



ST STITHIANS COLLEGE POLICY: PROCUREMENT AND TENDER

Introduction

1. This policy deals with all procurement, ordering and tendering processes at the College.
2. The decision whether goods or services are procured in-house or outsourced is an Executive/Management decision based on cost-benefit and other appropriate evaluations.
3. Once the purchasing/outsourcing decision has been taken there are basic principles which must be adhered to by purchasing agents within St Stithians College.
4. In implementing this policy the College is committed to realizing Goal 5 of the College Diversity Plan: *“As an institution, the College is committed to assisting in the transformation of the South African economy by supporting in our procurement and tendering policies and other business practices companies owned by blacks, women and small business economic empowerment”*.
5. Despite the price sensitivity, Council has expressed a wish that BEE companies be given priority which may result in paying higher prices. This action would be in line with our Transformation Statement.

Identify the Need

6. The end user must identify and specify the attributes of the goods or article/service required.
7. Normally the need will be identified at the time the budget for the next year is compiled. In those instances where budget provision was not made, authorisation from the College Executive is required.
8. It may be necessary for the user to discuss the product or service with potential suppliers, in terms of specifications or performance criteria. However, under no circumstances should final prices be discussed or any commitment made that could be understood to represent an order, unless the user is also the buyer and has secured the necessary authority to negotiate and place the order.

Ordering

9. Purchase Orders are used when we place orders with outside vendors. It is a contractual undertaking to purchase goods or services from a vendor.
10. The selection of the supplier, price determination, ordering, and monitoring the progress of the order is the prerogative of the buyer acting with due authority. In instances where a knowledge of the College infrastructure, e.g. telephone cabling or IT infrastructure, is

- required, consideration can be given to standing relationships with suppliers as that may have an effect on the overall cost of procurement.
11. The purchaser/ user must obtain a minimum of three written quotes for all goods of a capital nature. The request for the quotation must be specific regarding the item or service to be quoted for. Purchasing Agreements. It is necessary for agreement to be reached between the purchaser and vendor on the terms and conditions pertaining to each transaction concluded. As it is impractical to negotiate a contract for each and every purchase, general business requirements dictate negotiation of an agreement. This agreement states the terms and conditions under which the parties will generally operate. Where necessary, such agreements may be varied by a schedule stating variations required/allowed for a specific purchase, e.g. where delivery would normally be within 30 days, this could be varied to say 60 days, with the agreement of both parties.
 12. Authorisations: Because of the nature of the work involved all purchasing agents within the College must seek the appropriate authorizations i.e. as per the purchasing authority matrix.
 13. Placing the Order:
 - 13.1. It is the responsibility of the purchaser to place the order in writing (i.e. use the order book) with at least one copy being retained for office use. Negotiated discounts should also be quoted to ensure that the invoice conforms to the order specification and conditions.
 - 13.2. As a basic principle no payment should be made in advance of the receipt of goods or the provision of services.
 14. The purchaser is responsible for the expedition and follow-up of an order.
 15. The Purchase Order provides:
 - 15.1. A clear description of what the College wishes to purchase.
 - 15.2. Authorisation to the vendor that the order is approved.
 - 15.3. Affirmation that the vendor will receive payment from the school on delivery of the goods and once an invoice is received.
 - 15.4. Verification to the Bursars Department that the order was approved.
 - 15.5. Identification of the account number to be charged
 - 15.6. Identification of who placed the order so that deliveries can be distributed correctly.
 16. Examples where it is not necessary to complete a purchase order:
 - 16.1. Personal reimbursements (with prior approval only)
 - 16.2. Contracted utility services
 - 16.3. Ongoing contracts
 - 16.4. Petty Cash
 - 16.5. Wages
 - 16.6. Professional Services (consulting, audit, attorney)
 17. How a purchase order should be completed:
 - 17.1. Reflect the name and address of the supplier
 - 17.2. Date of the order
 - 17.3. Full description of the goods required
 - 17.4. The quantity required
 - 17.5. The suppliers quoted price
 - 17.6. If a quote was received:
 - 17.6.1. in writing - attach it to the order

- 17.6.2. verbally – note the name of the employee who gave the quote
- 17.7. Empty lines on the order should be ruled through to prevent fraud
- 17.8. Signature of a person who has authority to bind the College (The Head of a school may request from Finance Committee that this authority be devolved to a deputy)
- 17.9. An account allocation

- 18. Supplier Performance Record:
 - 18.1. Best practice is that a record of a supplier performance be maintained by the purchasing agent/end user. Such record should include amounts expended, problems experienced, budgeted amounts expected to be expended, discounts negotiated, reference to orders/ purchase agreements etc.
 - 18.2. Where a service has been outsourced the end-user must monitor supplier performance against agreed service standards and maintain appropriate records of supplier performance.

- 19. Receiving:
 - 19.1. The purchaser/ user must stipulate in the order the address to which the goods must be delivered. It is not necessarily the responsibility of the purchaser to accept delivery, store, install or otherwise dispose of the goods.
 - 19.2. This responsibility lies with the purchaser/ user who is to confirm receipt of the consignment by forwarding the delivery note and/or advice of goods received to the Bursar's Department. Such delivery note should be certified to the effect that the goods have been received in good order and inspected. In this respect, cognisance should be taken of:
 - 19.2.1. State of packaging:
 - 19.2.2. Quantity of items must agree with that on the order
 - 19.2.3. General state of the article
 - 19.2.4. The supplier must state the order number
 - 19.2.5. The price reflected on the invoice agrees with the price on the order, where the invoice accompanies delivery.

- 20. Should any discrepancy exist the purchaser must resolve the issue with the supplier. In need, a qualified receipt should be given to the deliverer.

- 21. When returning unwanted goods to suppliers a signature must be obtained from the person collecting the goods and a request for a credit note must be forwarded to the Bursar's department.

- 22. Petty cash refunds will only be made when the relevant cash slip is presented to the Bursar's department.

- 23. Payment:
 - 23.1. Payment should be effected independently of the buying function, although this may not always be practical within a College situation.
 - 23.2. The payer will receive statements against which all invoices are to be compared and any discrepancies referred to the supplier. The payer is to file the statement together with all supporting documentation.

Contracting

- 24. Before entering into a contract we should consider whether or not to take legal advice. All contracts should be as detailed as possible to eliminate the likelihood of misunderstanding.

25. Contracts should cover key areas including:
 - 25.1. Level of service
 - 25.2. Scope of work
 - 25.3. Frequency and timing
 - 25.4. Calculation of charges
 - 25.5. Criteria for successful delivery of the contract
 - 25.6. Means of redress if this is not achieved
 - 25.7. Any cancellation costs
 - 25.8. Due date for payment

Background and Reputation of Suppliers

26. The background of suppliers is very important, and should never be ignored. Often suppliers are passed on through recommendation and this could ensure a measure of comfort. However, a detailed background search might include:
 - 26.1. The BEE status of the supplier,
 - 26.2. Any bankruptcy orders against company officers,
 - 26.3. Any potential conflicts of interest, e.g. are any of the company's staff related to school staff or Council?
 - 26.4. Audited accounts for the last 3 years and a banker's reference,
 - 26.5. Insurance (employers' liability, public liability, etc.)
 - 26.6. Complaints Procedures,
 - 26.7. Quality Assurance Procedures,
 - 26.8. Names of referees

Tendering

27. Tendering is the formal procedure by which suppliers are invited to submit a sealed bid to supply goods or services to the College.
28. Tender values will vary depending on the type of goods/ services involved.
29. There is a need to maintain a balance between the contract value and administrative time/ effort required.
30. It is the responsibility of the Tender Committee to prepare the tender specifications and to award the contract. A minimum of three tenders have to be received back in order to fairly evaluate the tender.
31. Basic types of tender:
 - 31.1. Open Tender: Where all potential suppliers are invited to tender. It is the preferred method as it is most conducive to competition. The school must consider how best to advertise for suppliers, e.g. general press, trade journals, or whether it is possible to identify potential suppliers and contact them directly.
 - 31.2. Restricted Tender: Where certain suppliers are specifically invited to tender. Restricted tenders appropriate where either:
 - 31.3. a large number of suppliers would come forward
 - 31.4. the nature of the goods is such that only specific suppliers can be expected to supply the school's requirements

- 31.5. Negotiated Tender: Where the school may negotiate the terms of the contract with one or more suppliers of their choice. This is appropriate in specific circumstances where either:
 - 31.6. Open and restricted tendering have resulted in either no tenders or unacceptable costs
 - 31.7. Only one or very few suppliers are available and therefore direct negotiation will prove effective with each supplier rather than attempting an open or even a restricted tender
 - 31.8. Extreme urgency exists
 - 31.9. Additional deliveries by the existing supplier are justified
32. Tender Committee will comprise:
 - 32.1 The Bursar, (Chair of the Committee)
 - 32.2 A Head of school elected by the College Executive,
 - 32.3 The Operations Manager
 - 32.4 An elected Manco representative.
 - 32.5 The committee may co-opt further members if required, especially if particular technical expertise is required. Co-opted members need not be employees of the College.
33. Receiving and evaluating tenders:
 - 33.1. It is the responsibility of the committee to prepare the tender specifications and to award the contract.
 - 33.2. Tenders should be submitted as sealed bids and, when they are received, the time and date of receipt should be recorded on the envelope. They should be stored securely and remain unopened until the specified date and time for opening. The Tender Committee should open the tenders as soon as possible after the closing date for tenders.
 - 33.3. The following information should be recorded:
 - 33.3.1. Any potential conflict of interest from members of the Tender Committee
 - 33.3.2. Date and time of opening
 - 33.3.3. Names and signatures of those present
 - 33.3.4. The scope of the tender under review
 - 33.3.5. Value of each tender
 - 33.3.6. Details of suppliers who declined the invitation, or failed to submit a tender.
 - 33.3.7. Any omissions in the submission, e.g. documents, signatures, missing data, etc
 - 33.3.8. Any changes made with correction fluid should be circled and initialed.
34. Late tenders must be rejected and retained unopened until the contract has been awarded and then returned to the vendor together with an explanatory note.
35. The tenders must be evaluated against criteria specified by the Tender Committee. The decision-making level will depend on the scheme of delegation within the school with a report to College Exec of the decisions made. The Council Exec or Finance Committee should be involved in decisions concerning larger contracts. Tender Committee members with a potential conflict of interest must recuse themselves in accordance with the Governance guidelines.
36. It may be useful after all requirements have been established to rank them in order of importance, (e.g. mandatory, desirable and additional) and award marks to suppliers on fulfillment of these requirements to help reach an overall decision. In all cases, a formal report should be prepared summarising the evaluation and giving a recommended decision. After consideration, the decision should be recorded fully. All supplier should be informed in writing of decisions reached.

37. Financial issues to consider should include:
 - 37.1. Whether like is being compared with like and that a lower price does not mean a reduced service or lower quality. If this is the case consider whether the specification will be met. Alternatively, a higher specification at a higher price may be in excess of the school's requirements and thus may not represent value for money.
 - 37.2. Ensuring that the tender price is the total price and that there are no hidden or extra costs.
 - 37.3. Whether there is scope for negotiation.
 - 37.4. The financial status of the supplier. Suppliers in financial difficulty may have problems completing contracts and in providing after-sales service. The Tender Committee may wish to examine suppliers' audited accounts or obtain a credit reference check.
 - 37.5. The difficulty in changing contractors, part way through a contract, should this prove necessary. The financial implications may be significant.

38. Technical issues to consider should include:
 - 38.1. Qualifications and relevant experience of the contractor
 - 38.2. Descriptions of technical and service facilities
 - 38.3. Certificates of quality/conformity with standards
 - 38.4. Quality control procedures
 - 38.5. Details of previous sales and references from past customers
 - 38.6. Pre-sale demonstrations and after-sales service should also be taken into consideration.

39. If using open or restricted tendering the following guidelines may assist:
 - 39.1. Do not invite too few or too many firms to tender. Research the market thoroughly
 - 39.2. Involve the purchase originator at an early stage and ensure that the required needs are met
 - 39.3. Do not issue unnecessarily bulky tender documents
 - 39.4. Allow suppliers enough time to prepare submissions
 - 39.5. Have a systematic evaluation procedure
 - 39.6. Advise suppliers of selection and evaluation criteria
 - 39.7. Use post-tender negotiation for clarification where appropriate
 - 39.8. Ensure that staff involved in the tender process is adequately trained

40. Specifying the tender: Clarity is essential to avoid misunderstanding. Initial specifications need to be drawn up as precisely as possible and schools need to ensure that all suppliers bids are based on exactly the same specifications as the original invitation to tender. Full consideration should therefore be given to:
 - 40.1. Budgeted funds available
 - 40.2. The objective of the project
 - 40.3. Overall requirements
 - 40.4. Technical skills required
 - 40.5. After-sales service requirements
 - 40.6. The form of contract
 - 40.7. Delivery dates/times

41. Invitation to tender: Consideration should be given to the short-listing process (if this is necessary) and the format of presentations and/or interviews. If a restricted tender is to be used, then an invitation to tender must be issued. If an open tender is used, an invitation to tender may be issued in response to an initial enquiry. An invitation to tender should include the following:

- 41.1. A letter of invitation with instructions to supplier
 - 41.2. A pre-addressed referenced label for supplier to submit with their response
 - 41.3. Introduction/background to the project
 - 41.4. Scope and objectives of the project
 - 41.5. Technical requirements
 - 41.6. Implementation of the project
 - 41.7. Terms and conditions of tender
 - 41.8. Form of response
42. Further considerations about tendering:
- 42.1. Gifts or excessive hospitality from potential suppliers should not be accepted since it could compromise or be seen to compromise impartiality.
 - 42.2. It is reckless to issue a tender too frequently as unsuccessful suppliers may lose interest in re-tendering and there is a possibility that we can harm a good relationship with a current supplier. A balance needs to be struck between regularly testing value for money against developing a supplier relationship and administrative costs. If a tender is not issued frequently enough the existing supplier may become complacent leading to poor value for money.

Adopted by College Executive Committee: 9 July 2007
Amended Policy Approved by College Executive Committee: 23 March 2009

ADDENDUM 1: CODE OF ETHICS

Purpose

1. This document provides a set of guidelines by which all employees should be bound when interacting with suppliers. While all purchasing ethics are interpreted subjectively, this document recommends a policy that is as unambiguous as possible. The acceptance and adherence to the principles contained herein protects not only the interests of the College but those involved in the purchasing process.
2. The College regards integrity, commitment, professionalism, the identification of risk, and prudence as central to every aspect of the College's activities.

Introduction

3. The operating and capital expenditure of the College exceeds R100 million rand and exists of a considerable network of suppliers. The importance of the College's relationship with its suppliers, the impact of ethical practices in this relationship and the College's reputation, is summed up in the following excerpt:

“Although purchasing has developed somewhat into a science of its own, its decisions remain largely a matter of personal judgment and it is necessarily carried on, to a great extent, through personal contacts and relationships. The purchaser is the custodian of the (College's) funds, responsible for their conservation and prudent expenditure. Moreover, through contacts and dealings with suppliers, the purchaser is a custodian of the (College's) reputation for courtesy and fair dealing.

For all these reasons a high ethical standard of conduct is essential. The purchaser must not only act ethically, but must be above the suspicion of unethical behaviour. Such conduct is seen as an essential pre-requisite for the promotion and maintenance of good supplier relationships.”

(Steward F. Heinritz; “Purchasing; Principles and Applications”)

4. It is important to note the following:
 - 4.1. Several suppliers to the College are directly or indirectly involved with one or more of the schools within the College, adding an important dimension to the relationship.
 - 4.2. The economic health of suppliers can be affected by the conduct and behaviour of the College.
 - 4.3. The integrity and reputation of the College is dependent on how employees interact with suppliers and with those, perhaps, already directly or indirectly associated with the College.
5. All College employees will observe the highest ethical principles when entering into purchasing interactions with suppliers.
6. These principles are summarized in the following guidelines:
 - 6.1 Personal interests which may impinge on impartiality when dealing with suppliers will be declared to the College's Executive Committee. See 5 – 7 below.

- 6.2 Confidential information received in the course of duty will be respected. Information given in the course of duty will be true and fair. See 8 – 15 below.
- 6.3 Any purchasing arrangement which hampers fair competition among potential suppliers should be avoided. See 16 below.
- 6.4 Gifts or hospitality which may be seen to influence an employee to prefer one supplier over another will not be given or received. See 17 – 22 below.
- 6.5 Purchasing from a supplier may not depend upon a reciprocal relationship with the College. See 27 – 28 below.
- 6.6 No employee may use the purchasing influence of the College for personal purchases of any kind. See 29 below.
- 6.7 All purchasing agreements will be made with the College as purchaser – no other relationship with a supplier will affect this arrangement.
- 6.8 No employee will use the College's purchasing influence to obtain preferential prices beyond which the supplier would usually provide. See 30 below.
- 6.9 No item will be acquired in contravention of copyright laws. No software, in particular, will be acquired through illegal copying. See 31 – 33 below.
- 6.10 Any requirements prescribed by South African law will be identified and complied with in all cases. See 34 below.

Declaration of Interest

7. A conflict of interest can arise when an employee is involved in a personal activity which may interfere with the interests of the College.
8. Any perceived interest which may impinge or might reasonably be perceived by others to affect the judgment of the employee to the detriment of the College and/or its suppliers must be avoided.
9. All outside interests which fall within this category must be disclosed to the College's Executive in writing. Interest of this type can be financial, i.e. an investment in a company supplying goods to the College. Indirect interests could include family members whose interests may affect the objectivity of an employee.

Confidentiality of Official Information

10. Confidential information received in the course of duty must be respected and should not be used for personal gain.
11. The College's interest must be protected by dealing confidentially with College and supplier information.
12. College or supplier information which is generally not available to the public may not be disclosed.
13. No College/supplier information should be disclosed to external parties, unless warranted.
14. It is not the College's intention to exclude suppliers in which College employees may have a personal interest from providing or delivering personal services. These suppliers could provide an efficient and effective service, at a reasonable price, to the benefit of the College.

15. Where a buyer is in possession of inside or confidential information of which competitors have no knowledge, he is being unjustly favoured. Such information should not be used for personal gain.
16. College tender documents must include a clause whereby College employee interests can be disclosed.
17. Information that is provided to suppliers or to any party involved in the purchaser/supplier relationship must be true and accurate at all times.

Fair Competition Among Suppliers

18. A long term relationship with a supplier can be to the advantage of the College provided that the relationship does not exclude fair competition in the marketplace for the College's business. Particular caution is needed where these potentially restrictive relationships between the College and an existing supplier are based on a personal relationship between an employee of the College and a counterpart of the supplier.

Undue Influence Caused by Gifts, Entertainment & Hospitality

19. In the interests of maintaining a good relationship with parents and/or suppliers, an employee will not accept any favours which may influence the employee to prefer one parent or supplier over another.
20. In order to maintain existing relationships or secure additional business, suppliers may invite a College employee to luncheons, dinners or even donate gifts. Any gift from a supplier or parent which may alter the judgement of a College employee to accept terms that would not normally be accepted should be considered unethical and not be entertained. Any gift or benefit received exceeding R1 000.00 has to be declared to the Rector.
21. It is suggested that only the following gestures be regarded as acceptable:
 - 21.1. Occasional lunches and dinners provided that the company is already a supplier of goods/services or with whom the College has been involved with negotiations.
 - 21.2. Advertising material, for use within the College environment, that has little or no real value and on which the name of the supplier is engraved.
 - 21.3. Tickets to local sporting events.
22. It is important that the timing of such gifts be considered e.g. a birthday gift as opposed to a gift at time of tender process.
23. Moderate hospitality is an accepted courtesy of a "business" relationship. However, the recipients should not allow themselves to reach a point where they might be considered to have been influenced in making a purchase decision as a result of accepting such hospitality.
24. The frequency and scale of hospitality should not be significantly greater than a recipients' employer would be likely to provide in return. When in doubt as to what is acceptable in terms of gifts or hospitality, the offer should be declined or advice sought from the Bursar.

Contractual Authority and Liability

25. To ensure that the College is not exposed to contractual liability through the actions of employees acting outside their limits of authority, it is necessary that such levels of authority are clearly documented, published, updated and adhered to.

26. Where an employee enters into an agreement, whether verbally or in writing, with an outside party the College could be committed contractually with the risk of irrecoverable loss.
27. It is the responsibility of Executive/Management to compile levels of purchasing authority matrices.

Sharp Practices

28. The term “sharp practice” is best defined as evasion and indirect misrepresentation just short of actual fraud on the part of the purchaser. Illustrations of sharp practices include:
 - 28.1. Discussing large quantity purchases with a potential supplier in order to gain large volume discounts when, in fact, the actual requirements are small in volume that would not earn quantity discounts in the normal course of events.
 - 28.2. Inviting bids from suppliers whom the purchaser has no intention of patronizing and using these quotations for the sole purpose of negotiating down other quotes from suppliers who are considered to be potential suppliers.
 - 28.3. Sharp practices constitute misrepresentation by the employee concerned and the College, and must be avoided.
 - 28.4. Although it is legitimately expected of a purchaser to make full use of the College’s purchasing power, this factor should operate to the mutual benefit of both the College and the supplier.

Reciprocity

29. Purchases from an authorized supplier should not be made on the basis that the supplier purchases services from the College. The College’s decision to use the services of a supplier must be totally independent from the supplier’s decision to utilize the services of the College, for whatever reason.
30. Where suppliers of identical goods and services compete for the College’s business, cognisance should be taken of existing relationships. Parents of children at the College may be considered provided that support services etc., are comparable to that provided by other suppliers and the College is in no way prejudiced.

Purchases for Personal Use

31. No employee may use the purchasing power of the College for personal purchases of any kind except with a recommendation from their head/ manager and authorized by the Bursar.

Preferential Prices

32. This deals with the difference between a “best price” and a “preferential price”:
 - 32.1. Purchasing agents for the College must try to obtain the best price for approved goods and services.
 - 32.2. Volume or quantity discounts are normal and should be negotiated where possible.
 - 32.3. However, no purchaser may knowingly incite or receive a preferential price (that is, a price lower than the supplier charges others for the same product where the quantities and methods of sale are the same) through manipulation or coercion or where the supplier is not acting of his own free will.

Copyright and Software Piracy

33. Certain items purchased by the College, including books, other written material, videos, audiotapes and computer software, are subject to copyright and, in some cases, “restricted use” clauses are included in the purchase agreement.
34. To comply with local and international law, as well as the terms of a purchase agreement, no employee may copy or use these products in contravention of these laws and agreements.
35. In some cases, breach of copyright may result in severe financial penalties. Moreover, the relationship between the College and the supplier of these copyright materials could be severely compromised.

Ethics and Restrictions Imposed by South African Law

36. While there is no South African legislation dealing directly with ethical practices in purchasing agreements, employees of the College entering into purchasing negotiations and agreements must assume responsibility for establishing any restrictions decreed by South African common law, now or in the future, and comply with such in all cases.