- 23.2 No requirement for goods or services above an estimated transaction value may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive quotation/ bidding process.

24 CONFLICT OF INTEREST:

- 24.1 A consultant cannot be involved in both the design and the construction of the same project except for turnkey projects.

25 EXEMPTIONS



Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

25.1 Competitive bidding shall not apply where it is impractical to apply competitive bidding besides sole source and in an emergency e.g. utility bills, subscriptions, conference/seminars and membership fees etc

25.2 For a comprehensive list of exemptions refer, to the acquisition management procedures.

26 CANCELLATION OF BID PROCESS AND RE-INVITATION OF BIDS

26.1 In the event that, in the application of the 80/20 preference point system as stipulated in the bid documents, all bids received exceed the estimated R1,000,000.00 (Vat Inclusive), the bid invitation must be cancelled.

26.2 In the event that, in the application of the 90/10 preference point system as stipulated in the bid documents, all bids received are equal to or below R1,000,000.00, the bid invitation must be cancelled.

26.3 In the event that UW has cancelled a bid invitation as contemplated above, must re-invite bids and must, in the bid documents stipulate the preference points system to be applied.

26.4 UW may prior to the award of a bid, cancel the bid process if-

26.4.1 Due to changed circumstances, there is no longer a need for the goods or services

26.4.2 Funds are no longer available to cover the total envisaged expenditure

26.4.3 No acceptable bids are received

The decision to cancel a tender must be published in the Government Tender Bulletin or the media in which the original tender invitation was advertised.

27 DISPOSAL MANAGEMENT

27.1 The CE or his/her delegate must provide for an effective system of disposal management for the disposal of assets, including unserviceable, redundant or obsolete assets.

28 LOGISTICS MANAGEMENT

28.1 The CE or his/her delegate must establish an effective system of Logistics Management that shall provide for:

28.1.1 The setting of inventory levels,

28.1.2 Replenishment of stock,

28.1.3 Receiving and distribution of goods,

28.1.4 Storage and warehouse management

29 SCM RISK MANAGEMENT

29.1 UW shall provide for an effective SCM system of Risk Management which shall ensure prevention, avoidance and mitigation of potential risks.



Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

30 PERFORMANCE MANAGEMENT

30.1 UW shall provide for an effective internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes and procedures were followed.

31 THE OVERSIGHT ROLE OF THE BOARD

- 31.1 The Board has an oversight role in ensuring that the CE executes the Board's policy within the ambit of the applicable legislation, such as the prescripts contained in the King Report , PFMA, PPPFA and the BBBEE Act, 2003, as well as ensuring that approved policies and procedures are adhered to at all times, through exercising its oversight role.
- 31.2 As part of exercising its oversight role as contemplated in 32.1, the Board shall receive and consider quarterly SCM reports.

32 TRANSACTIONS WITH UW's EMPLOYEES AND BOARD MEMBERS

- 32.1 Persons in the service of UW, including Board members and full-time employees shall be prohibited from bidding or being awarded contracts for the provision of goods or services to UW. The prohibition shall also apply to companies of which a Board member or an employee is an owner, director or principal shareholder. Awards to a close family member of an employee in the service of UW must be declared. Awards to and inclusion on the supplier data base of ex-employees, within a period of 12 months of their leaving the employment of UW must be approved by the CE.
- 32.2 An employee or members of the Board of UW may not:
- (a) Use his/her position for private gain and improperly benefit from confidential information obtained as an employee or Board member, for private gain or to improperly benefit another person;
 - (b) Take a decision on behalf of UW concerning a matter in which that staff member, or that staff member's spouse, partner or business associate, has a direct or indirect personal or private business interest.
- 32.3 Disclosure of benefits:
- (a) A staff member of UW who, or whose spouse, partner, business associate or close family member, acquired or stands to acquire any direct benefit from a contract concluded with UW, must disclose in writing full particulars of the benefit to the Board

33 SANCTIONS FOR INAPPROPRIATE BEHAVIOUR

- 33.1 UW shall enforce sanctions where it is found that any person, firm or company etc:
- 33.1.1 Is executing a contract in an unsatisfactory manner;



Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

- 33.1.2 Has offered, promised or given a bribe or other remuneration in a direct or indirect manner to the Chairperson, a Committee Member, an Official or employee of UW, or their spouse, partners, business associates or any other person connected to obtaining and executing a contract;
- 33.1.3 Has acted fraudulently or in bad faith or in any other unsatisfactory manner in obtaining or executing a contract with any Government Department, provincial administration, public body, company or natural person, or that he or she has managed his or her affairs in a manner that has resulted in him or her being found guilty of an offence;
- 33.1.4 Has approached a Chairperson, a Committee member, an official or an employee before or after tenders have been invited for the purpose of influencing the award of the contract in his favour;
- 33.1.5 Has misrepresented the BEE status of the company and/ or certain facts in order to gain advantage in a tender process or:
- 33.1.6 Has misrepresented any other information
- 33.1.7 UW may, in addition to any claim it may have and in addition to any other legal resource at its disposal, decide that any contract between UW and such natural person, company shall be cancelled, and that no tender from such person, company shall be accepted for a period of five years.
- 33.1.8 Indemnity clause in memorandum of agreement between UW and Consultants / Service Providers / Suppliers shall:
- 33.1.8.1 include an indemnity clause in all agreements that record the terms and conditions on which UW appoints Consultants / Service Providers / Suppliers.
- 33.1.8.2 indemnity UW against any and all claims arising out of the wilfull or negligent acts or omissions of the Consultant / Service Provider/ Suppliers, or any person acting for or on their behalf, and that the Consultant / Service Provider/ Suppliers has sufficient insurance to cover such claims.
- 34.1.9 In the event that Consultants / Service Provider / Suppliers are not willing to agree to such an indemnity clause referred to in clause 34.1.8., UW may at its discretion not appoint such consultants / Service Providers/ Suppliers.

34 COMBATING ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM

34.1 The CE or his/her representative shall:

34.1.1 Take all reasonable steps to prevent abuse of the supply chain management system;

34.1.2 Investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this supply chain management policy, and when justified:

34.1.2.1 Take appropriate steps against such official or other role player; or report any alleged criminal conduct to the South African Police Service;

Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

34.1.2.2 Check the National Treasury's database and UW's database prior to awarding any contract to ensure that no recommended bidder, or any of its Directors are listed as a person prohibited from doing business with the public sector or UW;

34.1.2.3 Reject any bid from a bidder:

34.1.2.3.1 who during the last five years has failed to perform satisfactorily on a previous contract with Water or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;

34.1.2.4 Reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;

34.1.2.5 Cancel a contract awarded to a person if –

34.1.2.5.1 the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or

34.1.2.5.2 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

34.1.2.6 Reject the bid of any bidder if that bidder or any of its Directors:

34.1.2.6.1 has abused the Supply Chain Management system of UW or has committed any improper conduct in relation to such system;

34.1.2.6.2 has been convicted for fraud or corruption during the past five years;

34.1.2.6.3 has fully neglected, reneged on or failed to comply with any government or other public sector contract during the past five years; or

34.1.2.6.4 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).

34.1.2.6.5 has not complied with Treasury Regulation 16A9, in terms of certifying that it has not colluded with any other bidder or third party it would otherwise be expected to compete with, in contravention of section 4 of the Competition Act 89 of 1998, as amended.

35 ETHICAL STANDARDS

35.1 Ethical standards shall be applied to officials and other role players in the supply chain management system in order to promote mutual trust and respect and an environment where business can be conducted with integrity and in a fair and reasonable manner.

35.1.1 General associations with service providers are generally not forbidden but only forbidden during a tender process.

35.2 Officials who are responsible for procuring goods and services shall comply with a strict code of ethics with regard to gifts and other inducements, and must immediately withdraw from the process if a family member has any interest in a bid.

35.2.1 Companies that supply goods or services must also disclose all sponsorships and are obliged to declare in writing to the SCM Manager any gifts, rewards or favours to officials. Non-



Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

complying companies risk being placed on UW's list of defaulters that shall prohibit them from doing business with UW.

- 35.3 An official or other role player involved in the implementation of the supply chain management policy:
- 35.3.1 must treat all service providers and potential service providers equitably;
 - 35.3.2 may not use his or her position for private gain or to improperly benefit another person;
 - 35.3.3 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, which may have an effect of unduly influencing one's decision or is of a value of more than R350;
 - 35.3.4 must declare to the CE, 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;
 - 35.3.5 must declare to the CE, 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, UW;
 - 35.3.6 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;
 - 35.3.7 must be scrupulous in his or her use of property belonging to UW;
 - 35.3.8 must assist the CE in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
 - 35.3.9 must report to the CE any alleged irregular conduct in the supply chain management system which that person may become aware of, including:
 - 35.3.9.1 any alleged fraud, corruption, favouritism or unfair conduct;
 - 35.3.9.2 any alleged contravention of ethics of this policy; or
 - 35.3.9.3 any alleged breach of this code of ethical standards.
 - 35.3.10 Declarations must be recorded in a register which the CE must keep
 - 35.3.11 The UW's code of conduct must also be taken into account by SCM practitioners and other role players involved in SCM. The code of conduct becomes binding on all officials and other role players involved in the implementation of the SCM policy of U W.
 - 35.3.12 An official of UW who becomes aware of a breach of or failure to comply with any aspect with the SCM system must immediately report the breach or failure to the CE or accounting authority in writing
 - 35.3.13 A breach of the code of conduct shall be dealt with in accordance with U W's disciplinary procedures.



Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

36 OBJECTIONS AND COMPLAINTS

Persons aggrieved by decisions or actions taken in the implementation of this SCM system, must lodge within Five (5) days of the decision or action a written objection or complaint to the CE against the decision or action.

37 RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES

38.1 The CE may appoint an independent and impartial person not directly involved in the SCM processes of UW-

37.1.1 to assist in the resolution of disputes between UW and other persons regarding-
(a) any decisions or actions taken by UW in the implementation of its SCM system; or
(b) any matter arising from a contract awarded in the course of its SCM system; or

37.1.2 to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

The CE, or another official designated by the CE, is responsible for assisting the appointed person to perform his or her functions effectively.

38.2 The person appointed must-

38.2.1 strive to resolve promptly all disputes, objections, complaints or queries received; and

38.2.2 submit a report to the CE on all disputes, objections, complaints or queries received, attended to or resolved.

38.3 This Clause must not be read as affecting a person's rights to approach a court at any time or to invoke Appeal Procedures in terms of Clause 39.

39 APPEALS

39.1 Persons aggrieved by decisions taken by UW in the implementation of this SCM system may lodge a written appeal to UW within 7 days of the formal notification of the decision.

39.2 The procedure for the appeal referred to in Clause 39.1 hereof must be as follows:

39.2.1 the appeal (clearly setting out the reasons for the appeal) and queries with regard to decision of the award are to be directed to the office of the Chief Executive, Attention: Manager: Supply Chain Management, Umgeni Water, PO Box 9, Pietermaritzburg.

39.2.2 A copy of the appeal will be forwarded to the Chairperson of the BAC, who must provide a response in writing within seven (7) days;

39.2.3 In the event that there are allegations made against third parties, they will also be given an opportunity to respond to the allegations within seven (7) days;

39.2.4 These responses will then be sent to the Appellant for a reply within five (5) days. Only the rejections received within the five (5) days will be acceptable;



Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

- 39.2.5 The appeal will be considered on these written submissions, unless the appeal authority is of the view that there is a need for oral submissions, in which case, the appellant will be notified of the date, place and time of such hearing;
- 39.2.6 The Appeal Authority will consider the appeal and may confirm, vary or revoke the decision of the Committee, but no such variation or revocation of a decision may detract from any rights that may have accrued as result of the decision;
- 39.2.7 The Appeal Authority must commence with the appeal within six (6) weeks and decide the appeal within a reasonable period.
- 39.2.8 The CE must be the Appeal Authority and may decide to appoint a person for the performance of any function of the Appeal Authority.
- 39.2.9 Notwithstanding the provisions of Clause 39.3.3 hereof, the CE may not serve as an Appeal Authority in respect of any appeal in circumstances where the CE was a member of any SCM Committee during the period in which such committee handled the tender forming the subject matter of the appeal.
- 39.2.10 Should the CE be disqualified from serving as an Appeal Authority in terms of Clause 39.2.9 hereof, then the CE shall be obliged to immediately appoint an independent and impartial person not directly involved in the SCM processes of UW to serve as the Appeal Authority.

40 TERMINATION

- 40.1 Only the CE or his delegate may terminate the contract of any supplier, Contractor or service provider contracted with UW.

41 PROUDLY SOUTH AFRICAN

- 41.1 The CE must determine internal operating procedure supporting the Proudly S.A. campaign to the extent that, all things being equal, preference given to procuring local goods and services from:
- 41.1.1 Firstly – suppliers and businesses within the UW’s area of operations
- 41.1.2 Secondly – suppliers and business within the province of KZN
- 41.1.3 Thirdly – suppliers and businesses with the RSA.

42 CROSS-REFERENCE TO OTHER POLICIES/PROCEDURES

- 42.1 All these documents are available on the intranet under Corporate Policies, Procedures and Forms.
- 42.1.1 Delegation of Authority
- 42.1.2 Fixed Asset Policy
- 42.1.3 Acquisition Procedure
- 42.1.4 Demand Procedure



Corporate Services Division	CS/SCM/POL/01
Supply Chain Management	Rev.: 4

- 42.1.5 Disposal Procedure
- 42.1.6 Inventory Procedure
- 42.1.7 Terms of Reference for the Bid Committees
- 42.1.8 UW Archiving Policy
- 42.1.9 Declaration of interest procedure
- 42.1.10 Co-Operatives Policy
- 42.1.11 Broad-Based Black Economic Empowerment Policy