PART A

CHAPTER 6 – THE WRITING OF INITIAL VERSIONS OF THE PURCHASING POLICY AND PROCEDURES

“The concept of a strategy has been widely used but remains essentially a ‘formula or a plan to compete effectively in a marketplace’. To be of use a strategy requires direction (vision and objectives) and resources.” - (Gattorna & Walters, 1996:165).

6.1 INTRODUCTION

In order to address some of the systemic procurement problems that were detailed in chapter 5 of this thesis, three initial versions of the purchasing policy, procedures manual and standard procurement documents were written that were essentially the same in content.

The purpose of this chapter is to document the process followed during the writing and implementation of the first versions of the policy and procedures.

6.2 PURPOSE OF THE FIRST SUBMISSIONS

The purpose of the first submissions on procurement was to create a purposeful, comprehensive working document through consultation with the Registrar (Finance), finance section personnel and purchasers to create a transparent, detailed, practical, equitable and legal process to address procurement at the RAU.

The specific objectives of the first submissions were:
- To create a uniform tender process that could be applied university wide;
- To create standard, uniform tender documents for the RAU;
- To update purchasing cut-off values so that it fits into the proposed tender process;
To write a charter for the tender committee that could be applied before, during and after
the awarding of tenders;

To set formal guidelines that could be used during the writing of evaluation criteria for
the adjudication of tenders;

To address ancillary purchasing problems;

To ensure openness and transparency for purchasing actions; and

To ensure that the right item is purchased at the right time, in the right quantity and at
the right quality to the best advantage for the RAU.

6.3 SCOPE LIMITATIONS AND SPECIFIC FOCUS AREAS
OF THE INITIAL INVESTIGATION

The initial investigation that preceded the writing of the first submissions was not all
encompassing and was limited in scope and specifically focused on other areas as follows:

Although there was a critical need to ensure that uniform tender procedures were put in
place, there was a specific need for appropriate tender procedures that could
accommodate tenders for the purchase of computers and tenders for the maintenance of
buildings and equipment;

The submissions had to be written in such a way that suggestions could be implemented
almost immediately. This meant that the documents had to be very practical in nature,
written concisely and in understandable terms, whilst being comprehensive enough to
explain the thought processes and strategic vision behind it. At the same time, there
needed to be buy-in from stakeholders that was achieved through informal open
communication channels as well as a formal process of review of the versions such as
was documented in chapter 5 of this thesis;

The submissions were not based on the current practices in place at the RAU, but rather
had to ensure governance and control over the process. Cognisance had to be taken of
the staff complement and competencies available;

The writing of the submission had to take cognisance of the latest trends in procurement
and supply change management as well as public tender procedures;

Standards documents used during the tender process had to be written in such a way that
tender documents could, at the option of the RAU become the contract between the
RAU and the supplier;

- Tenders or procurement of goods through university bargaining chambers such as the South African universities vice-chancellors association (SAUVCA) was not included in these submissions;
- Tenders for building work via professional teams were initially scoped out of the submission, but it was later on found that the policy and process could also be applied to building contracts; and
- The initial submissions were not focused on procurement actions performed by decentralized departments, but subsequent to the fraud at the Optometry clinic that was referred to in chapter 5, the submission was made applicable to all procurement actions of the RAU.

6.4 CONSIDERATIONS DURING THE WRITING OF THE SUBMISSIONS

The first versions of the policy and procedures were written after a range of different sources was considered relating to tenders and related aspects.

The first versions were based on information obtained from the following sources:

- Research on the theoretical foundation on which tenders should be based;
- The latest tender- and related procedures that were available from the Anglo American Technical Services; and
- Tender documents used by the State Tender Board, Telkom SA and Gold Fields SA.

The submissions also took cognisance of the actual process in place at the time and considered the opinions of purchasing personnel.
6.5 AN OVERVIEW OF THE DIFFERENT SCHOOLS OF THOUGHT SURROUNDING TENDERS

The traditional school of thought in respect of tenders and tender procedures is to open tenders publicly and to evaluate tenders received back on the basis of pre-set criteria. After tenders have been handed in via open invitation, the tender process remains fairly closed to the tenderer as no further bid clarification meetings are generally entertained (Fletcher, 1996:9-11).

The traditional school of thought dictates that the prospective suppliers have to adhere to strict requests for information required by the tender documents and must adhere to strict procedures set out in tender requests and tender documents. The intention is that the organization opening the tender must get value from information requested via the tender documents. At the awarding of the tender, the supplier is to be bound by strict contract stipulations and high penalty clauses (Andrew, 1998:3).

The characteristics of the traditional tender process are:

- The tender is generally awarded to the tenderer with the lowest price;
- Tenders are specifications driven;
- Problems are avoided as far as possible by black-listing suppliers who have not performed in the past. Communication is therefore limited and co-operation is limited; and
- There is limited exchange of information between suppliers and the organization requesting the goods and services.

The latest school of thought in procurement science is to pre-select suppliers that will enter into partnership with the organization requiring the goods and services.

The purpose of supply partnerships is (Andrew, 1998:4):

- The administrative burden on both parties is reduced. Basic information about suppliers is not collated every time a tender is opened. Rather, specific suppliers are approached for partnership agreements and information about these suppliers are kept on file;
- The purchasing function may be rationalized as fewer suppliers are used;
Long-term relationship are established between suppliers and the organization purchasing goods and services;

Exchange of information takes place and open communication channels are established between the parties; and

Exclusive partnership agreements provide an opportunity for suppliers to give substantial discounts to the organization as a result of volumes procured, long-term agreements and single-supplier status.

In South Africa, most large organizations are moving to a position where partnership relationships with suppliers are established. In this regard most of the mining houses, plastic industries companies, organizations listed in the Public Finance Management Act and the agricultural sector has already established single supplier contracts and dedicated supplier agreements, or strictly controlled approved supplier list.

The issue of course, is the pre-qualification of suppliers.

The practice of creating (and updating) an approved supplier list is well established in the public sector and commerce and industry. Some of the advantages of an approved supplier list include:

- Updated information about suppliers and their products and services is on hand;
- Relationships are built with preferred or formally approved suppliers. This relationship will focus on continuous quality of service and products as well as best-price relationships and will ensure focused procurement;
- If an approved supplier list is made available to sections or departments, personnel in these sections or departments will be able to obtain valid quotations and place valid orders from verified suppliers that may be used as a basis for the placing of orders. Currently at RAU, only central purchasing has information on hand in respect of suppliers from whom goods and services are frequently procured. Given the number of requisitions that are sent to central purchasing on a daily basis, backlogs or sometimes slow turnaround time in the placing of orders can be addressed through controlled collaboration with sections or departments;
- Risks in respect of suppliers who earn 80% or more of their total income from the RAU may be identified and acted upon so as to ensure that employees tax is recovered from
amounts payable;

- Related party transactions may be identified early;
- The SMME (small, medium, micro and very small enterprise) status of suppliers will be available;
- The degree to which suppliers have processes in place for Black Economic Empowerment or may indeed be classified as Black Economic Empowerment organizations themselves is documented;
- The possibility to monitor detailed SMME and Black Economic Empowerment targets are in place;
- Possible going concern problems with the businesses of suppliers can be identified in advance; and
- Proper supplier research can be planned and executed timely. For example, an approved supplier list will indicate too few approved suppliers of a particular product or group of products given the classification of suppliers. Purchasers can then conduct focused market research to find and pre-qualify suitable suppliers.

The pre-qualification of potential suppliers requires prospective bidders to demonstrate that they have, among others (Department of Finance, 2000:22):

- Specific experience in the sector;
- Successful performance on similar projects, with references from former clients;
- Relevant experience and performance in similar economic, demographic, geographical, topographical or climatic areas;
- Appropriate personnel and equipment capabilities;
- Financial capacity to carry out the project; and
- Capacity and commitment to promote empowerment and affirmative action.

Pre-qualification will ensure that a manageable number of suppliers from a range of supplier categories are invited to submit final tenders, bids and/or quotations.

The school of though that was prescribed to during the writing of the policy and procedures was the partnership school of thought in light of:

- Continued attempts within the RAU to rationalize administration and services as far as possible;
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- To alleviate pressure on the central purchasing section; and
- The need to formalize tender procedures and documentation.

Within the framework of the traditional tender procures there are a number of different tender methodologies that may be used.

Firstly when open tenders are used, prospective suppliers are invited to tender through advertisements in the popular press. The organization issuing the invitation is not necessarily bound to awarding the tender to the lowest bidder. As at February 1999 (the commencement date of this project) open tenders had very rarely been used. Indeed, this author could not find any evidence that open tenders had been used for the past decade. Procurement, albeit through tenders, was sought through specifically identified suppliers.

The second type of tender that may be used is a limited open tender. In terms of this methodology, tenderers are invited to tender through advertising in technical journals and technical newspaper. Again, this type of tender has not been in use at the RAU.

Thirdly, selective tenders may be used. In terms of this methodology approved suppliers are invited to tenders as needed. The suppliers who are invited to tender have been pre-approved based on their competencies, financial position and other factors. As at February 1999, this process was used informally by the RAU. Purchasers in both the finance section and operations section had, over the years, identified suitable suppliers with whom to conduct business. However, these suppliers were not placed on an approved supplier list, not was information about these suppliers kept on record.

The fourth tendering system is when serial tenders are used. Prospective suppliers are invited to tender either via open tenders or selectively for an initial scheme on the basis of a contract that when completed successfully, will be expanded to a number of years or for a larger quantity of goods.

The type of tendering system that best suits the partnership approach is selective tendering. Selective tendering was used as far as possible as a point of departure together with the establishment of an approved supplier list.
6.6 MAIN CHARACTERISTICS OF THE FIRST VERSIONS

The first versions of the policy document and procedures manual was based on the partnership school of thought and the creation of an approved supplier list.

The procedures followed by the purchasers in the finance section and operations section were now uniform.

Purchasing cut-off values used were uniform, but tenders had to be opened from a relatively low Rand value in order to ensure governance over high Rand value procurement transactions.

In addition, tendering created the possibility to use the bargaining power of the relative size of the RAU to the best advantage of the institution.

In order to underpin an approved supplier list, it was clear that information had to be obtained about suppliers who the purchasers though the RAU had to do business with. In this respect a standard form entitled “application to be placed on the approved supplier list” was written.

Application forms received from suppliers then had to be evaluated before suppliers could be placed on the approved supplier list. The process made the tender process of the RAU “open” in that any supplier could approach the institution to be placed on the approved supplier list. When tenders were opened for good and services supplied by suppliers on the approved supplier list, comprehensive tender documents did not need to be issued. In such cases the “short-form tender documents” of the RAU that was written were to be issued with the invitation to tender. In this way, at least five tenders had to be requested.

In all other cases where there were no approved suppliers on the approved supplier list, open tenders had to be entertained. For this purpose, the “tender document” of the RAU was written.

The initial submissions also entertained the idea that tenders with a value over R500 000 had to be referred to the tender committee.
The way in which procurement transactions were recommended, authorized and decision taken were formulated in line with the council documents entitled “Raad: Beslissingsbevoegdhede/delegasie”.

Specific time frames for the procurement of goods and services were also set in order to ensure that purchasers had sufficient time to procure goods and services at the best possible terms.

Each of the main aspects of the first submissions will be discussed in detail below.

6.7 FLOW CHART

The success of the application of the first submissions was hinged to a large extent on whether the policy, procedures and standard documents could be understood and used without difficulty. In addition, the decision making powers in the policy had to be in line with the delegation of authority established by council.

In order to facilitate the immediate and easy use of the procedures and policy, a flow chart was developed that clearly showed the authorization levels, recommendation powers, decision making powers and process to be followed for procurement. The flow chart that was presented as part of the submission will be shown below.
**FLOW CHART**

Approval of expenses

- **Within approved budget**
  - Of departments and divisions
    - Approved by relevant:
      - Departmental Chairman
      - Divisional Head
  - Under management committee members or chief officers
    - Approved by relevant:
      - Management Committee member (or proxy)
      - Chief Officer (or proxy)

- **Not in approved budget**

<table>
<thead>
<tr>
<th>AMOUNTS IN RAND</th>
<th>PROCEDURE</th>
<th>WITHIN BUDGET</th>
<th>OUTSIDE BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 5 000</td>
<td>🕎</td>
<td>Departmental chairperson, section head or chief officers or their proxies</td>
<td>Director: Operational Finance or Chief Director Finance</td>
</tr>
<tr>
<td>5 001 to 20 000</td>
<td>🕎</td>
<td>Member of management committee / proxies (tenders and contracts)</td>
<td>Manage - ment committee (tenders and contracts)</td>
</tr>
<tr>
<td>20 001 to 100 000</td>
<td>🕎</td>
<td>Tender committee</td>
<td>Tender committee</td>
</tr>
<tr>
<td>100 001 to 250 000</td>
<td>☄</td>
<td>Management committee</td>
<td>-</td>
</tr>
<tr>
<td>250 001 to 500 000</td>
<td>☄</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>500 001 to 1 000 000</td>
<td>☄</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1 000 001 and over</td>
<td>☄</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

| Work by consultants > R50 000 | Authori - zation before appointment ☄ | Management Committee (appointment) | Management Committee (amount) | Manager Committee (appointment) | Management Committee (amount) |
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KEY TO THE FLOW CHART:

1. Purchasing cut-off values dictate procedures. One verbal quotation.
2. Purchasing cut-off values dictate procedures. At least one written quotation.
3. Purchasing cut-off values dictate procedures. At least three written quotations, as far as possible from the list of approved suppliers.
4. Purchasing cut-off values dictate procedures. Selective tenders to approved suppliers, otherwise open tenders.
5. For work to be performed by a consultant, quotations should first be obtained if possible from consultants that were approached. If no consultant has been identified, open tender procedures.
6. The procedures to be followed to obtain quotations or tenders are dictated by the purchasing cut-off values.
7. The decision, authorization and notification requirements are dictated by the decision-making powers and delegation document of the council.
8. The recommendations are dictated by the purchasing cut-off values.

* Work carried out by consultants also includes work carried out by project team members not associated with the RAU and all RAU employees. In all cases permission must be obtained from the management committee before consultants are appointed. Consultants must complete and sign the document entitled “Appointment of Consultant”.

6.8 PURCHASING CUT-OFF VALUES

Once authorization has been given for requisitions based on budgetary constraints, it is important to determine the process that will be followed during the ordering process in order to obtain quotations or tender prices. The purchasing cut-off values that were determined in the first submissions were based on the frequency and size of procurement transactions administered by purchasing sections over a period of a year. In this respect detailed discussions were held with purchasing staff and the cut-off values in use at the University of Pretoria were also considered.

The newly proposed purchasing cut-off values in comparison to the policy accepted in
February 1999 (that was detailed in chapter 5 of this thesis) will be presented in Table 6.1 and Table 6.2 below. As can be seen from these tables, there were essentially two sets of purchasing cut-off values put in place. One for purchasers in the operations section and one for procurement via the finance section. This mirrored the position at the time of the issue of the first policy document that there were purchasers in both the finance and operations section as explained in chapter 5 of this thesis.

Thereafter, the purchasing cut-off values as set out in the third version of the submission will be presented in Table 6.3. Except for one change relating to procurement outside of budgets, and another that places greater emphasis on the approved supplier list, these cut-off values are still in use at the RAU.
<table>
<thead>
<tr>
<th>RAND AMOUNTS</th>
<th>POLICY BEFORE FEBRUARY 1999</th>
<th>INTERIM POLICY AFTER FEBRUARY 1999</th>
<th>NEW POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 10 000</td>
<td>One verbal quotation</td>
<td>One verbal quotation</td>
<td>One verbal quotation</td>
</tr>
<tr>
<td>10 001 – 20 000</td>
<td>At least two written quotations</td>
<td>At least two written quotations</td>
<td>At least two written quotations</td>
</tr>
<tr>
<td>20 001 – 50 000</td>
<td>At least three written quotations</td>
<td>At least three written quotations</td>
<td>At least three written quotations</td>
</tr>
<tr>
<td>50 001 – 100 000</td>
<td>Open tenders without tender committee</td>
<td>At least four written quotations</td>
<td>At least three written quotations</td>
</tr>
<tr>
<td>100 001 – 250 000</td>
<td>Open tenders without tender committee</td>
<td>At least four written quotations and single tender documents</td>
<td>As far as possible selective tenders from suppliers on the approved supplier list, otherwise open tenders</td>
</tr>
<tr>
<td>250 001 – 500 000</td>
<td>Open tenders without tender committee</td>
<td>Open tenders without tender committee</td>
<td>As far as possible selective tenders from suppliers on the approved supplier list, otherwise open tenders</td>
</tr>
<tr>
<td>500 001 – 1 000 000</td>
<td>Open tenders without tender committee</td>
<td>Open tenders without tender committee</td>
<td>As far as possible selective tenders from suppliers on the approved supplier list, otherwise open tenders</td>
</tr>
<tr>
<td>1 000 001 and more</td>
<td>Open tenders without tender committee</td>
<td>Open tenders without tender committee</td>
<td>As far as possible selective tenders from suppliers on the approved supplier list, otherwise open tenders</td>
</tr>
<tr>
<td>Work performed by consultants</td>
<td>No policy</td>
<td>No policy</td>
<td>Quotations from specific consultants, otherwise open tenders.</td>
</tr>
</tbody>
</table>

**TABLE 6.1 – PURCHASING CUT-OFF VALUES FOR OPERATIONS PURCHASES**
### TABLE 6.2 – PURCHASING CUT-OFF VALUES FOR FINANCE PURCHASES

<table>
<thead>
<tr>
<th>RAND AMOUNTS</th>
<th>POLICY BEFORE THE FIRST SUBMISSION</th>
<th>NEW POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td>150 – 5 000</td>
<td>One verbal quotation</td>
<td>One verbal quotation</td>
</tr>
<tr>
<td>5 001 – 20 000</td>
<td>At least two written quotations</td>
<td>At least two written quotations</td>
</tr>
<tr>
<td>20 001 – 50 000</td>
<td>At least three written quotations</td>
<td>At least three written quotations</td>
</tr>
<tr>
<td>50 001 – 500 000</td>
<td>Open tenders</td>
<td>As far as possible selective tenders from suppliers on the approved supplier list, otherwise open tenders</td>
</tr>
<tr>
<td>500 001 – and more</td>
<td>Open tenders</td>
<td>As far as possible selective tenders from suppliers on the approved supplier list, otherwise open tenders</td>
</tr>
<tr>
<td>Work performed by consultants</td>
<td>No policy</td>
<td>Quotations from specific consultants, otherwise open tenders.</td>
</tr>
</tbody>
</table>

### TABLE 6.3 – COMBINED PURCHASING CUT-OFF VALUES AS SUBMITTED IN VERSION THREE OF THE POLICY AND PROCEDURES MANUAL

<table>
<thead>
<tr>
<th>RAND AMOUNTS</th>
<th>COMBINED NEW POLICY FOR ALL PROCUREMENT TRANSACTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>150 – 5 000</td>
<td>One verbal quotation</td>
</tr>
<tr>
<td>5 001 – 20 000</td>
<td>At least two written quotations</td>
</tr>
<tr>
<td>20 001 – 100 000</td>
<td>At least three written quotations, as far as possible from suppliers on the approved supplier list</td>
</tr>
<tr>
<td>100 001 – and more</td>
<td>As far as possible selective tenders from suppliers on the approved supplier list, otherwise open tenders</td>
</tr>
<tr>
<td>Work performed by consultants</td>
<td>Quotations from specific consultants, otherwise open tenders.</td>
</tr>
</tbody>
</table>
6.9 THE RAU TENDER DOCUMENT

As explained in paragraph 6.6, a uniform tender document was written. The purpose of the document was to set out standard terms of trade to which suppliers could be bound and to standardize tender documents in use at the RAU.

The intention was that the tender document should be used in the case of tenders that were not invited from suppliers on the approved supplier list.

The tender document contained detailed stipulations relating to the conditions of tender and the submission of tender. In addition, the tender document set out or asked for detailed information from the tenderer in respect of the following aspects:

- Invitation to tender;
- Provisions in respect of the submission of the tender;
- Declaration and undertaking by the tenderer;
- General provisions applicable to the tender;
- Specific provisions applicable to the tender;
- Conditions applicable to successful tenderers;
- Most important contact information;
- Detail information on the tenderer;
- Organizational structure;
- Financial history;
- Products and services;
- Terms of delivery;
- After-sales service;
- Guarantees;
- Repair work and maintenance;
- Installation-, operating- and maintenance-instructions;
- Specific services included with the tender at no extra charge;
- Sub-contractors;
- General; and
- A list of additional information attached by the tenderer.
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The tender document is still in use at the RAU. Chapter 7 will detail how the document has been changed to its final version that will be presented in Part B of this thesis.

However, although it was envisage that this tender documents would be used in limited cases, there had been very little effort in practice on creating an approved supplier list since the first submission to 1 January 2002. In the case of most tenders, the full RAU tender document was issued with the invitation to tender, although public advertising of tenders did not take place.

6.10 APPLICATION TO BE PLACED ON THE APPROVED SUPPLIER LIST

In terms of the partnership thought process, the application form to be placed on the approved supplier list plays a crucial role in obtaining information about suppliers before they are evaluated for acceptance or not on the list.

In addition, a basic supplier evaluation form was written with the intention that application forms should be formally evaluated based on pre-set criteria.

The tender procedures in the initial submissions addressed the pre-qualification or vetting of suppliers based on information in the approved supplier list.

However, the reality since 1999 is that very little pre-qualification has occurred to date. Until 1 January 2002, pre-qualification was generally limited to the verification of VAT registration numbers.

During the development of the final products as set out in Part B of this these, this author, in May 2000, sent out application forms to 519 creditors that were identified as preferred creditors by all the different sections and departments of the RAU through a very long, but wholly inclusive process.

In total, 146 completed application forms were returned. Although the supplier application
evaluation form was in place at that time, none of the application forms were evaluated, largely because of pressure on procurement and finance section staff, issues relating to reporting lines, as well as a lack of strategic and innovative thinking in the central purchasing. This statement can probably be applied to most procurement departments in most organizations given the dramatic changes in procurement science in the face of the fact that procurement actions must be executed with great speed, although those requisitioning goods and services may have waited unnecessarily before doing so.

The supplier database has therefore not been updated in any way with the information so obtained.

However, as will be seen from chapter 7 in this thesis, the issue of the approved supplier list had to be revisited and operationalised as explained in chapter 9 of this thesis.

The type of information set out or sought in the application form relates to:

- Invitation to apply to be placed on the approved suppliers list;
- Provisions in respect of the submission of the application;
- Declaration and undertaking by the applicant;
- Stipulations and provisions applicable to the application;
- Contact details of the applicant;
- Detail information about the applicant;
- Organizational structure;
- Financial history;
- Products and services;
- Prices;
- Quality control processes;
- After-sales service;
- Guarantees;
- Specific services included with the delivery at no extra charge;
- Sub-contractors;
- General; and
- A list of additional information attached by the applicant.
The application form is still in use at the RAU. Chapter 7 will detail how the document has been changed to its final version that will be presented in Part B of this thesis.

6.11 SHORT-FORM TENDER DOCUMENT

The process of creating an approved supplier list created the opportunity to use shortened tender forms in the case of tenders invited from suppliers on the approved supplier list, as the basic information of tenderers was on record.

For this purpose, the short-form tender documents were written.

The tender document contained detailed stipulations relating to the conditions of tender and the submission of tender under the following headings:

- Invitation to tender;
- Provisions in respect of the submission of the tender;
- Declaration and undertaking by the tenderer;
- General provisions applicable to the tender;
- Specific provisions applicable to the tender;
- List of information in the application of approved suppliers that is not correct;
- Conditions applicable to successful tenderers;
- Most important contact information;
- Terms of delivery;
- Quality control standards and achievements;
- After-sales service;
- Guarantees;
- Repair work and maintenance;
- Installation-, operating- and maintenance-instructions;
- Specific services included with the tender at no extra charge;
- General;
- A list of additional information attached by the tenderer; and
- Price information.
The short-form tender document is still in use at the RAU. Chapter 7 will detail how the document has been changed to its final version that will be presented in Part B of this thesis.

### 6.12 TENDER COMMITTEE

The submissions also formalized the existence of the tender committee. Initially the tender committee comprised of one group of people and all tenders were referred to the one committee. However, as the procedures were implemented it became clear that the risk profile of tenders with a Rand value below R250 000 was relatively low and could be dealt with by another group of people. Both groups were referred to as the “tender committee”.

A charter was written that set out the responsibilities and functions of the tender committee that has been reproduced below.

```
1. NAME AND OBJECTIVE
   1.1 The Committee is known as the Tender Committee of the Rand Afrikaans University.
   1.2 The Tender Committee must ensure that the best possible conditions are negotiated for the Rand Afrikaans University in the awarding of all tenders submitted for recommendation to the Management Committee.

2. COMPOSITION
   2.1 With regards to the tenders valued from R100 001 to R250 000, the Tender Committee comprises:
      • Chief director finance or senior director finance (chairperson)
      • Director operational finance
      • Senior purchaser or purchaser.

   The Tender Committee appoints a person as the secretary of the Tender Committee.
```
The quorum for these meetings of the Tender Committee comprises:
- Chief director finance or senior director finance and
- Director operational finance or his/her secundus and
- Senior purchaser or purchaser.

2.2 With regard to tenders valued from R250 001, the Tender Committee comprises:
- Registrar (Operations)
- Registrar (Finance)
- Representative of the Audit Committee
- Representative of the Faculty of Law.

The chairmanship of the Tender Committee rotates annually between the Registrar (Operations) and Registrar (Finance).

The Risk Manager and the Senior Purchaser attend meetings of the Tender Committee as observers.

The quorum for these meetings of the Tender Committee comprises:
- The Registrar (Operations) or Registrar (Finance) and
- The representative of the Audit Committee or his/her secundus and
- The representative of the Faculty of Law or his/her secundus.

2.3 The representative of the Audit Committee is appointed by the Audit Committee, and the member of the Faculty of Law is appointed by the Management Committee in consultation with the Dean.

2.4 The representative of the Audit Committee and the member of the Faculty of Law are appointed for a term of three (3) years, after which the management Committee may, at its discretion, reappoint the outgoing members if they make themselves available.

2.5 The management Committee and the Audit Committee appoint alternative people who could act as secundi in the absence of the members of the Tender Committee.

3. DUTIES AND RESPONSIBILITIES
The duties and responsibilities of the Tender Committee comprise the following:
3.1 The activities of the Tender Committee are carried out in terms of the procedures set out in the policy document entitled “Decentralized Financial Management”.

3.2 The activities and recommendations of the Tender Committee are confidential and may not be divulged by the members of the Tender Committee, unless information is disclosed officially by the Tender Committee.

3.3 All tender transactions of a rand value exceeding R100 000 must be referred to the Tender Committee for the recommendation of a contractor/supplier to the Management Committee.

3.4 Depending on the nature of the tender, the Tender Committee may, at its discretion, invite other expert staff of the Rand Afrikaans University or consultants to advise the Tender Committee.

3.5 The Tender Committee is not compelled to recommend the awarding of the lowest tender or any tender.

3.6 The Tender Committee deviates from the approved tender procedures and policy of the University only if valid reasons exist, in which case the Chairperson reports such deviation to the Management Committee for ratification before implementation of the decision.

3.7 The Tender Committee ensures that a fair and transparent tender process is followed.

4. AMENDMENTS

This charter is amended by Council on the recommendation of the Audit Committee.”

Further refinements to the charter will be explained in detail in chapter 7 of this thesis.

6.13 GUIDELINES FOR THE DEVELOPMENT OF CRITERIA FOR THE EVALUATION OF TENDERS AND APPLICATION FORMS

With a view to the development of criteria for the evaluation of tenders and application forms
the initial submission included a number of points with the intention that purchasing personnel take responsibility for the process.

Firstly, the prices for goods and services tendered for had to be used to schedule tenderers from the cheapest to most expensive. The submission made provision for cases where tenders could be awarded to tenderers who did not tender the lowest prices. In such a case the decision would be swayed by other factors.

The evaluation of tenders and application forms also had to take cognizance of other factors documented in the tender documents or application forms.

However, the process of establishing formal evaluation criteria did not move forward until October 2001 when this author took steps to formalize evaluation criteria. The relevant detail will be presented from chapter 9 of this thesis.

### 6.14 QUESTIONS AND ANSWERS

The first drafts of the submission were presented widely for comment and in order to assist readers in understanding the process followed, a number of questions and answers were developed, documented and distributed with the policy and procedures manual.

Some of the important issues addressed by the questions and answers were:

- A culture must be established that underpins a transparent and formal procurement process;
- Year contracts and service contracts also needed to be subjected to the policy and procedures;
- Building contracts were also accommodated within the process. In the case of JBCC standard contract issued for building projects, the tender document was not to be issued but rather the application form (in order to obtain information about tenderers) and the JBCC specifications;
- The process that open tenders are not the first choice is legal and common in practice;
- The process to apply to be placed on the approved supplier list is open to all; and
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Chapter 6 – The writing of initial versions of the purchasing policy and procedures

- The process addressed the risks in respect of the appointment and payment of consultants.

6.15 SUMMARY

The writing of the first three drafts of the purchasing policy, procedures manual and related documents have been detailed in this chapter.

The policy, procedures and forms have been implemented at RAU since 1999 and have transformed the procurement process from an informal, ad hoc process to a formal, well-governed and transparent process.

However, procurement science is an ever-changing field.

During 2001, a number of procurement issues came to the fore that necessitated major strategic changes to the basic policy, procedures and standard documents that underpinned procurement at RAU. Chapter 7 will deal with some of these changes.

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BIBLIOGRAPHY


