

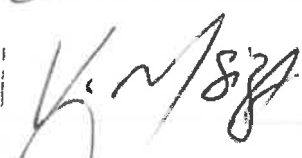
Document Title **PROCEDURE FOR THE SUPPLY CHAIN MANAGEMENT
PROCESS**

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APPROVAL & DISTRIBUTION

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1 PURPOSE

The purpose of this procedure is to set out the framework of appropriate principles that will result in an efficient and value adding supply chain within Necsa and the prescribed legal, financial and ethical framework.

2. SCOPE

This procedure provides an overview of the Supply Chain Management process, the details of which are contained in the individual procedures and instructions as listed in Appendix A. This procedure applies to all purchases of goods and services, within the Necsa Group.

3. REFERENCES, DEFINITIONS AND ABBREVIATIONS

3.1 References

FIM-PAP-PRO-1001	Procedure for classification of procured products and selection of supplier
FIM-PAP-PRO-1002	Procedure for broad based black economic empowerment procurement
FIM-PAP-PRO-1003	Procedure for the tender process
FIM-PAP-PRO-1004	Procedure for the evaluation of tenders
FIM-PAP-PRO-1009	Procedure for the terms of reference for the Necsa tender committee
FIM-PAP-PRO-1014	Procedure for round robin tender submissions to Necsa Bid Adjudication Committee
FIM-PAP-PRO-1027	General terms and condition of tender
FIM-PAP-PRO-1029	General terms and condition of sale
FIM-PAP-FRM-1000	Suppliers registration questionnaire
FIM-PAP-FRM-1001	Suppliers registration evaluation form
FIM-PAP-FRM-1002	Suppliers evaluation BEE scorecard
FIM-PAP-FRM-1003	Request to register a supplier
FIM-PAP-FRM-1004	Suppliers registration questionnaire (Foreign Suppliers)
FIM-PAP-FRM-1005	Registration evaluation form (foreign suppliers)
FIM-PAP-FRM-1009	Declaration of Quotations
FIM-PAP-FRM-1010	Tender evaluation form
FIM-PAP-FRM-1011	Bid Evaluation Committee attendance register and declaration on conflict of interest
FIM-PAP-FRM-1012	Bid Adjudication Committee attendance register and declaration on conflict of interest
FIM-PAP-FRM-1014	Bid Specification Committee attendance register and declaration on conflict of interest
FIM-PAP-FRM-1023	Receipt of tender documents
FIM-PAP-FRM-1024	Receipt of tender documents (Tenderer)
FIM-PAP-FRM-1025	Tender site meeting attendances register
FIM-PAP-FRM-1026	Approval of round robin solution
FIM-PAP-FRM-1030	Motivational Memo template for submission to -BAC

FIM-PAP-FRM-1034	Tender evaluation form (PPPFA 80/20)
FIM-PAP-FRM-1035	Tender evaluation form (Foreign)
FIM-PAP-FRM-1036	Tender evaluation form (PPPFA 90/10)
FIM-PAP-FRM-1038	Tender registration form
FIM-PAP-CHE-0006	Checklist for control of tender document

3.2 Definitions

3.2.1 Supply Chain Management

Supply Chain Management (SCM) as defined by Necsa and world institutions, is the design and management of seamless, value added processes across organisational boundaries to meet the needs of the end customer. A number of varied definitions of SCM can be found in literature and institutional sources.

SCM encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. Importantly, it also includes co-ordination and collaboration with channel partners which can be suppliers, intermediaries, third party service providers, and customers. In essence, supply chain management integrates supply and demand management within and across companies. Supply Chain Management is an integrating function with primary responsibility for linking major business functions and business processes within and across companies into a cohesive and high-performing business model. It includes all of the logistics management activities noted above, as well as manufacturing operations and it drives coordination of processes and activities with across marketing, sales, product design finance and information technology.

3.2.2 Customer

A customer is the individual/department/business unit requesting the purchasing of items or services.

3.2.3 Tender

A tender is a formal written quotation of prices strictly in accordance with previously laid-down specifications and subject to a time limit.

3.2.4 Open Tender

All tenders to be advertised on both the Necsa and National Treasury websites as and when a requirement for tender exists.

3.2.5 Closed Tender

Will only be allowed for specifically targeted Necsa's qualified or approved suppliers and that needs to be motivated by the requestor for the BAC approval to be considered for closed tendering. Necsa's non-approved suppliers may be considered in case where there is no supplier with similar required expertise or scope from the database.

3.2.6 Negotiated Tender

Is used under exceptional circumstances, where one or more suppliers are selected and negotiation limited only to those selected. The selection is usually made from a list of qualified and approved suppliers. A thorough motivation for approval is necessary. This process shall be done within the limits of the National Treasury Regulations.

3.2.7 Quotation

A quotation is a written document containing prices and do not necessarily have to conform to previously laid-down specifications or a time limit, unless so stipulated.

3.2.8 Bid

A written offer in a prescribed form in response to an invitation by Necsa for the provision of services or goods, through price quotations, advertised open tendering, closed tendering and negotiated tendering.

3.2.9 EME

Exempted Micro Enterprise as defined in the BBBEE Act, No. 53 of 2003, as amended with an annual turnover of below R10 million.

3.2.10 QSE

Qualifying Small Enterprise as defined in the BBBEE Act, No. 53 of 2003, as amended with an annual turnover of between R10 million and R50 million.

3.2.11 Supplier Development

The Supplier Development (SD) Programme is an initiative of the Department of Trade and Industry and are supported by Necsa. The aim of Supplier Development is to increase the competitiveness, capability and capacity of the South African supply base where there are comparative advantages and potential for local or regional supply. This can be achieved through skills transfer, as well as building new capability and capacity in the South African supply base. In addition, Supplier Development has its roots grounded firmly around the transformation of South Africa and the empowerment of previously disadvantaged individuals and enterprises. These suppliers can be preferred suppliers when tendering against larger suppliers when deemed necessary by the Supply Chain Management department.

3.2.12 Deviation

A deviation means that the required amount of quotes or bids are not obtained as prescribed in the procurement procedures due to certain reasons like sole suppliers, preferred suppliers, contract requirements, emergencies etc.

3.3. Abbreviations

BSC:	Bid Specification Committee
BEC :	Bid Evaluation Committee
BAC:	Bid Adjudication Committee
B-BBEE	Broad-Based Black Economic Empowerment
BoD	Board of Directors
BWO	Black Women Owned
CIDB:	Supplier Information Data Base
EME	Exempted Micro Enterprise
SARS	South African Revenue Services
SCM :	Supply Chain Management
PPR	Preferential Procurement Regulation
QSE	Quality, Safety and Environment
QMS:	Quality Management System
GRV:	Goods Received Voucher

4 SUPPLY CHAIN MANAGEMENT OBJECTIVES

There are five major objectives in Necsa's policy regarding SCM and these are:

- to transform Necsa's Supply Chain Management practises into an integrated SCM function;
- to introduce a systematic approach for the management and control of the Necsa tender process;
- to create a common understanding and interpretation of the preferential procurement policy;
- to promote the consistent application of best practises throughout Necsa's supply chain and
- to promote and implement the requirements of B-BBEE Act in the process of procuring goods and services.

5 GOVERNANCE REPORTING AND ACCOUNTABILITY

The following roles and their responsibilities are applicable:

5.1 Buyer

The buyer has the right and duty to question and confirm requirements, and to escalate such questions, but not to change a request without the permission of the End-User. Buyers buy to fulfil business requirements and will not buy to fulfil any individuals or personal requirements, irrespective of their position or seniority at Necsa. All purchases must be recorded in Necsa's procurement system (SOLOMONS) and must therefore be business related.

5.2 SCM Managers

Managers in SCM are responsible for the implementation and maintenance of this governance procedure. This will include conducting assessments and addressing findings.

.3 Senior Manager (SCM)

The Senior Manager has the overall responsibility for the implementation of governance in the department. Progress must be reported to the Group Executive: Finance and Business Development (FBD).

.4 Group Executive: Finance and Business Development (FBD)

The Group Executive: FBD is responsible on SCM governance to the CEO and the Board, Audit and Risk Committee and Investment and Finance Committee.

.5 Bid Adjudication Committee (BAC)

The BAC will have Terms of Reference as a standing agenda item to deliberate on tender governance matters.

.6 Necsa Audit and Risk Committee and Investment and Finance Committee

The Audit and Risk, Investment and Finance Department must ensure that Necsa governance initiatives comply with Board requirements and progress should be monitored. All abnormalities should be reported.

.7 Necsa Chief Executive Officer

The CEO is responsible to the Board on all Necsa Governance matters.

.8 Necsa Board of Directors

The Board of Directors set policies that are comprehensive enough to provide the CEO with the authority and the accountability to manage the company or organisation without further input from the Board.

The Board is accountable for the Supply Chain Management Framework. However, the day to day management is delegated to the Chief Executive Officer who in turn delegates further to the line management in terms of the existing delegation of authority.

.9 Line Management

Line Management shall ensure that all purchases are controlled in accordance with their budget and that the prescribed procurement processes are followed. Line Management is responsible for the cost of ownership, quality and for ensuring that the health, safety and environmental impact of the procured product/services are adequately addressed.

.10 Supply Chain Management

Supply Chain Management shall ensure that when procuring goods and services to line management all acts, regulations, Necsa policies and procedures will be adhere to.

.11 National Treasury

The South African National Treasury will practices, issue notes, circulars and regulations. These should be complied with at all times. Where the practices, notes, circulars and various regulations differ with this procedure, the National Treasury position will take preference or shall apply.

6 IMPLEMENTATION STRATEGY

6.1 Governance Legislation and Guidelines

A number of regulations for the governance of Supply Chain Management are prescriptive from the South African constitution, National Treasury, Department of Trade and Industry and SARS legislation. Necsa will use the following complementary legislation and guidelines within Supply Chain Management (SCM) to ensure delivery against the governance objectives.

6.2 PFMA

National Treasury has published a regulatory framework in terms of the Public Finance Management Act, 1999 (PFMA) to prescribe minimum norms and standards for SCM practices in Government for best practices and particular schedules. This will promote compliance to the required governance principals and will establish minimum reporting requirements for accounting officers/authorities that will enable the National Treasury to report progress on compliance as well as policy outcomes.

6.3 PPPFA ACT

The Preferential Procurement Policy Framework Act 200(Act 5 of 2000) and its accompanying Regulations were promulgated to prescribe a framework for preferential procurement system. This Act and its Regulations incorporate a preference scoring point system and is used as a guideline for tender/bid evaluation processes. The latest and applicable Preferential and Procurement Regulation (PPR) shall supersedes this procedure when conflict arises. This Act further promotes localisation of goods and services by setting minimum percentage of local content per category of goods and services.

6.4 Broad-Based Black Economic Empowerment Act

The B-BBEE Act and the accompanying regulations has been adopted by SCM and included in the policies and procedures that governs procurement. This includes the prescriptive regulations and codes of good practice from Department of Trade and Industry (the dti), SARS (South African Revenue Services), Income TAX Act, VAT etc.

6.5 Central Supplier Database (CSD)

The responsibility to manage the supplier database lies with the National Treasury. As a result the National Treasury issued an instruction note on how to manage and regulate the central supplier database. National Treasury instruction notes that are issued and will be issued in future shall prevail and shall also take preference were conflict arises as a result of wording on this procedure.

Price quotations will be invited and accepted from prospective suppliers listed on the Central Suppliers Database.

The following information must be verified.

- Business registration, including details of directorship and membership;
- Bank account holder information;
- In the service of the state status;
- TAX compliance status;
- Identity number;
- B-BBEE status level;
- Tender defaulting and restriction status and
- Any additional and supplementary verification information communicated by the National Treasury.

Bids shall not be awarded for price quotations to a bidder not registered on the CSD.

Transactions concluded through petty cash, sundry payments and foreign suppliers with no local registered entity may be concluded even if the supplier is NOT registered on the CSD system.

Emergency procurement procedure may be followed if and when a supplier is not registered on the CSD system however, the supplier must be registered within seven (7) calendar days after the order was issued.

6.6 Planning and organizing

This domain covers topics such as the strategy and tactics used by Necsa to achieve business objectives, strategy planning, strategy communication, strategy management, risk management, and resource management, which insures that the required technology infrastructure and human capital are in place.

6.7 Delivery and support

On its most basic level, Necsa delivers services to its customers (users). This domain concerns service and support issues including performance and security, and it also includes training.

6.8 Monitoring

All Necsa processes need to be regularly assessed for their quality and compliance with control requirements. The monitoring domain addresses management's oversight of the organization's control processes.

Necsa will adopt these frameworks to assess the SCM function's maturity. These assessments will also form part of the Strategic Planning activities of Necsa and will outline a program of action to improve the maturity levels for the specific planning period.

6.9 Acquisition and implementation

For Necsa to realize its strategy, it must identify, develop or acquire, and implement solutions to business processes. Additionally, it must manage the life cycle of existing systems through maintenance, enhancements, and retirements.

6.10 Policies and Procedures

Policies and procedures prescribe the Supply Chain Management guidelines for SCM processes in Necsa for compliance and adherence for good governance according to the PFMA and the relevant legislation.

6.11 Fraud and Corruption

Necsa's Fraud Prevention plan and Code of Ethics form part of SCM processes and requires that service providers, contractors, including consultants and officials. These stakeholders also requires that in terms of the fraud prevention Act, any fraud activity or suspension thereof shall be requested.

6.12 Other Applicable Legislation / Regulations and Guidelines

It should be noted that certain provision within other legislation must also be taken into account in Supply Chain Management environment. Such legislations are listed below.

- All practice notes, letters, circulars issued by National Treasury;
- promotion of Access to Information Act;
- protected Disclosure Act;
- competition Act;
- King III;

- construction Industry Development Board (CIDB) and
- companies Act.

The Companies Act and the Close Corporation Act are mentioned because, inter alia, it is important to know which information may be required from private sector organisations to participate in public sector SCM. It is also important to note that the King III report is more specific on good governance and accountability, which has a direct impact on SCM execution and on the responsibilities of SCM decision makers.

6.13 Exclusions to the Procurement process

There are transactions where price quotations and bids are not necessary. These transactions shall not follow this procedure and are therefore excluded:

6.13 (a) In order to prevent this the following categories of spent can be incurred without following the procurement process.

1. Ad Hoc Doctor Consultations
2. Catering (Functions and Venues)
3. Courier Services
4. ESKOM (Electricity)
5. Library Services
6. License Fees
7. Membership Fees
8. Postal Fees
9. Randwater
10. Rates and Taxes (Madibeng)
11. Subscription Fees
12. Telkom
13. Training (Study Assistance)
14. Travel and Accommodation (via the approved travel agency)

All other payments that has to be made to suppliers that does not fall under the mentioned industries will have to be registered on the Necsa supplier's database and the procurement process must be followed and an official purchase order must be generated and issued.

6.13 (b1) Inter Company, where a requirement exist and is suppliable by any of the Necsa subsidiaries or institutions, an order can be placed without following the procurement process.

6.13 (b2) Where it is determined that the price quoted by the Necsa subsidiary is not competitive, then the feedback need, to be given to the head of the subsidiary.

6.13 (b3) The procurement process can then be followed to source quotes from the market once feedback was given to the head of the subsidiary.

6.14 Price

Prices for evaluating purposes must include VAT. This applicable in both quotation and tenders.

6.15 Pre-Qualification criteria for preferential procurement

Pre-Qualification criteria will be implemented as per Preferential Procurement Regulations paragraph 4 .1. dated 20 January 2017 when necessary.

6.16 Subcontracting as condition of Tender

Subcontracting as a condition of tender will be implemented as per preferential procurement regulations paragraph 9 dated 20 January 2017.

7 DEMAND MANAGEMENT

Demand management provides a system of acceptable suppliers to achieve the organisations objective. This phase is the beginning of the supply chain and will bring the supply chain practitioner closer to the End User, to ensure that value for money is achieved.

- a need assessment to ensure that goods or services are acquired in order to understood future and current requirement;
- deliver the agreed services to form part of the strategic plan of Necsa;
- specifications are precisely determined;
- requirements are linked to the budget;
- the frequency is specified and economic order quantity is calculated;
- lead and delivery times are identified; and
- the supplying industry has been analysed.

7.1 Demand Forecasting and Supply Planning

The need for demand forecasting and supply planning is to provide relevant stakeholders with reasonable demand and supply plans which will help improve and optimise Necsa's planning systems. The focus will be on the effective implementation of business strategies by ensuring that specific plans for assets, human resources, materials and acquired services are produced in support of the demands of the core business activities.

8 MANAGE BUSINESS REQUIREMENTS

8.1 Information on Product/Service Requirements

The customer shall specify the product /service and purchasing/deliverable requirements to the extent necessary to ensure that the product/service delivered will meet all requirements for the application/s or use for which it was originally intended for. Where applicable

product/service specifications shall be used and will include information on but not limited to the following:

- a. product description;
- b. supplier catalogue reference, supplier company and contact person detail;
- c. specifications: make, model, capacity, fit-for-purpose, robustness, electrical requirements, dimensions, analytical grade/purity, etc;
- d. size, volume, number of units;
- e. any restrictions (price, delivery arrangements, quick delivery, payment; restrictions, etc;
- f. product classification;
- g. recommended suppliers;
- h. compliance to all applicable Act's and Regulations (eg: CIDB; All risk insurance; PFMA, PPPFA, BBBEE codes);
- i. compliance to all relevant Necsa SHEQ INS requirements;
- j. compliance to licensing requirement if applicable (eg; NNR regulations etc.) and
- k. when hazardous chemical substances are procured; the supplier will be informed to provide a Material Safety Data Sheet (MSDS). If this is not reasonably practical, sufficient information must be given to enable Necsa to take the necessary measures regarding Safety and Health protection of these substances.

9 ASQUISITION MANAGEMENT

Acquisition management ensures that the procurement of goods and services are compliant with all relevant legislations, policies and procedures. The management, rather than purely on procedural considerations are:

- to decide on the manner in which the market will be approached;
- to establish the total cost of ownership of a particular type of asset;
- to ensure that bid documentation is completed, including evaluation criteria;
- to evaluate bids in accordance with published criteria;
- to ensure that all requirements is approved to delegation and authorisation and that the procurement process is approved by the BAC or the SCM Department and
- to ensure that proper contract documents are signed.

10 ASSESSMENT OF THE MARKET

10.1 Evaluation of Suppliers

The customer shall compare each quotation and assess the suppliers ability to meet the requirements, relating to the product class criteria (see FIM-PAP-PRO-1001), or arrange with SCM and/or Corporate Quality for an assessment of the supplier where the product classification deems it necessary.

Other criteria which may be considered include availability, delivery or lead times, and the supplier's history on the ability to meet requirements.

10.2 Requisitioning

The customer shall complete a purchase requisition with the detail of the product to be procured stating the selected supplier. This requisition should be approved in terms of the delegation of authority policy.

Any relevant documentation such as Bid Evaluation Committee recommendation, tender analysis sheet, product specifications and other quotations shall be attached to the requisition.

10.3 Placement of Order

Supply Chain Management shall evaluate the approved requisition and if all relevant legislation, regulations, policies and procedures have been complied with then the order/contracts with the selected supplier will proceed and the official order can be initiated on the system.

10.4 Emergency Orders

These orders are defined as when the ERP Solomon system is not available, outside normal office hours, over weekends or public holidays. Provision has been made for urgent and or emergency orders as per Procedure for Emergency Purchases of Goods and Services (FIM-PAP-PRO-1010).

10.5 Contracts

- a. All contracts should be signed or approved in terms of the delegation of authority.
- b. A contract routing form should be completed by the relevant parties.
- c. The contract routing form requires the following functional responsibilities to also sign prior to the final signature on the contract.

11. PROCUREMENT PROCESS

11.1 Tender Thresholds

The latest Preferential Procurement Regulation (PPR) issued by the National Treasury shall prevail and shall supersede this procedure where conflict arises. The tender process in general applies to the procurement of all non-standard items where the value will exceed the prescribed amount as stipulated from time to time and as notified by procurement or as otherwise stipulated in the Procedure for the Tender Process (FIM-PAP-PRO-1003) and when laid-down specifications are applicable.

Necsa will follow in general an Open Tender process. Closed and or negotiated tenders will only be allowed on an exceptional basis, subject to thorough motivation.

The customer or buyer shall obtain quotations/tenders from potential suppliers (preferably three quotations).

These quotes/tenders shall be based on product information or specifications and if applicable as per the Bid Specification Committee requirements.

Evaluation Criteria and weightings must be finalized prior to issuing RFQs or Tenders. According to Section 3(b) of the PPR Regulations all invitations for tenders will stipulate the appropriate point system 80/20 or 90/10 to be utilized in the evaluation and adjudication of tenders.

In the event that the application of 80/20 preference point system as stipulated in the tender documents, all tenders received exceed the estimated rand value R 50 000 000 the tender invitation must be cancelled. If one or more of the acceptable tenders received are within the prescribed threshold of R 50 000 000 all tenders must be evaluated on the 80/20 preference point system.

In the event that in the application of 90/10 preference point system as stipulated in the tender documents, all tenders received are equal or below R 50 000 000 the tender invitation must be cancelled. If one or more of the acceptable tenders received are above the prescribed threshold of R 50 000 000 all tenders received must be evaluated on the 90/10 preference point system.

Value limits on enquiries for quotations and tenders are as follows:

R 0 to- R 500 (Including VAT)

Petty cash procedure to be followed.

>R500 to R 5 000 (Including VAT)

Only one verbal quote will be accepted.

>R 5 000 to R30 000 (Including VAT)

At least 1 written quotation (where applicable) is required.

For competitiveness it is advisable to obtain three quotations.

> R30 000 to R 1 000 000 (including VAT)

Three written quotations are required. The 80/20 preference point system will be applicable to quotations/bids with a rand value equal to or above R 30 000 (including VAT) and up to a rand value of R 1 000 000 including VAT).

> R1 000 000 to R 50 000 000 (including VAT)

An open tender process shall be followed using the 80/20 preference point system with a rand value equal to or above R 1 000 000 (including VAT) and up to a rand value of R 50 000 000 including VAT).

> R50 000 000 (including VAT)

An open tender process shall be followed using the 90/10 preference point system with a rand value above R 50 000 000 including VAT).

11.2 Invitation of Tenders (Designated Sectors)

When inviting (and evaluating) tenders, the relevant, latest and applicable National Treasury regulations on local production for all applicable designated sectors, should be applied.

The following designated sectors are currently applicable and might change from time to time:

- Two way radio terminals;
- Electrical cable products;
- Furniture products;
- Large bore spiral submerged arc welded steel;
- Working vessels (boats);
- Steel power pylons;
- Rail signaling system and associated components;
- Valve products and actuators;
- Transformers, shunt reactors and associated components and
- Wheelie bins

11.3 Deviation from Normal Bidding Process

The Supply Chain Management process must only deviate from inviting competitive bids in cases of emergency and sole supplier status.

- An emergency procurement is allowed when there is a serious and unexpected situation that poses an immediate risk to health, life, property or environment which calls for an urgent action and there is insufficient time to invite competitive bids.
- Sole source procurement may occur when there is evidence that only one supplier possesses the unique and singularly available capacity to meet the requirements of Necsa.
- Deviations can also occur where there is risk or loss of business of client e.g. where Necsa is participating in a tender and sub-contracting is in the process of approval or where there is a business case that shows economic benefits to Necsa.

11.4 Deviation from Competitive Bidding Process

The authorized values (VAT excluded) for deviation are as follows:

>R 30 000 – R 100 000

Approval of deviations: SCM Management
Documents to be submitted: Justification Memo as per the applicable delegation of authority or Declaration of Quotation form (FIM-PAP-FRM-1009) can be used.

- | | |
|-----------------------------|--|
| >R 100 000 - R 1 000 000 | Approval of deviations: GE Finance and Business Development or SCM Senior Manager or his delegated authority. Documents to be submitted: Justification Memo as per the applicable delegation of authority or Declaration of Quotation form (FIM-PAP-FRM-1009) can be used. |
| >R 1 000 000 - R 20 000 000 | Approval of deviations: BAC
Documents to be submitted: Justification Memo as per the applicable delegation of authority. |
| >R 20 000 000 | Approval of deviations: BoD.
Documents to be submitted: Justification Memo as per the applicable delegation of authority. |

11.5 Deviation from Contract Orders

The Supply Chain Management must ensure that contracts are not varied and the following shall apply: Section 9, Instruction No.3 (9.1)

Construction Orders:

- Up to 20% variation – Original approval authority to approve
- >20% variation – National Treasury to approve

Other goods & services:

- Up to 15% variation – Original approval authority to approve
- >15% variation - National Treasury to approve

11.6 Budgets/Provisions

No RFQ's and RFP's will be advertised if there is no approved and sufficient funds available.

11.7 Procurement Process Based on Quotation (RFQ)

The quotation tender process in general applies to the procurement of standard items where the value will exceed the prescribed amount as stipulated by procurement or as otherwise referred to in Procedure for the Control of the Tender Process (FIM-PAP-PRO-1003) and when previously laid-down specifications are not necessarily applicable.

11.8 Tender Evaluations

The Tender Specialist ensures that a thorough evaluation process is followed against an evaluation methodology. The method of evaluation must be agreed upon with the Bid Evaluation Committee (BEC) prior to enquiries / tenders being issued, so that the agreed evaluation criteria and methodology are included in the enquiry/tender, in order to provide for a transparent evaluation process.

The Tender Specialist ensures that formal tenders / responses are stored and evaluated in an environment where the confidentiality of documents is not in any way compromised. A dedicated, lockable room with access limited to the Tender Specialist must be allocated for the evaluation of responses / tenders. Tenders will not be allowed to be evaluated outside an official Necsa (e.g. an employee's home), and where tenders or copies thereof need to be moved between Necsa sites or locations, this must be coordinated by the Tender Specialist.

All functionaries who are given access to the tenders / responses are required to maintain confidentiality. All communication with the supplier about a specific tender / response after the stipulated closing time must be coordinated only through the Tender Specialist.

11.9 Tender Clarification

When any member of the Bid Evaluation Committee (BEC) has identified information that is not clear from the tender / response, the Tender Specialist draw up an agenda for individual or joint clarification meetings with the suppliers concerned.

Each supplier involved is given an agenda and invited to a clarification meeting chaired by the Supply Chain Senior Manager. The Tender Specialist ensures that unclear matters raised on the agenda are resolved, but that no changes are made to the scope, conditions of contract and the prices.

The information gleaned at clarification meetings is carefully recorded as minutes, and the suppliers are subsequently asked to confirm the minutes.

Post-tender clarification may be done electronically, via e-mail. All e-mail clarifications must be stored in hard copy in the contract file for audit purposes.

11.10 Tender Advertisement Period

Tender must be advertised on the Necsa and National Treasury website for a minimum period of 21 working days. Where this is not possible due to operational reasons an approved memo should be sent to the SCM Department requesting a shorter period of not less than 10 working days.

11.11 Tender Cancellation

A tender may be cancelled as per Preferential Procurement Regulations dated 20 January 2017 paragraph 13.

11.12 Extension of the Tender Validity Period

If it is likely that the validity of the tender will expire before a contract can be awarded, the Tender Specialist request in writing extension of the validity period from the supplier/s.

The extension of a tender validity period means that the supplier maintains its original pricing as tendered. If a supplier cannot maintain original prices as tendered after expiry of the tender

validity period, then the tender cannot be considered for financial evaluation, and the supplier therefore cannot be awarded a contract based on the tendered price. It must be noted that such extension of the validity period is not an invitation to the supplier to amend the tendered price and delivery period.

If extensions to validity periods occur frequently, the efficiency of the evaluation process needs to improve.

11.13 Sole Source Supplier (>R 1 000 000)

Where, as a result of only one supplier in the market being capable or available to supply the goods / services in the existing circumstances, it then becomes necessary to deviate from competitive tendering by specifying the sole source supplier with a justification being provided by the End-User who desires such a deviation, supported by the relevant Manager / Specialist responsible for the technical and operational integrity of the plant, equipment or services involved. This is done using a motivational letter which must be approved by the BAC for a specified duration linked to the procurement of the specific goods / services.

Where a supplier is approved as the sole source for the specific goods / services, future purchases for the goods / services from the said supplier do not need to be justified again. The BAC may, however, also withdraw the "sole source" status of the supplier if there are other new / available suppliers that should be considered.

11.14 Utilization of Transversal Term Contracts

Necsa will when necessary participate in transversal term contracts for goods and services that have been designated by the National Treasury.

12 CONSTRUCTION INDUSTRY DEVELOPMENT BOARD (CIDB) REQUIREMENTS

Necsa is obliged to comply with the requirements of the CIDB as for a public entity listed in Schedule 2 of the Public Finance Management Act, on projects of which the value exceeds R10 million as per CIDB Act 38 of 2000.

The Construction Industry Development Board Act 38 of 2000 prohibits the award of a construction works contract to an unregistered contractor. This means that an approval authority will not be allowed to approve the appointment of contractors for the rendering of construction and engineering works (as per the classes of construction / engineering works set out in Schedule 3 of the CIDB Regulations) where the contractor is not registered with the CIDB.

Tenders received from contractors that are not capable of being registered prior to tender evaluation must be deemed commercially unacceptable, and excluded from tender evaluation. Contractors that are capable of being registered prior to tender evaluation may be evaluated, but must be registered prior to obtaining approval to award the contract. With respect to Requests for Information (RFIs) / Expressions of interests (EOIs), respondents must be capable of being registered within 21 days of the closing date of the submissions in order to qualify for evaluation.

Capable of being registered means that there is a reasonable chance that the unregistered contractor (who complies with all the legal requirements to be registered) will become registered in the required contractor grading designation. In order to establish whether or not a contractor has a reasonable chance of being registered in the appropriate grading designation, the contractor must have at least made an application for registration to the CIDB and submitted all required information by the time of tendering. The contractor must be advised in this instance to provide proof of application as a tender returnable.

Standard for uniformity in construction procurement (CIDB SFU) Paragraph 4.3.5 requires that "where quality is evaluated, at least three persons who are fully conversant with the technical aspects of the procurement shall undertake such evaluation." This requirement will always be adhered to by Necsa.

13 TECHNICAL EVALUATION OF THE TENDER

The technical evaluation is not used to put forward supplier or product preferences of the End-User or the committee or to justify the enquiry and required technical specification, but should only reflect the technical merits of the tender in comparison to the enquiry and tender documentation.

The Bid Evaluation Committee (BEC) compares the goods or services tendered to the enquiry and tender documentation and any subsequent or documented amendments thereto. The Bid Evaluation Committee (BEC) responsibility is to establish whether the tender conforms to the enquiry and tender documentation. The BEC does not attempt to remedy a poor quality enquiry document. If the enquiry documents provided by line management are technically unsound, the BEC does not attempt an evaluation but returns the documentation to line management with the recommendation to re-issue the enquiry with the correct requirements.

The Bid Evaluation Committee (BEC) evaluates the tender, not the tenderer. However, line management may bring to the evaluation workshop any salient facts about the tenderer which may affect the final evaluation of the tenders. This will normally be based on documented performance, e.g. non-conformance reports and rectification.

The Bid Evaluation Committee (BEC) first responsibility is to present technical merits and demerits and technical ranking. A second responsibility is to establish, in co-operation with the other committee members and during the evaluation workshop, whether the tenders represent value for money, and establish a factually justifiable ranking in terms of value for money.

Where the works, goods or services tendered do not fulfill the requirements of the End-User as described in the enquiry and tender documentation, as subsequently clarified, the Bid Evaluation Committee (BEC) rejects the tender on technical merit and gives brief but adequate technical reasons for this decision.

Where there are differences between tenders or between main and secondary offers for the assets, works, goods or services tendered, the Bid Evaluation Committee (BEC) describes the technical merits and de-merits of the individual offers and ranks them according to technical merit in meeting the needs as set out in the enquiry.

The Bid Evaluation Committee (BEC) indicates any factors such as durability or ease of maintenance, which should, in his opinion, be taken into consideration in establishing the final evaluation price. For example, if one type of spare has a measurably lower failure rate in the field, this should be quantified and considered. The availability of information about equipment in use and recorded defects or non-conformances is extremely important in this evaluation.

During the evaluation workshop the Bid Evaluation Committee (BEC) indicates the life cycle of the technology under consideration, i.e. whether the technology tendered is obsolescent, due to become obsolete, or relatively new, and explains the risks to Necsa due to the tendered equipment/system's place in the technology life cycle.

All purchasing activities must reflect Necsa's quality management strategy as set out in Necsa's quality management policies and directives issued and valid from time to time.

14 PROCUREMENT / TENDER COMMITTEES

Before an order/contract is placed it is approved by the Bid Adjudication Committee who is responsible for approving all orders/contracts.

The approval granted to the chairman is over and above budgetary approval which is obtained as part of the financial planning process and authorisation of the purchase request by line management which gives the Buyer the instruction to proceed with the commercial procurement process (See Procedure for the Terms of reference for the Necsa Tender Committee FIM-PAP-PRO-1009).

15 CONTRACTS

15.1 Contract Document

An approved contract must be drafted by the legal department or line management. Where the recommended supplier has proposed its own terms and conditions which deviates from the Necsa standard form of contract as stipulated in the inquiry, approval to place the contract on the supplier's terms and conditions must have already been obtained from the Legal Department and approved by the relevant approval authority prior to concluding the contract.

15.2 Contract Approval

Authority for the approval of contracts is given to the Legal Department, Senior Manager Supply Chain Management and the Chief Executive Officer.

15.3 Contract File

The contract file is managed by the Contract Specialist and includes all documentation from enquiry to final closure, including the reports submitted and signed off by the approval authority. It includes concurrent notes on any telephonic discussions or minutes of any meetings affecting the contract. All non-conformance reports and records of rectification are kept in the contract file, as are records of all compensation events, and any other relevant information.

The Contract Specialist ensures that tender information concerning suppliers is recorded in the contract file, which as a minimum should contain information on:

- Suppliers to whom the enquiry was distributed;
- suppliers that have responded to the enquiry;
- suppliers who were non-responsive;
- tenders that were found to be technically, commercial and/or financially unacceptable; and
- the successful tenderer

The contract file must be available for scrutiny by internal and/or external auditors, and must be kept for a period of 5 (five) years after conclusion of the contract to ensure an audit trail.

16 ENTERPRISE AND SUPPLIER DEVELOPMENT

Enterprise and Supplier Development (ESD) accounts for 3% of the Net Profit after Tax. The ESD element, as set out in Code Series 400 (of the Government Gazette No 36928) measures the extent to which Necsa buy goods and services from approved suppliers with strong B-BBEE recognition levels. Necsa intends to assist and accelerate the growth and sustainability of black enterprises. (See procedure for Enterprise and Supplier Development FBD-PAP-2014-PRO-0009).

17 FRUAD RELATED COMPLAINTS

All complaints related to the abuse of the SCM process (written, verbal, and anonymous) must be reported via the Necsa Ethics Line Services. These will be investigated and dealt with appropriately.

18 RESTRICTION OF SUPPLIERS (Black listed suppliers, shareholders, contractors and persons)

Section 7 Instruction No. 3 of National Treasury.

The Supply Chain Management department must notify the supplier or any other person of the intention to restrict by registered mail.

The letter of restriction must provide for the following:

- The grounds for restriction;
- the period of restriction which must not exceed 10 years and
- a period of 14 calendar days for the supplier to provide reasons why the restriction should not be imposed.

The Supply Chain Management department:

- May regard the intended penalty as not objected to and may impose such penalty on the supplier, should the supplier not respond and;
- Must assess the reasons provided by the supplier and take the final decision.

If the penalty is imposed the Supply Chain Management department must inform National Treasury of the restriction within 7 days and must furnish the following information:

- The name and address of the person to be restricted;
- the identity number of individuals and the registration number of the entity and
- the period of restriction.

National Treasury will load the details on the Database of Prohibited Suppliers after ensuring that the process has complied with the Supply Chain Management framework.

A supplier who refuses to cooperate must be suspended from the Central Supplier Database

19 CUSTOMER FEEDBACK

19.1 Requests for improvement to Supplier Information Database (SIDB)

All complaints and suggestions for improvement regarding the supply chain process (Supplier Information Database included) shall be documented and handed to the manager of SCM for rectification and implementation.

19.2 Supplier Performance Evaluation

Supplier performance shall be monitored against defined criteria which may include but is not limited to the following:

- Price
- Quality
- Delivery
- Classification

Supply Chain Management shall perform supplier performance evaluation in accordance with a documented procedure. The procedure may provide for the ranking of suppliers, e.g. Preferred, Approved.

20 LOGISTICS MANAGEMENT

Logistics management ensures the setting of inventory levels, stock replenishment, goods receiving, warehousing and goods issuing. This aspect addresses:

- the setting of optimised inventory levels;
- receiving and distribution of material;
- stores, warehouse and transport management; and
- the review of vendor performance.

20.1 Receiving of Goods at the Stores

Dependent on the product classification and/or specification and customer requirements the following shall be performed as applicable:

- Supplier in-house inspection (release certificate/COA);
- Necsa inspection at supplier premises (release certificate from Necsa Inspection Authority) and
- Receipt inspection (Receiving Depot). (See procedure for Receiving Goods at the Receiving Depot FBD-PAP-2014-PRO-0007).

20.2 Delivery to Customer

- By arrangement goods will be transported from the receiving depot to customer location or may be collected by the customer if the documents are in order;
- SCM or customer shall ensure the integrity of goods during transportation and.
- SCM shall ensure the goods are delivered in time to the correct customer.
- The SCM department shall accept no responsibility for the damaged goods and services, however it will exercise reasonable care when delivery these items.

20.3 Return of Goods to the Supplier

It may be necessary to return or dispatch goods to the supplier for the following reasons:

- Damaged goods;
- Duplicated order;
- Faulty delivery;
- Faulty order number;
- Do not meet requirements or other special requirements;
- Item to be repaired;
- Short delivery;
- Sample for a quotation;
- Returning of loan item;
- Under-delivery;

- Over-delivery and
- Destruction test purposes.

20.4 Return of Deposit-Bearing Containers

Deposit bearing containers refer to all cylinders, palettes and stainless, steel and plastic drums in where a deposit is paid.

Goods received in deposit-bearing containers are handled in accordance with standing receiving procedure.

20.5 Claims against Insurance for Damaged Goods

When the requisitioned confirms that damage to consignments is of such a nature that the article is unserviceable a claim should be filed against insurance.

20.6 Final Inspection and Acceptance

The customer shall inspect the goods and verify details against the Goods Received Voucher (GRV).

The customer shall accept the goods as in good order by signing the GRV.

20.7 Payment

The receiving depot shall process the Goods Received Voucher (GRV).

The creditors department shall verify the invoice with the GRV & generate payment. The payment shall be approved in accordance with the Necsa delegated authority.

21 DISPOSAL MANAGEMENT

- a) Disposal management determines the disposal strategy and manages the physical disposal of assets in accordance with the prescribed legislation. This stage consideration should be given to:

- I. obsolescence planning;
- II. maintaining a data base of redundant material;
- III. inspecting material for potential re-use;
- IV. determining a disposal strategy;
- V. executing the physical disposal process and
- VI. write offs.

- b) It is the responsibility of each department to ensure that goods that are no longer usable or serviceable to Necsa are written off. This applies to the following categories:

- I. Fixed assets;
- II. small capital equipment;
- III. furniture and office equipment;
- IV. equipment and tools;

- V. obsolete stock;
- VI. unusable plant components;
- VII. reclaimable material and
- VIII. obsolete plant equipment waste and scrap.

c) The following methods may be used to sell redundant assets and scrap:

- I. Tender sales;
- II. quotation offers;
- III. pre-set process and
- IV. auctions.

The above should be done in line with the delegation of authority Policy.

22 PROJECTS MANUFACTURING

Procurement of goods to be manufactured in accordance with prescribed Necsa specifications is done on decision of the Business Unit which will consider the probability of having the fabrication done within Necsa (eg. Nuclear Manufacturing Department) and or make use of a contractor.

The Projects Department will coordinate the fabrication and will finalise the project entirely. All fabrication actions undertaken by Necsa shall be handled in accordance with the fabrication procedure of the business unit concerned.

22.1 Plant Support Stores

Goods that are considered critical for business are kept in the Plant Support Store and are replenished as and when stock levels are low or when planned maintenance are necessary.

23 RISK AND PERFORMANCE

Manages any risks identified in the SCM system and performs retrospective performance assessment. This is a monitoring process, undertaking a retrospective analysis to determine whether the proper processes have been followed and whether the desired objectives were achieved. Some of the issues that may be reviewed are:

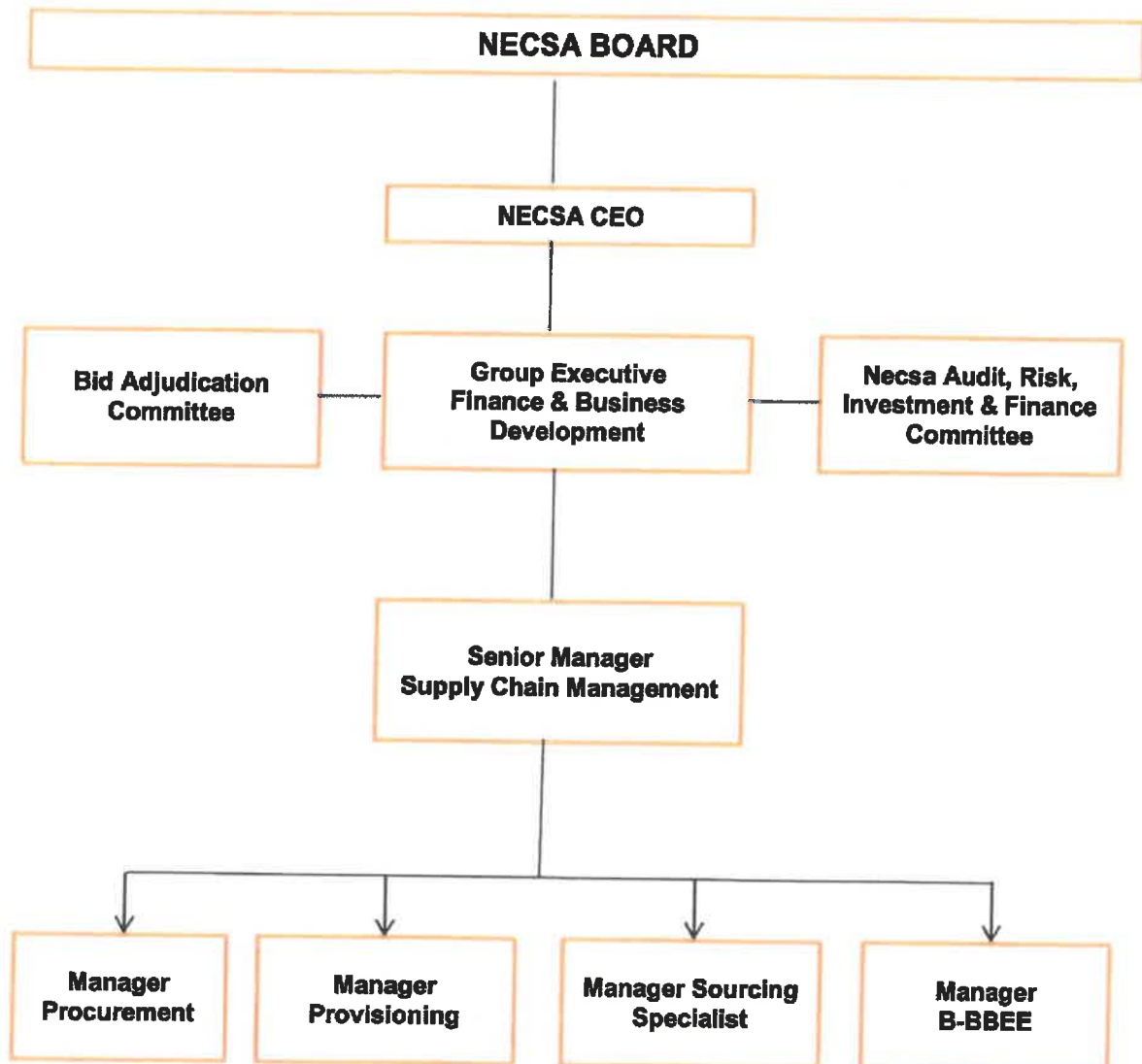
- Compliance to norms and standards;
- Cost efficiency of SCM process (i.e. the cost of the process itself; and
- Whether supply chain practices are consistent with policy focuses.

24 GOVERNANCE LEGISLATION AND GUIDELINES

A number of regulations for the governance of Supply Chain Management are prescriptive from National Treasury and Department of Trade and Industry (**the dti**). Necsa will use the following complementary legislation and guidelines within Supply Chain Management (SCM) to ensure delivery against the governance objectives.

24.1 Governance Structure

The SCM Governance structure at Necsa is shown below:



24.2 Auditing

Regular audits shall be conducted to assess compliance to the SCM framework. PFMA, PPPFA and B-BBEE maturity assessments and target maturity levels will inform the programs defined in the SCM Business Plan.

24.3 Risk Management

Risk Management is an integral process of governance. Risk assessments will be done in accordance with the Necsa's Risk Management process and will be presented to the Group Executive: FBD.

24.4 Performance Management

The implementation and maintenance of Necsa governance is an integral part of measurement and the responsibility of all role players in the supply chain.

25 GOVERNANCE COMMUNICATION

To be effective, the SCM governance must be measured and communicated throughout Necsa via various structures such as EMC, Intranet, and Notice Boards etc.

The objectives of communication in this case will be:

- To familiarise and educate employees on what SCM governance does and its importance to the organisation, such as;
- How SCM governance is implemented across Necsa and
- The content of policies and procedures applicable.

26 RECORDS

The buyer and storekeeper shall ensure that the required records are kept or submitted to the record custodian. Additional records as appropriate shall be requested from the customers, for incorporation into the SCM record system.

The records required by the Supply Chain Management are listed in table A.

Table A: RECORDS REQUIRED FOR THE PROCUREMENT PROCESS

PROCUREMENT	PROVISIONING
Purchase Requisition	Stores Issue Requisition
Quotations/Tenders	Credit Notes
Enquiry/Specifications	Commodity Registration
Tender Analysis	Stores Recommendation
Motivation Documents	Work Packs
Agreement/Contracts	Material Certification
Inspection Reports	Inspection Reports
Revisions	Revisions
Return Voucher	Return Voucher
Supplier Registration	
GRV's	GRV's

Delivery Note	Delivery Note
Invoices	Invoice
Correspondence	

**Appendix A: SUPPLY CHAIN MANAGEMENT DETAILED ACTIONS AND FLOW
DIAGRAM**

No	Requirement	Document Reference	Responsible	Action
1	Establish Need (BSC)	FIM-PAP-PRO-1003 Procedure for the tender process	Requester (BSC)	BSC Members decide on specifications and possible suppliers and an inquiry document is establish.
2	Register Tender/Quotation		Requester/ P&P	A tender number and tender documents must be obtained and registered at Central Procurement (AS van Niekerk Ext. 6060).
3	Necsa Suppliers Database	Fim-pap-pro-1001 Procedure for the classification of procured products and selection of suppliers	Requester/ SCM	Select suppliers from Necsa Data Base.
4	Possible Supplier (not registered with Necsa)	FIM-PAP-FRM-1003 Request to register a supplier	Requester/ Buyer	Select suppliers other than registered suppliers.
5	Enquire for Tender Quotation (BSC)	FIM-PAP-FRM-1025 Tender site meeting attendance register	Requester/ Buyer/SCM	Send tender and inquiry to selected tenderers. Site meeting if specified in tender documents.
6	Receive and Evaluate tenders/Quotation (BEC)	FIM-PAP-PRO-1004 Tender evaluation procedure	Requester/ (BEC)	Tenders submitted on closing date (Tender Box Gate 3) Procurement opens and date stamp all tenders received. Tenders are forwarded to the requester for selection of successful tenderer. Tenders are being scored by the BEC on and official evaluation scorecard.

No	Requirement	Document Reference	Responsible	Action
7	Obtain approval from BAC with completed Purchase Requisition	FIM-PAP-PRO-1009 Bid adjudication procedure	Requester (BAC)	The following document must be submitted: a) A completed purchase requisition and tender analysis sheet b) A motivational memo as per available template c) The official scorecard and all received tender documents
8	Complete request to register form	FIM-PAP-FRM-1003 Request to register a supplier	Requester	Apply to register a new supplier.
9	Sent questionnaire to suppliers	FIM-PAP-FRM-1000 Supplier registration questionnaire	Requester/ Central Procurement	Obtain all information to register the supplier.
10	Register suppliers	Solomon	Central Procurement	Data of supplier is loaded on the Necsa supplier data base.
11	Obtain Order Number	Buyer	Requester	Local Supplier
12	Issue Local Order	Solomons	Buyer	Generate order on Solomon System.
13	Receive Goods	Consignment notes	Receiving Depot	Goods are checked for compliance to specifications.
14	Generate GRV	Delivery notes	Receiving Depot	Requester receive and sign GRV.
15	Deliver Goods to Requester	Delivery notes	Receiving Depot	Requester receive and sign GRV.
16	Pay Supplier	Business and support units	Creditors	Check invoice against GRV.
17	Issue Foreign Order	Buyer	Requester	Foreign Supplier Upfront Payment - NO
17.1	Receive goods and document from shipping agent	Consignment notes	Receiving Depot	Goods are checked for compliance to specifications.
17.2	Generate GRV	Delivery notes	Receiving Depot	Requester receive and sign GRV.
17.3	Deliver goods to requester	Delivery notes	Receiving Depot	
17.4	Request Pro-forma Invoice	Supplier to forward invoice	Buyer	Foreign Supplier Upfront Payment - YES
17.5	Obtain permission/approval from requester	Approval by Line Management	Buyer	

**PROCEDURE FOR THE SUPPLY CHAIN
MANAGEMENT PROCESS**

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No	Requirement	Document Reference	Responsible	Action
17.6	Receive goods and document from clearing agents	Consignment notes	Receiving Depot	Goods are checked for compliance to specifications
17.7	Deliver goods to requester	Delivery notes	Receiving Depot	
18	Nedbank & Reserve Bank	Payment	Requester	Financial Admin

SUPPLY CHAIN MANAGEMENT TENDER PROCESS

