

## ATNS SUPPLY FINANCE POLICY 01/2013

PROMULGATED BY : CHIEF FINANCIAL OFFICER

EFFECTIVE FROM : 05 AUGUST 2013

ENQUIRIES : SENIOR MANAGER: PROCUREMENT

APPLICABLE TO : ALL ATNS EMPLOYEES

## SUPPLY CHAIN MANAGEMENT POLICY

### 1. PURPOSE

The purpose of this policy is to give effect to constitutional and legislative requirements pertaining to procurement by documenting and formalising the policies relating to SCM within ATNS.

### 2. POLICY OBJECTIVES

The object of this policy is to:

- 2.1 establish a framework of acquiring goods and services for ATNS as required by legislation as well as the application of best practice supply chain strategies;
- 2.2 clarify roles, responsibilities and accountabilities for employees and various bodies involved in the procurement process;
- 2.3 provide ATNS' operation with uninterrupted flow of goods and services;
- 2.4 assist in the containment cost as well as cost comprehension for ATNS;
- 2.5 keep inventory investment and inventory losses to a practical minimum;
- 2.6 develop and maintain effective and reliable sources of supply that are underpinned by good relations with the supplier community; and
- 2.7 contribute to the promotion of Broad-Based Black Economic Empowerment through preferential procurement.

### 3. AUTHORITY TO EXECUTE

#### 3.1 Delegation of Authority

The SCM regulatory framework provides in Section 3 (i) that the accounting officer of an institution must develop and implement an effective and efficient SCM system for acquisition of goods and services and for the disposal and letting of state assets. Therefore, full responsibility and accountability for the development, maintenance, management, and implementation of this policy rests with the Chief Executive Officer (CEO).

No amendment shall be made to, or any deviation undertaken from the SCM Policy and Procedure without the approval of the CEO.

#### 3.2 Cognizant Office

All queries, request for interpretations, resolution of problems, and special situations, amongst others in respect of this policy should be directed to the Senior Manager: Procurement.

## **4. APPLICABILITY**

### **4.1 Scope**

This policy shall apply to all levels and types of procurement of goods and services and works covering capital and operating expenditure, fixed assets, the appointment of consultants, and the disposal of assets.

### **4.2 Exclusions**

This policy does not apply to the following:

- 4.2.1 petty cash purchases which are subject to instructions as issued in terms of the applicable financial policy;
- 4.2.2 professional memberships;
- 4.2.3 water and electricity; and
- 4.2.4 rates and taxes and other levies raised by local authorities or provincial administrations.

## **5. REGULATORY FRAMEWORK**

The following pieces of legislation and regulating policies were taken into account as a baseline on which this policy is based. ATNS, as a state owned entity, has an obligation to and is committed to the application of relevant legislative and regulatory requirements pertaining to SCM as listed below.

### **5.1 The Constitution**

ATNS shall apply Section 217 of the Constitution of the Republic of South Africa (Act No 108 of 1996, as amended) by contracting for goods and services in accordance with a system which is fair, equitable, transparent, competitive and cost-effective. ATNS shall also implement a preferential procurement system.

### **5.2 Public Finance Management Act (PFMA)**

ATNS shall apply the Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999) as it pertains to SCM, as applicable to a Schedule 2 Public Entity.

### **5.3 Treasury Regulations Issued in Terms of the PFMA**

ATNS shall apply the Treasury Regulations to the extent required by a public entity listed in Schedule 2 of the PFMA.

In terms of Chapter 16A of the Treasury Regulations pertaining to SCM, only the principles contained therein will be applied and not the letter of the regulations.

### **5.4 The Preferential Procurement Policy Framework Policy Act (PPPFA) and its Regulations**

ATNS shall apply the spirit of the Preferential Procurement Policy Framework Act (Act No 5 of 2000) and its regulations.

### **5.5 Broad-Based Black Economic Empowerment Act**

ATNS will adhere to the directives contained in the B-BBEE Act (Act No 53 of 2003) and its Codes of Good Practice, as it pertains to SCM.

## **5.6 The National Small Enterprise Act**

ATNS shall use the guidelines in The National Small Enterprise Act (Act No 102 of 1996 as amended) in promoting small enterprises in the Republic.

## **5.7 State Information Technology Agency (SITA) Act**

The State Information Technology Agency (SITA) Act (Act No 88 of 1998 as amended) requires that SITA may act as the procurement agency for public entities' information technology requirements should the public entity so wish. ATNS shall not be obliged to utilise this service but may do so when deemed necessary.

## **5.8 The Prevention and Combating of Corrupt Activities Act**

ATNS shall adhere to the directives' prescripts in the Prevention and Combating of Corrupt Activities Act (Act 12 of 2004) as it pertains to SCM.

## **5.9 Other Relevant Pieces of Legislation**

Cognisance shall be taken of the following pieces of legislation that will have an impact on the supply chain environment:

- 5.9.1 Promotion of Access to Information Act (PRIA) (Act 2 of 2000);
- 5.9.2 Promotion of Administrative Justice Act (PAJA) (Act No 3 of 2000);
- 5.9.3 The Competition Act (Act No 89 of 1998);
- 5.9.4 The Protected Disclosures Act (Act No 26 of 2000); and
- 5.9.5 All other common law provisions relating to procurement.

# **6. SCM PRINCIPLES**

## **6.1 Transparency**

The SCM process shall provide suppliers with the opportunity to compete for business in an open and transparent manner within the confines of the law.

## **6.2 Equal treatment**

All bidders and suppliers shall be treated equally fairly throughout the whole SCM process within the context of this policy.

## **6.3 Effectiveness**

ATNS shall strive for an effective SCM system and shall carry out its SCM processes as cost-effectively as possible using methods suited to market circumstances.

## **6.4 Efficiency**

ATNS shall strive to standardise and simplify procedures where appropriate to enhance SCM system efficiency.

## **6.5 Competitiveness**

ATNS shall satisfy its requirements through competition unless there are justifiable reasons to the contrary.

#### **6.6 Fairness**

All bidders and contractors shall be dealt with fairly and without unfair discrimination.

#### **6.7 Ethics**

ATNS employees will subscribe to the highest ethical standards. Employees will comply with the Code of Ethics and the Code of Conduct for SCM practitioners.

#### **6.8 Equity**

ATNS shall strive to promote B-BBEE.

#### **6.9 Uniform application**

ATNS shall ensure that the application of its SCM policy and process is uniformly applied.

#### **6.10 Accountability**

Each member shall be accountable for their decisions and actions relative to their SCM responsibilities.

#### **6.11 Value for money**

ATNS shall achieve value for money through the optimum combination of life cycle cost and quality.

#### **6.12 Commitment to Quality**

ATNS shall strive to maintain laid down quality standards.

### **7. CODE OF CONDUCT**

#### **7.1 General**

All employees and other role players involved in the SCM process must adhere to the National Treasury's Code of Conduct for Supply Chain Management Practitioners.

#### **7.2 Gifts**

Seasonal, congratulatory or promotional gifts may only be offered to ATNS's employees on strictly appropriate occasions, and when there is no reason to doubt the bona fides of the donor or recipient. Where a seasonal, congratulatory or promotional gift has been accepted, details of the gift, that is, a description of the gift, who gave it, the circumstances in which the gift was given and its rand value shall be entered in to the Register of Gifts.

Notwithstanding the above, an SCM Specialist may accept no seasonal, congratulatory, or promotional gifts if it exceeds R1000.00 in value.

#### **7.3 Favours**

An offer of commission, or any form of gratuity, for any reason whatsoever, is totally unacceptable. All employees are prohibited from accepting such offers. Failure to adhere to this prohibition will lead to disciplinary action.

#### **7.4 Bribes and Irregular Offers**

Should a bidder or contractor have, in the opinion of ATNS, acted fraudulently, illegally, in bad faith or in any improper manner, with regard to a contract or bid, then the ATNS may in its sole discretion disregard any bid without advising the bidder thereof or cancel the contract without prejudice to any legal rights ATNS may have.

In the event that there is suspicion that such a situation has arisen, the matter must be reported to the hotline or be brought to the attention of the CEO.

#### **7.5 Conflict of Interest**

If a SCM practitioner or other role player, or any close family member, partner or associate of such an employee or other role player has:

- 7.5.1 any private or business interest in any contract to be awarded;
- 7.5.2 conducts activities that could reflect negatively on the reputation of ATNS and its personnel;
- 7.5.3 participates in any activity that might lead to the disclosure to the ATNS's proprietary information; or
- 7.5.4 conduct outside work for suppliers.

That employee, member or other role player must disclose that interest to the Company Secretary and withdraw from participating in any manner whatsoever in the process relating to that contract.

### **8. ROLES AND RESPONSIBILITIES**

The roles and responsibilities of all structures hereunder are defined only from the perspective of procurement.

#### **8.1 Board of Directors**

The Board of directors has the responsibility to:

- 8.1.1 ensure that ATNS is fully aware of and complies with applicable laws, regulations, governance policies and codes of business practice as it pertains to procurement;
- 8.1.2 remain, notwithstanding the above, vested with all powers relating to procurement matters;
- 8.1.3 approve all procurement transactions in line with the Mandate Matrix and on request, any other transactions of lower value as it deems fit;
- 8.1.4 appoint the members of the Procurement Committee; and
- 8.1.5 approve the Charter of the Procurement Committee

#### **8.2 Procurement Committee (PROCOM)**

Procom has the responsibility to:

- 8.2.1 review procurement and bid policies and make recommendations to the Board on matters over which the Board has decision-making powers;
- 8.2.2 recommend the procurement policy to the Board for approval; and
- 8.2.3 recommend bid awards to the Board for approval in line with the Mandate Matrix.

### 8.3 The Chief Executive Officer

The CEO has the responsibility to:

- 8.3.1 take all reasonable steps to ensure that ATNS implements a procurement policy that takes into account applicable legislation and government policies;
- 8.3.2 ensure that ATNS has and maintains an appropriate SCM system which is fair, equitable, transparent, competitive and cost-effective;
- 8.3.3 ensure that ATNS has proper mechanisms, delegations and separation of duties in the procurement environment;
- 8.3.4 ensure the minimisation of the likelihood of fraud, corruption, favouritism and unfair and irregular practices in the procurement process;
- 8.3.5 exercise utmost care to ensure reasonable protection of the procurement records of ATNS;
- 8.3.6 approve recommendations for bid awards in line with the Mandate Matrix;
- 8.3.7 recommend procurement policy as well as amendments thereof to the Board of Directors for adoption;
- 8.3.8 appoint members of the Bid Adjudication Committee; and
- 8.3.9 appoint the Chairperson of the Bid Adjudication Committee.

### 8.4 Bid Adjudication Committee (BAC)

The BAC is a standing cross-functional committee constituted by the CEO, and comprising key business representatives, with the objective to review, ratify, approve or reject supplier selection recommendations made by Cross-Functional Sourcing Teams in line with the Mandate Matrix.

The responsibilities of the BAC are to:

- ensure that proper governance was followed during the procurement and disposal of goods and services taking into account the procedure followed, substance, and value for money considerations;
- approve recommendations in respect of bids, quotations or offers as per the Mandate Matrix;
- recommend bid awards in excess of its delegated authority to the applicable award structures;
- where necessary override recommendations from the CFST provided that due motivation is provided;
- where necessary refer bid submissions back for more information-gathering from bidders and the CFST;
- promote preferential procurement;
- review and approve requests for extension of contracts as per delegation of authority;
- review deviations from normal bid procedures and inform the CEO of adverse trends or specific events where the BAC believes the SCM Policy guidelines are not being adhered to; and
- conduct its affairs in accordance with the BAC Charter (to be developed).

### 8.5 Senior Manager: Procurement

The Senior Manager: Procurement has the following responsibilities:-

- 8.5.1 overall management of the SCM function within ATNS;
- 8.5.2 ensure implementation of SCM policies and procedures;
- 8.5.3 develop and recommend SCM policies and procedures to the CFO;
- 8.5.4 recommend annual preferential procurement targets in line with ATNS's targets;
- 8.5.5 perform all monitoring activities, inclusive of achievements in terms of preferential procurement and report to the CFO as required;
- 8.5.6 negotiate and implement a SLA between end-user departments and SCM, aimed at contributing to improved service delivery; and
- 8.5.7 approve quotation awards as per the Mandate Matrix.

## 8.6 Cross-Functional Sourcing Team (CFST)

The CFST is a team that comprises individuals, preferably at management level and above, who are specialists from different functional areas brought together to achieve procurement-related tasks. The team will pursue purchasing or sourcing goals and decisions for purchases above R 500 000 (VAT excluded) or as amended.

Appointed by the Senior Manager: Procurement in consultation with departments, the composition of the CFST will vary depending on the nature and complexity of the specific procurement project and will always include at minimum a representative from SCM and the department concerned.

The CFST shall be responsible for various functions including but not limited to the following:

- developing bid specifications;
- developing selection criteria for bids;
- compilation and issuing of the RFQ/RFI/RFP/RFB documents;
- arrange and manage bid briefing sessions and handle bidder(s) enquiries;
- perform bid evaluations;
- conduct site visits when applicable;
- conduct negotiations with suppliers;
- perform due diligence evaluations on prospective suppliers (if required);
- promote Broad-Based Black Economic Empowerment; and
- make recommendations in line with the Mandate Matrix.

## 8.7 Supply Chain Management

SCM has the following procurement responsibilities:

- 8.7.1 manage the material/service and vendor master;
- 8.7.2 manage the procurement function;
- 8.7.3 quotation/bid management;
- 8.7.4 evaluations and recommendations;
- 8.7.5 facilitate adjudication;
- 8.7.6 recommend the award of contracts;
- 8.7.7 contract conclusion and administration;
- 8.7.8 administration of contracts;
- 8.7.9 logistics management;
- 8.7.10 disposal management; and
- 8.7.11 procurement risk management.

## 8.8 End-User Departments

An end-user is an authorised employee of ATNS that requests SCM involvement, support, consultation, or the performance of activities associated with the acquisition of goods or services.

It is the responsibility of end-users to:

- 8.8.1 request SCM's involvement, support or consultation in the performance of activities associated with the acquisition of goods or services within the scope of this policy;
- 8.8.2 obtain proper budget approval, and where applicable, a business case as well as maintain proper documentation to support the requests to SCM;
- 8.8.3 clearly describe their need/requirements to enable SCM to procure accurately and timeously. In the cases where no CFST is required the description of the requirement(s) should be good enough that it can be transmitted by a second party to a supplier and be delivered correctly without further clarification; and
- 8.8.4 manage supplier contract and SLAs.

## 9. AWARD AUTHORITIES

The following are the Award Structures in ATNS:

<b>Senior Manager: Procurement</b>	Award quotations up to and including the quotation threshold as per the Mandate Matrix.
<b>Bid Adjudication Committee</b>	Award bids within its delegated powers. Recommends bids in excess of its delegation to the CEO.
<b>CEO</b>	Award bids within delegated powers. Make recommendations to the Board (via Procom) on bids over which the Board has decision-making powers as per Mandate Matrix.
<b>Board of Directors</b>	Award all bids not delegated to the CEO.

## 10. PREFERENTIAL PROCUREMENT

Preferential Procurement within ATNS will be implemented in line with the PPPFA and its Regulations. Please refer to the Preferential Procurement Policy Appendix II.

## 11. BIDDING METHODS

All purchases, disposal of assets, rentals or hiring of goods and services, irrespective of whether it is of a capital nature or operating expenditure, shall be subject to competitive procurement procedure, unless business reasons show that another method is preferable. In such cases, alternative procedure may be approved as per Clause 13.5 below.

The following section outlines the various procurement methods that shall be utilised depending on the nature of the requirement.

### 11.1 Request for Information (RFI)

Requests for information are issued to determine availability of products or services in the marketplace as well as to determine the budgeting price. RFIs may also be used for pre-screening suppliers for purposes of creating a list of preferred suppliers or issuing an RFQ RFP/RFB. In the event that an RFI is used for pre-screening purposes, potential respondents to the RFI must be advised as such by including a statement to that effect in the RFI document concerned.

### 11.2 Request for Quotation (RFQ)

RFQs are normally used in cases where the value of purchase does not warrant the entering of a long-term contract with the supplier. Generally, RFQs are used for once-off purchases of a lesser value. RFQ can either be telephonic, e-mail or written depending on the value of the item being procured.

### 11.3 Request for Proposal (RFP)

This method should be followed where the bid functionality is clear but supplier bids will be in the form of proposals that will differ in the achievement of the set functionality/requirement. Selection is based on the quality of the proposal, its cost and other criteria through a competitive process unless business reasons dictate otherwise in which case an alternative procedure may be followed as provided for in Clauses 13.5 below. An RFP is typically used when the product or service cannot be defined with absolute specificity and further dialogue with suppliers concerning the subject of the RFP is expected.

#### **11.4 Request for Bid (RFB)**

An RFB is generally used when the specifications of the product are well defined and specific bid responses are required rather than creative responses. Selection is based on compliance to the requirement, cost and other criteria through a competitive process unless business reasons dictate otherwise in which case an alternative procedure may be followed as provided for in Clauses 13.5 below.

#### **11.5 Confined Bidding**

Confined or closed bidding should be used when one of the other competitive procurement methods is impractical or otherwise inappropriate. A closed bid may be issued to one bidder or several bidders depending on the situation at hand. In such instances, recommendations to go on a closed bid must be well documented by the appropriate CFST or user and must always have the approval of the relevant Award Authority except in emergency situations where, if applicable, the motivation can be submitted after the fact. The following are confined bidding methods:

##### **11.5.1 Sole Source Bids**

When there is only one supplier in the market for the goods sought, this is a sole source situation. Documentation proof to support that sole source is the most appropriate bidding method, and must be submitted as part of the bid submission to the relevant Award Authority.

##### **11.5.2 Single Source Bids**

This occurs where the needs of the business preclude the use of the competitive quotation or competitive proposal process. For practical reasons only one bidder is approached to quote for goods and or services. In this instance comparison of prices with goods or services of like complexity or similar production costs should be used as a substitute for competitive bidding method. This method can only be used for:

- appointment of professional services such as legal, financial and security where unique expertise and or security consideration are critical; and
- Emergency situations which are situations that are serious, unexpected and potentially dangerous where significant financial loss may occur or a serious disruption of business may result. Poor planning on behalf of business is not deemed to be an emergency

The order to proceed in engaging a supplier can be issued, preferably via the SCM unit and all the necessary paperwork for the emergency purchase should be completed following the incident. The ratification should be signed off in line with the Mandate Matrix provisions for approval of an expense incurred and by the Senior Manager: Procurement to ensure a proper audit trail.

##### **11.5.3 Closed Bid Multi Source**

This is an arrangement whereby a limited number of suppliers are requested to quote for a particular product or service. This method should be restricted to cases where for technological or operational reasons the competitive bidding (open bid) process would not be appropriate.

In such instances, recommendations to go on a closed bid must be well documented by the appropriate CFST or user and must always have the approval of the relevant Award Authority.

## **12. BID ADMINISTRATION**

### **12.1 Bid documentation**

Bid documentation shall at least include a terms of reference/specification, evaluation and adjudication criteria as well as relevant contractual conditions.

### **12.2 Advertising of Bids**

Open bids should be advertised in appropriate newspapers and other publications, bearing in mind the nature of the goods and services to be acquired and the geographical location where services are to be provided.

### **12.3 Dealing with Unsolicited Bids**

ATNS is not obliged to consider unsolicited bids received outside a normal bidding process.

### **12.4 Closing Period**

Bids shall remain open for at least 30 days from the date of publishing of the first advertisement to time of closing except in urgent cases where bids can be advertised for a shorter period.

Where bids are complex, of high magnitude and critically technical and/or are advertised internationally, such bids shall remain open for at least 90 days.

### **12.5 Changes to Original Bid Documentation**

Where any additions, deletions or changes are made to any part of the original bid documentation, all potential bidders, which collected a bid document, must be notified of these changes. All changes must be done in writing and records should be maintained in the relevant bid file.

### **12.6 Fee for Bid Document**

In order to ascertain that bidders will provide bids/proposals and to ensure an efficient bidding process, ATNS may charge a fee for any bid document. Where a fee has been stipulated, bidders must pay such fee on collection of the bid documents. None payments of the stipulated fee shall disqualify bidders from bidding.

### **12.7 Communication with Supplier Prior to the Closing Date**

There should be minimal contact with prospective bidders prior to the closing date. Any contact should be in accordance with the protocols set out in the bid documentation. Any briefing or clarifications of the request for bid which is obviously of an advantage to a bidder must be provided in a consistent manner to ensure all vendors have access to the same information and no bidder is advantaged or disadvantaged. All clarifications must be done in writing and records should be maintained in the relevant bid file.

### **12.8 Site Meeting/Briefing Session**

If the services required are complex and/or the bid conditions are unique, a site meeting/briefing session should be arranged by the CFST or SCM to inform potential bidders about details of the requirement and the environment in which services have to be provided.

During these meetings bidders should be given an opportunity to ask questions for clarification and all answers given should be provided to all potential bidders in writing thereafter.

## **12.9 Closing Date of Bids**

When determining a closing date sufficient time must be allowed for prospective bidders to prepare and submit their bids. Circumstances may exist where the preparation of the bid submission is complex and in that case it is advisable to determine a longer period for the submission of bids. In such cases, when motivated adequately, a longer period may be determined by the CFST or SCM.

## **12.10 Validity Period of Bids**

Validity period must be set to be as short as possible. The norm is a validity period of no longer than 120 days. The extension of the validity period will be requested from bidders if and when required.

## **12.11 Location Where Bids Close**

All bids are to be addressed to ATNS Offices, Eastgate Office Park, Block C, South Boulevard Road, Bruma, and hand delivered in a sealed envelope to the bid box mentioned in the bid document. Electronic bids should be mailed to the e-mail address provided for in the bid document

## **12.12 Bid Closing Time**

Bids close at the time as determined in the bid document.

## **12.13 Changing of Information Before Closing Time**

A bid invitation can be cancelled and a fresh invitation made if conditions, specifications, or any other major information change occur before the closing time, or if mistakes are discovered in the document which could have a negative impact on the response before the closing time.

## **12.14 Postponement of Closing Date**

In the case of an advertised bid, the bid closing date may be postponed only if the postponement can be advertised in appropriate media and all known potential bidders advised of the change before the original closing date.

In the case of closed bids the bid closing times may be postponed only if all bidders can be advised of the postponement, in writing, before the original closing date.

## **12.15 Submission of Bids**

Bidders shall be allowed to submit bids by courier or by hand as specified in the bid document.

- 12.15.1 Only hand delivered or couriered tenders to the physical address specified in the bid document received prior to closing date and time will be accepted.
- 12.15.2 Tenders that are emailed or posted to the ATNS post box will not be accepted.
- 12.15.3 Quotations up to the value of R500 000 may be received via email or as stipulated in the Request for Quotation document.
- 12.15.4 The tender box shall be visible on the premises of ATNS and shall be accessible to all bidders.

### **12.16 Late Bids**

- 12.16.1 Bids are late if they are received at the address indicated in the bid documents after the closing date and time.
- 12.16.2 Where no bid or no acceptable bid has been received on time, ATNS reserves the right to admit late bids for consideration. The BAC will approve admission of such late bids.

### **12.17 Communication with Bidders after the Closing Date**

Members of SCM or the CFST can only communicate with bidders after the closing date of the bid for the purposes of:

- explaining any declarations;
- confirming that a quoted price is correct;
- confirming technical particulars and the compliance thereof with specifications;
- clarifying delivery times/quantities; and
- extending the validity period of a bid, quotation or offer.

Clarifying any other commercial aspect.

## **13. BID EVALUATION AND ADJUDICATION**

### **13.1 Evaluation criteria**

Bids will be evaluated against pre-determined evaluation criteria.

### **13.2 Tax Clearance Certificates**

ATNS shall reject any bid from a supplier who fails to provide written proof from SARS that the supplier either has no outstanding tax obligations or has made arrangements to meet outstanding tax obligations at the time of bid submission or as allowed by ATNS.

### **13.3 New and Unproven Products**

A bid may not be rejected summarily simply because the bidder or the product which he offers is unknown.

### **13.4 Deviations from Specifications**

Quotations/bids with acceptable deviations from specification may be recommended for acceptance, provided that the competitiveness of another provider is not adversely affected.

### **13.5 Alternative Offers**

Regardless of whether a bidder also submits an offer conforming strictly to specification, alternative offers may be considered and accepted provided that the other bidders are not prejudiced.

### **13.6 Improvement on Specification**

A quotation/bid received which offers an improvement on the specification may be accepted provided that the other bidders are not prejudiced.

### **13.7 Short-Listing of Bidders**

When it becomes necessary to eliminate certain bidders from the evaluation due to none compliance with the evaluation criteria or where the CFST or SCM decides to reduce the number of bids for further negotiations/evaluation a detailed explanation of this decision should accompany the recommendation for award to the BAC.

### **13.8 Negotiations with Bidders**

Negotiations are conducted to afford the short-listed bidders the opportunity to make improvements to their offer.

### **13.9 Notification of Award**

Successful bidders are advised of the acceptance of their bids by SCM and letters of acceptance are issued for this purpose.

### **13.10 Notification to Unsuccessful Bidders**

After the bid has been awarded to the successful bidder, a written notification must be sent to all other bidders to advise them that their offer was not selected.

For major projects unsuccessful suppliers may request a de-briefing. ATNS shall provide such a de-briefing within four weeks of the request being made provided the order or contract has been placed. This debrief will be structured in a manner which will allow the supplier to gain an appreciation of the reasons for non-selection of their offer. This may include technical, operational or commercial detail but must not include divulgence of any commercially sensitive or proprietary information.

There shall be no telephonic discussions with unsuccessful bidders on the reasons for them not being selected. In addition, in the event that there is need to correspond with unsuccessful bidders in respect of the reasons for not being selected, all such correspondence should be signed off by Legal Services.

## **14. SUPPLIER MANAGEMENT**

### **14.1 Supplier Relations**

ATNS shall maintain and practice the highest possible standards of business ethics, professional courtesy, and competence in all its dealings with suppliers.

### **14.2 Establishment of the Database of Prospective Suppliers**

- ATNS shall establish and maintain a database of prospective suppliers per commodity type for the purpose of obtaining quotations.
- The database of prospective suppliers shall be used effectively to promote B-BBEE as well as the promotion of SMMEs.
- Prospective suppliers will be assessed in terms of predetermined evaluation criteria. Supplier credentials shall comply with verification requirements of B-BBEE.
- ATNS shall open for registration of new suppliers and updating of existing supplier information will be considered on a regular basis.

### 14.3 Supplier Sample

- 14.3.1 Samples of commercially available products may be requested from bidding suppliers.
- 14.3.2 ATNS shall not pay for samples provided and samples damaged/destroyed as a result of testing.
- 14.3.3 ATNS shall not be obliged to endorse any products/services provided by suppliers.
- 14.3.4 ATNS shall provide feedback on the results of tested samples and due procurement process should be followed before entering into contracts.

### 14.4 Supplier Restrictions

Suppliers may, under the below mentioned circumstances, be restricted from current and future business with ATNS for a term determined by the CEO or as provided for in legislation based on:

- non-compliance with legislation such as the Prevention and Combating of Corrupt Activities Act (restricted from current and future business);
- proven non-performance/non-compliance with contractual obligations when stipulated as a condition of bid and contract (restricted from future business);
- proven unethical actions and behaviour and abuse of the SCM system (restricted from current and future business); and
- misrepresentation of B-BBEE credentials in bid submissions.

## 15. PREFERENTIAL PROCUREMENT

- 15.1 Preferential procurement in ATNS will be implemented in line with the PPPFA and its regulations and the B-BBEE Act and its codes of good practice as amended.
- 15.2 ATNS will actively promote the increase in procurement from B-BBEE enterprises and SMMEs.
- 15.3 The increase in B-BBEE procurement will be achieved through the application of several strategic interventions, which may include but are not limited to:
  - 15.3.1 developing a database for B-BBEE enterprises which will be updated regularly;
  - 15.3.2 demanding B-BBEE accreditation of suppliers;
  - 15.3.3 setting of B-BBEE development plans with suppliers where appropriate; and
  - 15.3.4 the application of the National Industrial Participation Programme (IPP) as prescribed by the DTI to international suppliers.

## 16. CONTRACT MANAGEMENT

### 16.1 Types of Contracts

ATNS strives to enter into appropriate contract types with respective suppliers depending on the nature and the circumstance of the purchase. The list below provides the types of contracts that can be used to better provide for optimal value to ATNS.

#### 16.1.1 Lump Sum (Firm Fixed Price) Contract

These specify the total amount to be paid to the supplier for the goods and/or services rendered and the required output is clearly defined. Payments are linked to outputs (deliverables), such as reports, drawings, bills of quantities, bidding documents and software programmes.

#### **16.1.2 Time-Based Contract**

This type of contract is appropriate when it is difficult to define the scope and the length of services, either because the services are related to activities by others for which the completion period may vary, or because the input required for attaining the objectives of the assignment is difficult to assess.

This type of contract is widely used for complex studies, supervision of construction, advisory services, and most training assignments. Payments are based on agreed hourly, daily, weekly, or monthly rates for employees (who are normally named in the contract) and on reimbursable items using actual expenses and/or agreed unit prices.

This type of contract should include a maximum amount of total payments to be made.

#### **16.1.3 Percentage Contract**

These contracts are commonly used for architectural services. They may also be used for procurement and inspection agents. Percentage contracts directly relate the fees paid to the supplier of the estimated or actual project construction cost, or the cost of the goods procured or inspected. The contracts are negotiated based on market norms for the services and/or estimated employee-month costs for the services, or competitive bid.

#### **16.1.4 Indefinite Delivery Contract (Price Agreement)**

These contracts are used when the corporation need to have “on call” specialised services to provide advice on a particular activity, the extent and timing of which cannot be defined in advance. These are commonly used to retain “advisers” for implementation of complex projects such as expert adjudicators for dispute resolution panels, procurement advice, technical troubleshooting, and so forth, normally for a period of a year or more. ATNS and the supplier agree on the unit rates to be paid for the experts and payments are made based on the time actually used.

#### **16.1.5 National Contracts**

National contracts are term contracts for the supply of services/products for a number of regions. These contracts are administered by Senior Manager: Procurement and when in place a region may not procure similar products from other suppliers not contracted.

#### **16.1.6 Commitment Contract**

Commitment contracts consist of agreed upon terms and conditions for definite quantities, exact scope of work, or any combination of the mentioned requirements. This type of contract obligates the supplier to sell and the corporation to buy the quantity/service value designated.

#### **16.1.7 Non-Commitment Contract**

This is a contract without a definite quantity. This type of contract does not oblige ATNS to buy. Purchase orders for definite quantities or services are placed against the contract and when accepted by the supplier establishes the commitment under the terms and conditions of the contract.

#### **16.1.8 Purchase Orders**

Purchase orders are an official documents containing pre-printed pre-approved terms and conditions used to formalise a purchase transaction with a supplier. A purchase order, when placed with a supplier, acts as a contract when there is no existing contract to reference and should normally contain: quantity required, description, price, reference number to contract, agreed terms for payment, discounts, date of performance, invoice address and all other agreements pertinent to the purchase and its execution by the supplier.

#### **16.1.9 Service Contracts**

These contain agreed upon terms and conditions for a well-defined scope of work statement, which in turn describes the service to be provided. The how, when and where the service must be performed is contained in a commitment contract or in a purchase order for a non-committed contract.

### **16.2 Contract Administration**

- 16.2.1 The management of contracts as it pertains to the procurement function shall be a shared responsibility in ATNS.
- 16.2.2 Legal will be responsible to assist in drafting of contracts, legal advice on contracts and vetting of all contracts before signing of the contract and safekeeping of the original contract document.
- 16.2.3 The SCM unit together with the CFST is responsible to facilitate contract negotiations, renewals, extensions and terminations.
- 16.2.4 The SCM unit is responsible for contract administration and holding of a copy of the contract.
- 16.2.5 The line functionary will ensure supplier compliance with the contract and SLA and will report any deviations to the SCM unit

## **17. DISPOSAL MANAGEMENT**

- 17.1 Disposal management is the final process when the company needs to do away with unserviceable, redundant or obsolete stock.
- 17.2 The relevant commodity manager with SCM or line manager will make recommendations with regard to disposal of assets to the disposal committee.
- 17.3 The disposal committee is an ad hoc committee comprising the Senior Manager: Procurement; financial manager responsible for asset management and the head of the relevant department. The disposal committee will make recommendations on disposal of goods and refer decisions for approval to the BAC.
- 17.4 The recommendations of the disposal committee must be approved in line with the mandate matrix before implementation.

## **18. RISK MANAGEMENT**

- 18.1 The procurement of goods and services will be performed in line with the provisions of the ATNS Risk Management policy to ensure the identification, consideration and avoidance of potential risks in the procurement system. A representative from Risk Management will form part of the CFST for high value and high profile bids.
- 18.2 Relevant stakeholders shall identify risk on a case-by-case basis, allocate risk to the party best able to manage such risk and ensure optimum risk mitigation on the part of ATNS.
- 18.3 Tender and contract documentation shall endeavour to clearly state the responsibility of the different parties in order to allocate any risk associated with the procurement of goods and services appropriately.

## APPENDIX 1: PROCUREMENT THRESHOLDS (AS AMENDED FROM TIME TO TIME)

Threshold	Mechanism	Prerequisite	Evaluation	Award
Up to R2000/ purchase	Petty cash	Available budget	Department	Department
Between R2000 and R50 000 per request	Verbal three quote system	Available budget and purchasing requisition	SCM Specialist	Department (in line with Mandate Matrix) Monthly report must be submitted to the Senior Manager: Procurement
Between R50 001 and R500 000 per request	Written three quote system	Available budget, purchasing request and specification	SCM Specialist	Senior Manager: Procurement Department (in line with Mandate Matrix)
Above R500 000 per request	Competitive tender	Business Case/ budget approval and specification	CFST	BAC CEO if above R5 million Board if above R20 million

## APPENDIX 2: LIST OF ABBREVIATIONS

<b>ATNS</b>	Air Traffic and Navigations Services
<b>BAC</b>	Bid Adjudication Committee
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>BEE</b>	Black Economic Empowerment
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CFST</b>	Cross-Functional Sourcing Team
<b>EOI</b>	Expression of Interest
<b>LCC</b>	Life Cycle Costing
<b>NIPP</b>	National Industrial Participation Programme
<b>PFMA</b>	Public Finance Management Act (Act 1 of 1999, as amended)
<b>PPPFA</b>	Preferential Procurement Policy Framework Act (Act 5 of 2000)
<b>PROCOMM</b>	Procurement Committee
<b>RFB</b>	Request for bid
<b>RFI</b>	Request for information
<b>RFP</b>	Request for proposal
<b>RFQ</b>	Request for quotation
<b>SARS</b>	South African Revenue Services
<b>SCM</b>	Supply Chain Management
<b>SLA</b>	Service Level Agreement
<b>SMME</b>	Small, Medium and Micro Enterprise
<b>TCO</b>	Total Cost of Ownership
<b>TOR</b>	Terms of Reference

### APPENDIX 3: LIST OF DEFINITIONS

<b>Asset</b>	Movable and immovable resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.
<b>Capex</b>	Any expenditure which will be capitalised in the balance sheet and depreciated over a period of time in line with ATNS's depreciation policy.
<b>Delegated Employee</b>	The person delegated powers in terms of the approved Mandate Matrix.
<b>End-User</b>	The end-user is the person requiring a product/service from SCM.
<b>Fruitless and Wasteful Expenditure</b>	Expenditure which was made in vain and would have been avoided had reasonable care been exercised.
<b>His</b>	Refers to and includes both genders.
<b>Irregular Expenditure</b>	Expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation.
<b>Lifecycle Costing</b>	Lifecycle costing is a technique developed to identify and quantify all costs, initial and on-going, associated with a project or installation over a given period. Thus, it is a tool that forecasts the total cost of a purchase throughout its predetermined lifecycle.
<b>Employee</b>	Any person under the employ of ATNS.
<b>PFMA</b>	The Public Finance Management Acts, 1999 (Act No 1 of 1999 as amended) as well as the National Treasury Regulations.
<b>Procurement</b>	Procurement is the process of purchasing of goods, works and services.
<b>Responsibility</b>	The obligation imposed on an individual to properly exercise the authority vested in him/her.
<b>Risk Management</b>	Risk management may be defined as the identification, measurement and control of risks that threaten the assets and earnings of a business or enterprise.
<b>Small Medium and Micro Enterprises (SMME)</b>	As defined in the National Small Enterprise Act (102 of 1996 as amended).
<b>Supplier</b>	A supplier is the juristic person or legal entity that provides goods, services or works to ATNS.
<b>Supply Chain Management</b>	The function that collaborates or integrates: <ul style="list-style-type: none"> <li>• Demand management</li> <li>• Acquisition management (including document management)</li> <li>• Logistics management</li> <li>• Disposal management</li> <li>• Procurement risk management</li> <li>• Procurement performance management</li> </ul>
<b>Supply Chain Management Specialist</b>	A person who practices supply chain management as a profession or any other employee practicing or involved in supply chain management.
<b>Value for Money</b>	Best value for money means the best available outcome when all relevant costs and benefits over the procurement cycle are considered.