national film and video foundation
SOUTH AFRICA
an agency of the Department of Sport, Arts and Culture

NATIONAL FILM AND VIDEO FOUNDATION

SUPPLY CHAIN MANAGEMENT & RELATED POLICIES MANUAL

JULY 2022

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APPROVAL

The signatories hereof, confirm their acceptance of the content and authorize the adoption thereof.

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Signature: Chairperson - Audit Committee Date

29 July 2022

Signature: Chairperson - Council

DEFINITIONS

"Accounting Authority" means the controlling body appointed in terms of section 49 of the Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999), which in the case of the NFVF is the Council.

"Audit & Risk Committee" means the sub-committee of the Council, duly appointed by the Council and charged with oversight responsibilities over internal and external audit functions, risk management, financial reporting and other matters as outlined in the PFMA and Treasury Regulations.

"PFMA" means the Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999).

"TR" means the Treasury Regulations.

"Organisation" means the National Film and Video Organisation, a statutory body created in terms of section 2 of the NFVF. Herein, The term "organisation" is used interchangeably with "NFVF".

ABBREVIATIONS

CEO	Chief Executive Officer
CFO	Chief Financial Officer
HOD	Head of Department
ICT	Information and Communication Technology
PFMA	Public Finance Management Act
NFVF	National Film and Video Foundation
TR	Treasury Regulation

(I) SUPPLY CHAIN MANAGEMENT POLICY

CHAPTER 1

1. INTRODUCTION

The Council of the National Film and Video Foundation (NFVF) resolves in terms of section 51(1)(a)(iii) of the Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999), to adopt the following policy as the Supply Chain Management Policy of the NFVF.

2. PURPOSE OF POLICY

2.1. General responsibilities of the Accounting Authority or Council of NFVF as set out in Section 51(a) of the PFMA are to ensure the implementation and maintenance of:

(a) An effective, efficient and transparent system of financial and risk management and internal control; and
(b) An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.

3. ABBREVIATIONS, DEFINITIONS AND TERMINOLOGIES

3.1. Abbreviations

BBBEE	Broad-Based Black Economic Empowerment
BBBEEA	Broad-Based Black Economic Empowerment Act 2003, Act No. 53 of 2003
NFVF	National Film and Video Foundation
Council	The Accounting Authority of the NFVF, which is a body made up Council members
CEO	Chief Executive Officer
CFO	Chief Financial Officer
EE	Employment Equity

HDI	Historically Disadvantaged Individual
JV	Joint Venture
NSBA	National Small Business Act, 1996 (Act. No. 102 of 1996)
PFMA	Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended by Act No. 29 of 1999, including National Treasury Regulations issued in terms thereof;
PPR	Preferential Procurement Regulations, 2011
PPPFA	Preferential Procurement Policy Framework Act, 2002 (Act No. 5 of 2000), and includes reference to the regulations issued in terms thereof
RFT	Request for Tender
RFP	Request for Proposal
RFQ	Request for Quotation
SARS	South African Revenue Service
SCM	Supply Chain Management
SCM Practitioner	Supply Chain Management Practitioner
SMME'S	Small, Medium and Micro Enterprises
TOR	Terms of Reference
TR	Treasury Regulations of 2001, as Amended March 2005 in terms of Section 76
NT	National Treasury
VAT	Value Added Tax

3.2 Definitions and Terminologies

Accounting Authority	The NFVF Council, which is accountable in terms of section 49 of the PFMA
Accounting Officer	Means the CEO of the NFVF
Acquisition Management	Means the process of acquiring the goods or services in accordance with the approved specifications
Bid	Means an offer to supply goods/services to NFVF and its subsidiaries at a price.
Bidder	Means any person or body corporate offering to supply goods/services to the NFVF.
Bid Adjudication Committee	Means an internal NFVF committee established to adjudicate bids submitted and recommend the award or selection to the Accounting Officer/ Authority.
Bid Evaluation Committee	Means an internal NFVF committee established to evaluate and recommend proposals commercially and technically to the Bid Adjudication Committee
Bid Specification Committee	Means the Committee responsible for the specification of the goods or services to be procured. The Committee is comprised of the SCM Practitioner, the End-User and other members who may be recommended to form part of this Committee.
Black Enterprise / Company	Means 51% ownership by black people, as defined in the BEE Act and the BEE Codes
Black People	(as generic term) Means Africans, coloureds and Indians, as defined in the BEE Act and the BEE Codes.
Black Empowered Enterprise/Company	Means at least 25.1% black ownership and management
Black Influenced Enterprise/Company	Means 5% - 25 % black ownership and management
Circular and Practice Notes	Means mandatory guidelines issued by National Treasury to assist NFVF and other public entities to establish and maintain supply

issued by National Treasury	chain management policies and practices that comply to best practices
Consortium or Joint Venture	Means an association of persons for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract
Constitution	Means the Constitution of the Republic of South Africa Act, 1996 (Act No. 108 of 1996), as amended
Consultant	Means a business enterprise (be it a registered business, not for profit organization, an individual, a trust or any similar entity) that has been engaged to render a consulting service to NFVF.
Delegated Employee	Means the responsible decision making body/person
Delegation of Authority	Means appropriate approval and assignment of responsibility for decision making
Demand Management	Means the needs assessment to ensure that goods or services are acquired in order to deliver the agreed service
Disability (as per the PPPFA definition)	Means, in respect of a person, a permanent impairment of a physical, intellectual, or sensory function, which results in restricted, or lack of, ability to perform an activity in the manner, or within the range, considered normal for a human being
Disposal Management	Means the process of developing and implementing procedures for the disposal of goods no longer required be they obsolete or redundant
Employment Equity Act	Means the Employment Equity Act 1998 (Act No. 55 of 1998), as amended
Employee / Official	Any person in the employ of NFVF
Equity Management	Means the percentage ownership and control, exercised by individuals within an enterprise
Executive Authority	Means the Minister for the Department of Sports, Arts and Culture

Fruitless and wasteful expenditure (as per the PFMA definition)	Means expenditure which was made in vain and would have been avoided had reasonable care been exercised
General Conditions of Contract	Means general terms and conditions applicable to all contracts entered between all providers of goods and services and NFVF
General Procurement Guidelines	Means the general procurement guidelines that set out the five procurement pillars in the Public Sector in South Africa
Goods	Means any physical items, such as assets or stationery, delivered by a supplier
Government Tender Bulletin	Means a tender bulletin issued by the Government of the Republic of South Africa to publicise all requests for bids in the public sector. The bulletin is ordinarily issued once a week
Historically Disadvantaged Individual (as per the PPPFA definition)	Means a South African citizen a) who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution; and/or b) who is a female; and/or c) who has a disability. Provided that a person who obtained South African citizenship on or after the coming into effect of the Interim Constitution is deemed not to be an HDI.
Irregular expenditure (as per the PFMA definition)	Means expenditure, other than unauthorized expenditure, incurred in contravention of, or that is not in accordance with, a requirement of any applicable legislation, regulation, manual or directive
Logistics Management	Means the process of managing the process of procuring goods or services as per the user specifications. The process also includes rental / lease of assets both movable and immovable

Outsourcing	Means the provision of an agreed deliverable or level of service for a pre-determined fee stipulated in a formal agreement
Services	Means any services, such as consulting or legal services, delivered by a service provider
Small, medium and micro enterprises	An SMME is a distinct business entity, including cooperative enterprises and non-governmental organizations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy mentioned in the Schedules to the National Small Business Act, 1996, and can be classified as a micro, a very small, a small or a medium enterprise by satisfying the specified criteria
Supply Chain Management Practitioner	Means an individual employed in the office of the Chief Finance Officer of NFVF who is dedicated to be in charge of the implementation of the supply chain management policies
Supply Chain Process	A monitoring process undertaken retrospectively to analyse whether the proper processes have been followed and whether the desired objectives was achieved
Tax Clearance Certificate (Pin)	Means a valid original Tax Clearance Certificate or Pin as issued by the Local Receiver of Revenue, where the bidder is registered for Income Tax, PAYE or VAT purposes.
Tender	Means a written offer on the official tender documents forming part of an invitation to tender, which invitation has been dealt with in accordance with the requirements of the general conditions and procedures contained in this document and, unless otherwise determined by the CEO has been advertised
End-User	Means the person or department that has indicated a need for goods or services to be procured
Vendor/Supplier	Means a person, organisation or company that has been engaged to provide goods or services to NFVF or its Subsidiaries
Final Award	In relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept

Long term Contract	Means a contract with a duration period exceeding one year

4. APPLICABILITY

4.1. This policy document is applicable to all NFVF staff whether permanent or on a contractual basis;

5. POLICY STATEMENT

5.1. Legal Framework

5.1.1 Treasury Regulations

The entire Section 16A of the Treasury Regulations applies to supply chain management and specific sub-sections have been highlighted below.

5.1.2. Supply Chain Management System

In terms of Section 16A of the TR, the Accounting Officer (CEO) or Accounting Authority (Board) must develop and implement an effective and efficient supply chain management system in his/her institution for:

(a) Demand management;
(b) The acquisition of goods and services; and
(c) The disposal and letting of State assets, including the disposal of goods no longer required.

5.1.3. As a minimum requirement, the following must be provided for in the NFVF's supply chain management system:

(a) Demand Management;
(b) Acquisition Management;
(c) Logistic Management;
(d) Disposal Management;
(e) Risk Management; and
(f) Performance Management.

5.1.4. SCM Committees

In case of procurement through a bidding process, the SCM system shall provide for:

(a) The adjudication of bids through a bid adjudication committee;
(b) The establishment, composition and functioning of bid specification, evaluation and adjudication committees;
(c) The selection of the three bid committee members;
(d) Bidding procedures and
(e) The approval of bid evaluation and/or adjudication committee recommendations.

5.1.5. Supply Chain Management Unit

In terms of Section 16A4 of TR, the Accounting Officer (CEO) or Accounting Authority (Council) must establish a separate supply chain management unit within the office of the CFO. The supply chain management unit operates under the direct supervision of the Chief Financial Officer or an official to whom this duty has been delegated in terms of section 76 of the Act and Regulation 27.3.3.

5.1.6. Training of supply chain management officials

In terms of Section 16A5 of TR, the Accounting Officer (CEO) or Accounting Authority (Board) must ensure that the officials implementing the supply chain management system are trained and deployed in accordance with the requirements of the Framework for Minimum Training and Deployment issued by the National Treasury.

5.1.7. **Compliance with ethical Standards**

5.1.7.1. Section 217 of the Constitution supports good governance. It requires that sourcing of goods, services and construction works is carried out in a way which is fair, equitable transparent, competitive and cost effective. This can only be achieved by a public service which:

- Maintains and promotes a high standard of professional ethics;
- Uses resources efficiently, economically and cost-effectively;
- Renders services impartially, fairly and equitably;
- Is accountable; and

- Is transparent by providing timely, accurate, user-friendly and accessible information to the public.

5.1.7.2. NFVF will provide an enabling environment to ensure the following:

- Compliance with National Treasury's norms and standards. These should provide for transparent and competitive SCM processes which do not have gaps that can be exploited;
- Through continuous assessment, identify and remedy gaps in internal control systems and decision-making processes;
- Implement policies and practices known to enhance the integrity of the SCM cycle from needs assessment to contract management;
- Provide potential suppliers with clear and consistent information so that the SCM process is well understood and applied equitably and fairly;
- Set clear integrity standards and ensure compliance throughout the entire SCM cycle;
- Enhance internal audit functions to enable them to monitor SCM proactively and to identify and address risks; and
- Implement dispute resolution mechanisms which can handle complaints from potential suppliers in a fair and timely manner.

5.1.7.3. This Policy strives to ensure that NFVF and its supply chain stakeholders act with integrity, maintain high ethical standards and in accordance to the prescripts of the legal regulatory framework.

5.1.7.4. All officials and other role players in a supply chain management system must comply with the highest ethical standards in order to promote –

- mutual trust and respect; and
- an environment where business can be conducted with integrity and in a fair and reasonable manner.

5.1.7.5. The National Treasury's Code of Conduct for Supply Chain Management Practitioners must be adhered to by all officials and other role players involved in supply chain management.

5.1.7.6. A supply chain management official or other role player –

- must recognise and disclose any conflict of interest that may arise;
- must treat all suppliers and potential suppliers equitably;
- may not use their position for private gain or to improperly benefit another person;

- must ensure that they do not compromise the credibility or integrity of the supply chain management system through the acceptance of gifts or hospitality or any other act;
- must assist accounting officers or accounting authorities in combating corruption and fraud in the supply chain management system.

5.1.7.7. If a supply chain management official or other role player, or any close family member, partner or associate of such official or other role player, has any private or business interest in any contract to be awarded, that official or other role player must –

- disclose that interest; and
- withdraw from participating in any manner whatsoever in the process relating to that contract.

5.1.7.8. An official in the supply chain management unit who becomes aware of a breach of or failure to comply with any aspect of the supply chain management system must immediately report the breach or failure to the accounting officer or accounting authority, in writing.

5.1.7.9. The accounting officer or accounting authority must –

- take all reasonable steps to prevent abuse of the supply chain management system;
- investigate any allegations against an official or other role player of corruption, improper conduct or failure to comply with the supply chain management system, and when justified –
- take steps against such official or other role player and inform the relevant treasury of such steps;
- report any conduct that may constitute an offence to the South African Police Service;
- check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, nor any of its directors, are listed as companies or persons prohibited from doing business with the public sector;
- reject any bid from a supplier who fails to provide written proof from the South African Revenue Service that that supplier either has no outstanding tax obligations or has made arrangements to meet outstanding tax obligations;
- reject a proposal for the award of a contract if the recommended bidder has omitted a corrupt or fraudulent act in competing for the particular contract; or

5.1.7.10. Cancel a contract awarded to a supplier of goods or services –

- if the supplier committed any corrupt or fraudulent act during the bidding process or the
- execution of that contract; or
- if any official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of that contract that benefited that supplier.

5.1.7.11. The accounting officer or accounting authority may disregard the bid of any bidder if that bidder, or any of its directors –

- have abused the institution’s supply chain management system;
- have committed fraud or any other improper conduct in relation to such system; or
- have failed to perform on any previous contract; and
- must inform the relevant treasury of any action taken in terms of this paragraph.

6. IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT POLICY

6.1 Implementation requirements

6.1.1. All officials and other role players in the supply chain management system of the NFVF must implement this policy in such a way that –

(a) it gives effect to section 217 of the Constitution;

(b) it ensures that the supply chain management system is fair, equitable, transparent, competitive and cost effective;

(c) it complies with –

(i) the Regulations; and

(ii) any minimum norms and standards that may be prescribed in terms of section 76 of the Act;

(d) it is consistent with the Preferential Procurement Policy Framework Act, the Broad Based Black Economic Empowerment Act and other applicable legislation;

(e) it does not undermine the objective of uniformity in supply chain management systems between organs of state in all spheres; and

(f) it is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

6.1.2. The NFVF must, in addition to complying with subparagraph (1), apply this policy, to the extent determined by the relevant government department, in a way that is consistent with the supply chain management policy of that government department.

6.2 Application of the policy

6.2.1. This policy applies when the NFVF –

- procures goods and/or services;
- disposes of goods no longer in use or needed; and/or
- selects contractors to provide assistance in the provision of goods and/or services.

6.2.2. This policy, except where specifically provided otherwise, does not apply to the procurement of goods and services contemplated, including –

- electricity, water and all other related municipal charges or charges from a department or public entity;
- the procurement of goods and services under a contract secured by any other organ of state, provided that the relevant supplier has agreed to such procurement;
- professional membership;
- partnership and sponsorship;
- legal costs pertaining to sensitive cases involving any official of the NFVF on fraudulent matters; and
- study assistance.

6.3 Amendment of the Supply Chain Management policy

6.3.1. The policy shall be amended on an annual basis or as the need arises.

6.4 Delegation of Supply Chain Management powers and duties

6.4.1. The Council hereby delegates all powers and duties to the Chief Executive Officer, which are necessary –

(a) to discharge the supply chain management responsibilities conferred on the NFVF in terms of –

(i) section 76(4)(c) of the Act, which states that the National Treasury may make regulations concerning the determination of a framework for an appropriate procurement and provisioning system; and

(ii) this policy;

(b) to maximise administrative and operational efficiency in the implementation of this policy; and

(c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this policy.

6.4.2. The Chief Executive Officer may not sub-delegate any supply chain management powers or duties to a person who is not an official of the NFVF or to a committee which is not exclusively composed of officials of the NFVF; and

6.4.3. This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process other than through the committee system provided for in this policy.

6.5 Sub-delegations

6.5.1. The Chief Executive Officer may sub-delegate any supply chain management powers and duties, including those delegated to the Chief Executive Officer in terms of this policy, but any such sub-delegation must be consistent with the NFVF's delegation of authority.

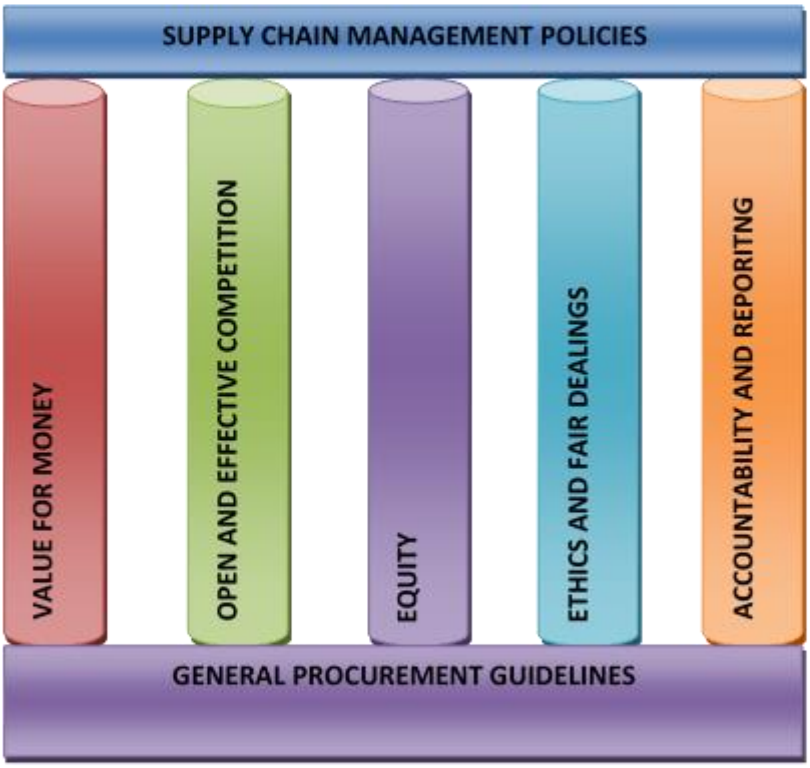
6.5.2. No supply chain management decision-making powers may be delegated to an advisor or consultant.

7. SUPPLY CHAIN MANAGEMENT SYSTEMS

7.1. The five pillars of Supply Chain Management

The above statutory requirements, with regards to supply chain management, are met by observing the five pillars of procurement as encapsulated in the General Guidelines issued by National Treasury.

The five pillars of procurement can be graphically represented as follows:



The five pillars are not a prescription of standards of behavior, ethics and accountability but are a statement of NFVF's commitment to a procurement system which would enable the development of sustainable small, medium and micro business.

The five pillars are explained briefly below:

7.1.1. Value for money

Price alone is not a reliable indicator that the NFVF's procurement system is a successful one and the NFVF will not necessarily obtain the best value for money by accepting the lowest price offer that meets mandatory requirements. Best value for money means the best available outcome when all relevant costs and benefits over the procurement cycle are considered. The Procurement Function itself must also provide value for money and must be carried out in a cost-effective way. NFVF will endeavor to:

(a) Avoid unnecessary costs and delays for itself and its vendors;
(b) Monitor the supply chain arrangement procedures and reconsider them if they cease to provide the expected benefits; and
(c) Ensure continuous improvement in the efficiency of internal processes and systems.

7.1.2. Open and effective competition

This requires:

(a) A framework of Procurement Laws, Policies, Practices and Procedures that is transparent, e.g. tendering information and documents and outcomes must be readily accessible to all parties;
(b) Openness in the procurement process;
(c) Encouragement of effective competition through procurement processes and methods suited to market conditions; and
(d) Observance of the provisions of the Preference Procurement Policy Framework Act.

The NFVF will apply effort and research to get the best possible outcome from the market by ensuring that:

(a) Potential suppliers have reasonable access to procurement opportunities and that available opportunities are notified at least in the *Government Tender Bulletin*;
(b) Where market circumstances limit competition, NFVF commits itself to recognise that fact and use procurement methods that take that into account;
(c) Adequate and timely information is provided to potential suppliers to enable them to bid or provide quotations, as the case may be;
(d) Bias and favoritism are eliminated;
(e) The cost of bidding for opportunities does not deter competent suppliers; and
(f) Costs incurred in promoting competition are at least commensurate with the benefits received.

7.1.3. Ethics and fair dealing

In procurement, if all parties comply with ethical standards they can:

(a) Deal with each other on the basis of mutual trust and respect, and
(b) Conduct their business in a fair and reasonable manner and with integrity.

All NFVF staff associated with procurement, particularly the SCM Practitioner, commits themselves:

(a) To recognize and deal with actual or potential conflicts of interest;
(b) To deal with suppliers even-handedly;

(c) To ensure they do not compromise the standing of NFVF through acceptance of gifts or undue hospitality;
(d) To be scrupulous in their use of NFVF’s property;
(e) To provide all assistance in the elimination of fraud and corruption in the procurement process;
(f) To have open, honest, co-operative business relations with colleagues and suppliers;
(g) To ensure confidentially of both NFVF and commercial information of suppliers;
(h) To avoid conflict of interest or a perception of bias;
(i) To disclose possible conflicts of interest, whether real or perceived, to the CEO or the Board as soon they arise;
(j) To ensure fair dealings and impartiality in the conduct of bid evaluations or selection of suppliers where a quotation or petty Expense system of procurement is used; and
(k) To achieve the highest possible standards of professional competence and the encouragement of similar standards among all staff.

7.1.4. Accountability and reporting

This involves ensuring that individuals within NFVF are answerable for their plans, actions and outcomes. Openness and transparency in administration, by scrutiny through reporting, is an essential element of accountability.

Within the procurement framework:

(a) The SCM Practitioner is accountable to the Chief Financial Officer for his/her overall management of the procurement activities;
(b) The CFO is accountable to the CEO for his/her overall management of the procurement activities;
(c) The CEO is responsible to the Council, through the Audit and Risk Committee and with the assistance of the Internal Auditors, for his/her overall management of the procurement activities;
(d) The Council is accountable to the Minister of DSAC for its overall oversight role of the procurement activities; and
(e) All individuals exercising control over the procurement function must have regard to these guidelines and are accountable for their actions.

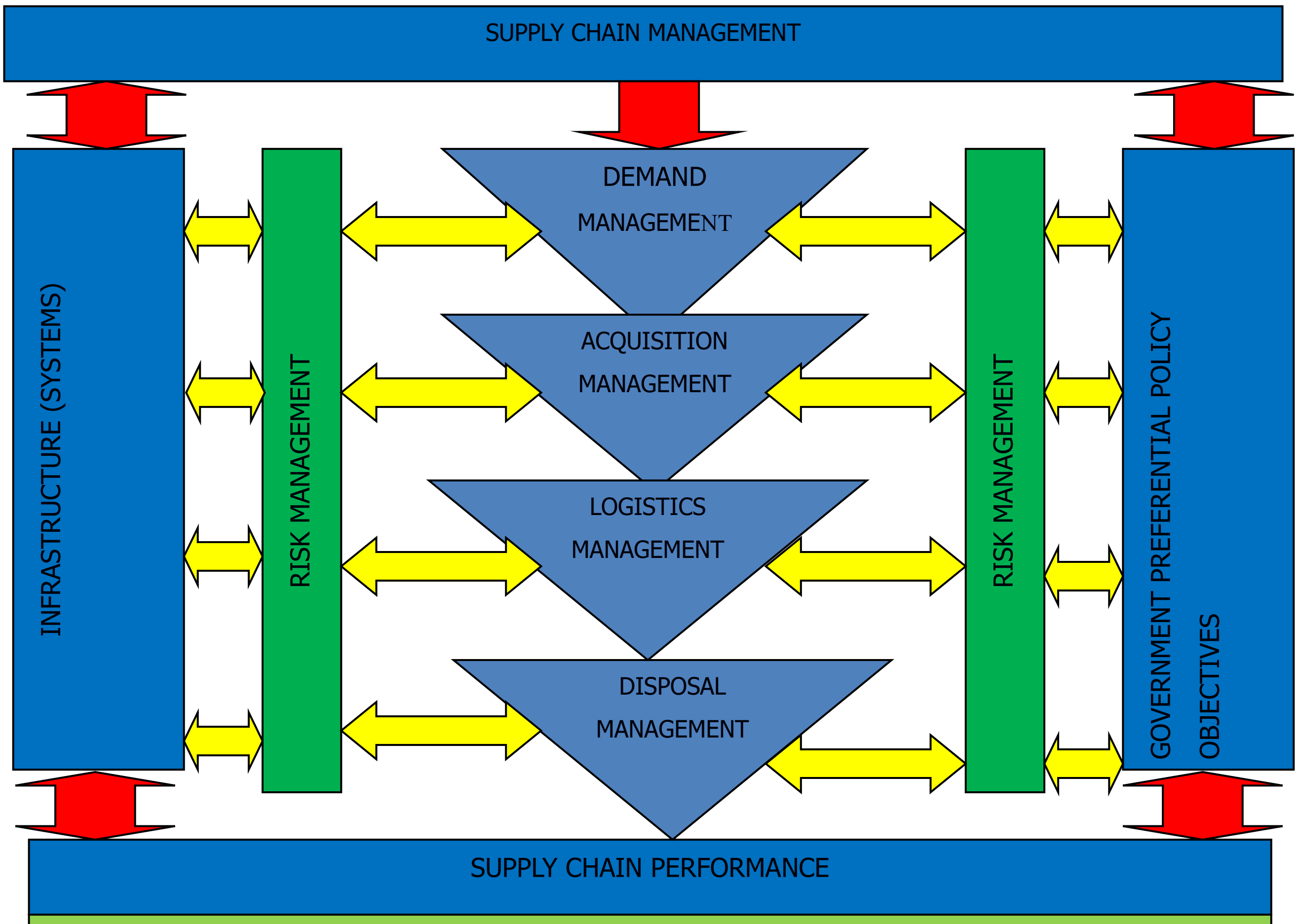
7.1.5. Equity

The word "equity" in this context means the application and observance of governance policies that are designed to advance persons or categories of persons disadvantaged by unfair discrimination. This fifth pillar is vital to NFVF's procurement as a public entity. It ensures that NFVF is committed to economic growth by implementing measures to support industry generally, and especially to advance the development of Small, Medium and Micro Enterprises and Historically Disadvantaged Individuals.

The government has implemented the Preferential Procurement Policy Framework Act as the foundation on which all procurement activities are to be based. Its aim is to:

(a) Advance the development of SMMEs and HDIs;
(b) Promote women and physically handicapped people;
(c) Create new jobs;
(d) Empower the workforce in the bidding organization through skills development and training programmes;
(e) Promote local enterprises in specific provinces;
(f) Enhance the implementation of the B-BBBEE;
(g) Encourage community involvement; and
(h) Support local product.

8. SUPPLY CHAIN MANAGEMENT PROCESSES



8.1. Format of supply chain management process

This policy provides systems for –

(i) Demand management;

(ii) Acquisition management;

(iii) Logistics management;

(iv) Disposal management;

(v) Risk management; and

(vi) Performance management.

1. PART 1: DEMAND MANAGEMENT

8.1.1 System of demand management

(1) Demand management definition

(a) Demand management is a process of managing demand for users of goods and services. It starts with a need for goods and services being identified by the relevant user, resources to fill that need being identified and quantified and the SCM process being initiated to fill the identified need. It answers the question "What is it that is needed/ demanded?".

(b) It is also a process undertaken by the SCM Unit working closely with the budget holders of the Business Units or Programmes (end users) to establish the Procurement Plans of the respective business units for a specific financial year. This exercise shall be done prior to the beginning of each financial year.

(2) The demand management system must –

(a) include timely planning and management processes to ensure that all goods and services required by the NFVF are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;

(b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature;

(c) provide for the compilation of the required specifications to ensure that its needs are met; and

(d) provide for an appropriate market analysis and research to ensure that benefits for the NFVF are maximised.

(e) Demand management must ensure the following:

- The needs assessment process must be embedded in the business planning and budgeting processes as part of the annual budgeting and business plan cycle.
- Business Units Managers and or Programme Managers with support from SCM function must annually align activities in their strategic plans, operational plans and approved budget allocations, to the Procurement Plan.
- The Procurement Plan must be based on the annual approved budget. The Managers of the business units are required to detail the administration budget to the level where the essential goods and services required by NFVF are identified and budgeted for.
- The Accounting Officer/CEO must submit the approved annual Procurement Plan to National Treasury by 31 March of each year.
- The Accounting Officer/CEO must submit Procurement Plan quarterly reports to National Treasury on the 15 of the month following end of the quarter.
- The quarterly reports must reflect actual acquisitions versus the planned, acquisitions concluded through deviation procurement method, and acquisitions concluded through variation or extension of contract.
- The Accounting Officer must approve any amendments to the original Procurement Plan and submit the approved amended Procurement Plan to National Treasury within 10 days from approval.

PART 2: ACQUISITION MANAGEMENT

8.1.2 System of acquisition management

(1) The NFVF must implement the system of acquisition management set out in this part (Part 2) in order to ensure –

(a) that goods and services are procured in accordance with authorised processes only;

(b) that expenditure on goods and services is incurred in terms of an approved budget;

(c) that the threshold values for the different procurement processes are complied with;

(d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract are in accordance with any applicable legislation; and

(e) that any Treasury guidelines on acquisition management are properly taken into account.

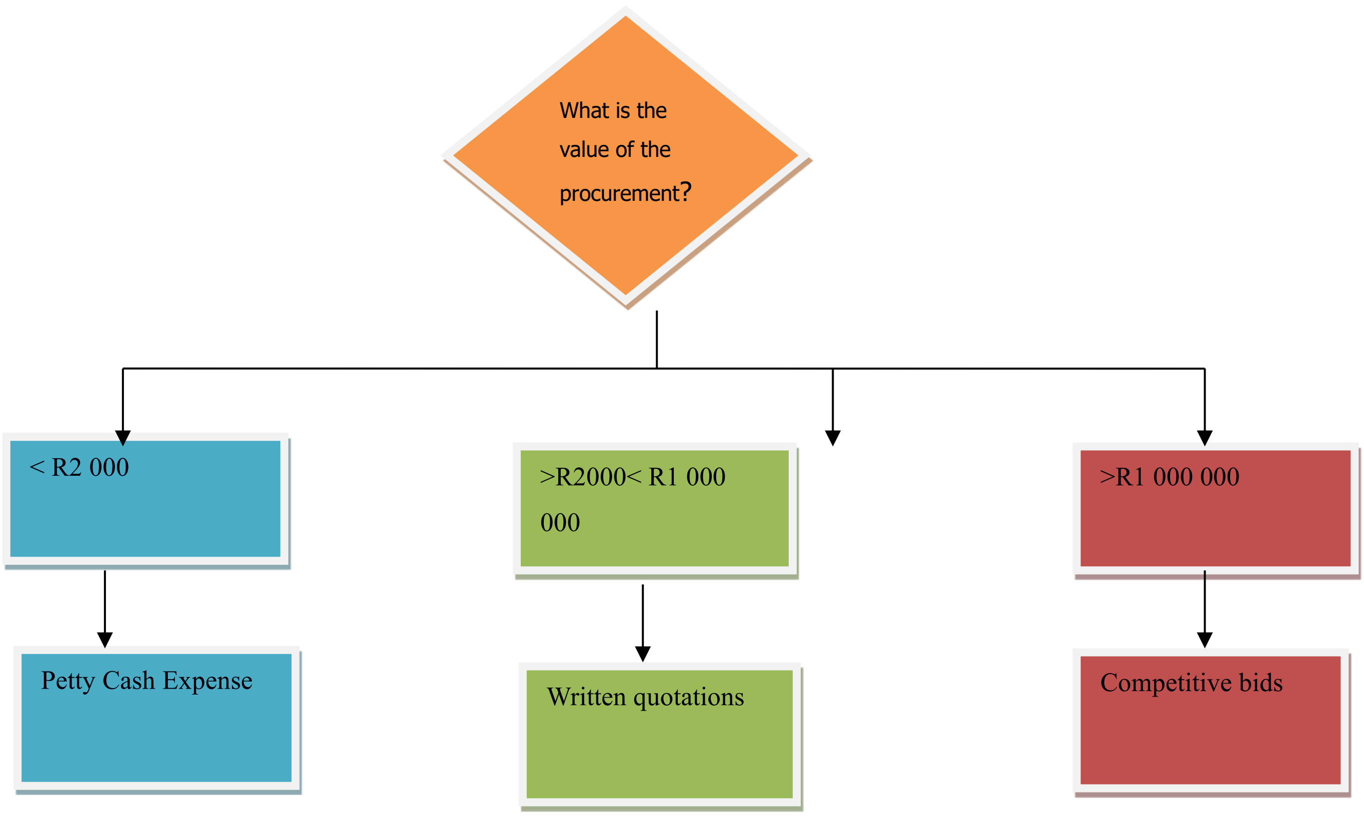
(2) When procuring goods or services with the organs of state, the NFVF must make public that such goods or services are procured other than through the supply chain management system of the NFVF, and must include –

(a) the kind of goods or services; and

(b) the name of the supplier.

8.1.2.1. Range of procurement processes

SCM should comply with the procurement thresholds as indicated below. The procurement threshold can be graphically represented as follows.



(1) Goods and services may only be procured by way of –

(a) Petty cash purchases, up to a transaction value of R2 000 (VAT included);

(b) Minimum of three (03) written quotations from different suppliers for procurements of a transaction value of over R2 000 and up to R1,000,000 (VAT included) must be obtained from CSD registered service providers.

Thresholds and minimum number of days for quotations

Item No	Threshold	Sourcing Strategy	Minimum number of days for quotes
1.	>R2K -R200K	Request for quotation (RFQ)	3 days
2.	>200K – R500K	Request for quotation/proposal (RFQ/P)	7 days
3.	>R500K – R1m	Request for quotation/proposal (RFQ/P)	14 days

(d) All goods and/or services above the value of R1 000 000 (VAT included) should go through a competitive bidding process as per the recent National Treasury Practice Note issued in July 2021.

(e) If the goods or services are to be sourced from a sole supplier, the supplier should provide proof of being a sole supplier.

(f) A single supplier can be identified by the NFVF through a thorough analysis of the market, and by using a transparent and equitable pre-selection process, after which only one amongst a few prospective bidders will be requested to make a proposal to the NFVF.

(2) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

(3) The Acquisition Management is done through the Bid Committee system and requisition process.

(a) The trigger for Acquisition Management is the receipt of a Requisition Form from the relevant business unit or programme. The requirements should be in line with the Business Unit's Procurement Plan.

(b) Where the requirement is not in line with the procurement plan, the Business Unit must motivate in a form of a written submission and get approval from the Accounting Officer/CEO or his/her delegate for procurement of the required goods or service.

(c) Upon receipt of the Requisition Form, SCM shall initiate the acquisition process and request the process to be approved by the Accounting Officer/CEO or his/her designate for its commencement.

(d) Upon obtaining the approval from the Accounting Officer/CEO the following processes need to be followed:

    (i) Bid specification Process
    (ii) Advertising
    (iii) Closing of the Bid
    (iv) Bid Cancellation where necessary
    (v) Bid Evaluation Process
    (vi) Bid Adjudication Process
    (vii) Contracting
    (viii) Supplier Management

8.1.2.2. Requisitions

(1) When the need arises for goods or services, the end-user shall request SCM unit to procure the required goods or services by completing a requisition form and obtain approval from HOD.

(2) A requisition form with clear item description of goods or service required is used to initiate the request for quotation process by SCM unit.

(3) The Finance manager or his/her designate must approve the requisition form and acknowledge budget availability for goods required.

(4) SCM receives and reviews the approved requisition form and if all is in order, issues a request for quotation.

8.1.2.3. Request for quotations

(1) When sourcing goods or services stipulated on the requisition form, SCM will determine whether goods or services required may be sourced via written quotations or competitive bidding.

(2) Written quotations or closed formal quote (RFP) may be requested from a minimum of three (3) suppliers on a rotational basis.

(3) THE PERIOD (DAYS) FOR WHICH PRICE QUOTATIONS WILL BE INVITED FOR (CLOSING DATE)

Item No	Threshold	Sourcing Strategy	Minimum No. of days for quotations
1.	>R2K – R200K	Request for quotation (RFQ)	3 days
2.	>R200K – R500K	Request for proposal (RFP)	7 days
3.	>R500K – R1m	Request for proposal (RFP)	14 days

(4) Where the minimum three (3) or more quotes are requested and only two or one quote is received, SCM must go ahead and request approval from the Accounting Officer or his/her delegate to go ahead and procure the goods. Upon approval, a purchase order may be raised against the responsive quote. Proof should be included to indicate that the quotations were requested from a minimum of three suppliers for audit purposes.

(5) Where it is impossible to obtain or request the three (3) minimum quotes, reasons must be recorded for approval by the Accounting Officer or his/her designate.

(6) The quote must be solicited from the suppliers registered on the CSD.

(7) Where there are no suppliers on the database, SCM may source suppliers from the market. In this case suppliers must be requested to register on CSD before appointment is finalised.

(8) Suppliers may be given a minimum of three (03) working days to respond to the RFQ or even lesser or longer period depending on the circumstances of the required goods.

(9) Validity period of price quotations after the closing date:

Item No	Threshold	Sourcing Strategy	Minimum No. of days for quotations	Validity period
1.	>R2000 – R200K	Request for quotation (RFQ)	3 days	30 days
2.	>R200k – R500K	Request for proposal (RFP)	7 days	60 days
3.	>R500K – R1m	Request for proposal (RFP)	14 days	90 days

(10) Suppliers must complete and sign SBD 4, and 9 forms when responding to RFQs less than R30 000.00 and complete and sign also 6.1 and 8 if the procurement is R30 000.00 and above before the appointment is finalized or purchase order is issued. An SBD 6.2 must be completed for procurement of local content items.

8.1.2.4. Method of inviting and receiving price quotations including documentation

(1) Request for quotation for RFQ`s and RFP`s may be submitted to bidders via an e-mail after submission of purchase requisition and terms of reference to SCM. An RFQ and RFP may be advertised on the NFVF`s website.

(2) Bidders may submit their quotations/proposals via e-mail or via physical submission depending on the instruction of the RFQ and RFP: email address: nfvftenders@nfvf.co.za and physical address: 87 Central Street, Houghton, Johannesburg.

8.1.2.5. Bid Specification

(1) The SCM Unit must establish the Bid Specification Committee comprising a minimum of at least three people to review the specifications and terms of reference for the service or goods required. To improve the quality of specifications, terms of reference and ensure efficiency in the way in which the committee functions. Committee members must be appointed by the CEO.

(2) A bid specification committee must be composed of three or more officials of the NFVF, preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.

(3) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts

8.1.2.6. The Bid Specification Committee

(1) The Bid Specification Committee must review specifications and bid documents before the bid is advertised.

(2) Once BSC has reviewed the bid documents, the end user must submit a written submission to the Accounting Officer or his/her delegate seeking approval for initiation of the procurement process for acquisition of goods and services required.

(3) The BSC must abide to the Bid Committee Code of Conduct.

(4) The bid documents include terms of reference with evaluation criteria, standard bidding documents (SBD) forms, Special Conditions of Contract (where applicable) and General Conditions of Contract.

(5) The bid herein shall remain binding upon the service provider and open for acceptance by NFVF during the validity period.

(6) Bid proposals are valid for ninety (90) working days from closing date of bid and may be extended for another thirty (30) working days after the validity period expires.

(7) A clause requesting extension for thirty (30) working days from the bidder may be provided for in the terms of reference.

8.1.2.7. Advertising of Bids

(1) No open bids should be advertised without approval to procure, approval of specifications and terms of reference, and approval to advertise the required goods or services by the Accounting Officer/CEO or his/her designate.

(2) Closed competitive bids may be submitted to bidders via an e-mail after submission of purchase requisition to SCM.

(3) All open competitive bids must at least be advertised in the Government Tender Bulletin and e-Tender Publication Portal.

(4) The Accounting Officer or his/her designate may decide to advertise in other appropriate media when it is deemed necessary.

(5) The normal advertising period for a bid is no less than twenty- one (21) calendar days however, the Accounting Officer/CEO or his/her designate, as delegated in the Delegations of Authority, has the right to shorten this period in cases where written request from the end-user has been submitted which clearly states valid reasons for the deviation and is approved. NFVF will document the reasons that supports the decision to advertise bids for a period shorter than the prescribed twenty (21) days. In instances where NFVF advertises for less than twenty (21) days, a submission with clear valid reasons for deviation must be submitted to the Accounting Officer/CEO for approval.

The Accounting Officer/Accounting Authority should report any deviation within ten (10) working days to the relevant treasury and the Auditor General above the threshold of R1 million.

8.1.2.8. Closing of Bids

(1) The bid closing date must be determined by considering the inherent requirements of the project, the magnitude and complexity of the project. However, all bids must close at 11:00am (South African time) on the day indicated in the invitation to bid and bid document.

(2) Bids that are not inside NFVF's Tender Box by the closing date and time will be considered late. Bids submitted late shall under no circumstances be accepted. Such Bids should be returned to the bidders unopened.

(3) NFVF must maintain a lockable tender box.

(4) The CFO's Personal Assistant must be the only person with access to the bid document box,

(5) The Supply Chain Management Practitioner must inform the CFO's Personal Assistant of the closing date and time of all bids,

(6) After the closing date and time of bids, the CFO's Personal Assistant and another person in the procurement department must, together, open the tender box. They must then register all bids received.

(7) When bids are opened in public any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;

(8) No information, except the provisions in subparagraph (8), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and

(9) The Supply Chain Management practitioner must:

   (a) record in a register all bids received in time;

   (b) make the register available for public inspection; and

   (c) publish the entries in the register and the bid results on the NFVF website.

(10) Within ten (10) working days after closure of any advertised competitive bids, publish the names of all bidders that submitted bids on the department e-Tender Publication Portal where possible with the total tender price and BEE level of the respective bidders.

(11) The changing of any bid related information before the closing time of bids must only be considered in exceptional cases and should only be allowed if all the potential suppliers can be notified accordingly before the closing time.

8.1.2.9. Cancellation of Bids

(1) The Accounting Officer or his/her designate may also cancel a bid prior to the award under the following circumstances:

  (i) Due to change in circumstances, e.g. There is no longer a need for the goods or services specified in the tender invitation.

  (ii) Funds are no longer available to cover the total estimated expenditure.

  (iii) No acceptable bids are received.

  (iv) Where a bid has passed the validity period.

  (v) There is a material irregularity in the tender process

(2) The user must record the cancellation reasons in a memo for the Accounting Officer or his/her designate to approve.

(3) Upon approval of the cancellation memo, SCM will cancel the already advertised bid in all advertised platforms.

(4) The decision to cancel a bid must be published in the Government Tender Bulletin, e-Tender Publication Portal or the media where the original bid invitation was advertised.

8.1.2.10. Pre-qualification of Bids

(1) Bids and formal quotations received on time must be pre-screened by a designated Supply Chain Management official for mandatory compliance and be reviewed by the Bid Evaluation Committee as it will form part of the evaluation report. The bid document must stipulate the mandatory requirements and inform potential bidders that they will be disqualified from the evaluation process should they not comply with the stipulated mandatory requirements.

(2) Evaluation of Bids above R1,000,000 (One Million Rands) will be undertaken by the Bid Evaluation Committee.

(3) Evaluation of transactions below the value of R1,000,000 (One Million Rands) may be undertaken by Ad-hoc Bid Evaluation Committee with recommendations to the Accounting Officer/CEO or his/her designate.

8.1.2.11. Bid Evaluation Process

(1) Bids must be evaluated by the Bid Evaluation Committee (BEC) comprising a minimum of at least three (3) members. The Committee makes recommendations on the short-listed bidders to the Bid Adjudication Committee and the Bid adjudication committee will recommend to the Accounting Officer/CEO.

(2) Evaluation of transactions for RFP`s to the value not exceeding R1,000,000 (One million Rands) may be undertaken by Ad-hoc Bid Evaluation Committee comprising a minimum of at least three members with recommendations to the Accounting Officer/CEO or his / her designate.

(3) Suspension of Preferential Procurement Regulation 2017 (PPPFA)

(a) On 16 February 2022; the Constitutional Court handed down a judgment in the matter between the Minister of Finance vs Agribusiness NPC. The majority judgment declared that the Preferential Procurement Regulations; 2017 are invalid. This rendered procurement in terms of these regulations invalid. Consequently, the National Treasury (NT) issued Instruction Notes dated 25 February 2022 and 3 March 2022 advising on suspension of procurement activities for expenditure above R30 0000.00.

(b) The NT letter dated 3 March 2022, states that Departments can apply for the exemption to the Minister of Finance seeking approval to proceed with procurement activities that are critical and unavoidable.

(4) Resolution on suspended Preferential Procurement Regulation 2017 (PPPFA)

(a) Consistent with Section 217, of the Constitution, PFMA and its regulations, the NFVF will procure goods and services through the three-quotation procurement system, evaluated and awarded on competitive market related price only.

(b) The evaluation of bids will only be based on functionality and price whilst exemption of PPPFA Regulation is in effect until :

- New Preferential Procurement Regulations take, or
- The Constitutional Court conforms the suspension of order of invalidity of the Preferential Procurement Regulation, 2017 for a period of twelve (12) months, whichever occurs first.

(5) Evaluation of transaction for RFQ to the value of >R2K up to R100k will be conducted by the Supply Chain Management.

(6) The evaluation process must only be performed using the evaluation criteria stipulated and issued in the terms of reference and the bid documentation. In cases where functionality is utilised as evaluation criteria, such must adhere to the following principles which must be clearly specified:

(a) whether the bids are evaluated on functionality;

(b) the evaluation criteria for measuring functionality;

(c) the weight of each criterion;

(d) the applicable values and

(e) minimum threshold for functionality.

(7) The evaluation of bids must be conducted in the following two (2) stages:

(a) Firstly, the assessment of functionality must be done in terms of the evaluation criteria and the minimum threshold stipulated in the bid documentation. A bid must be disqualified if it fails to meet the minimum threshold for functionality.

(b) The Bid Evaluation Committee (BEC) shall make recommendations to award to the Bid Adjudication Committee.

8.1.2.12. Bid Adjudication Process

(1) SCM shall establish the Bid Adjudication Committee (BAC) with a minimum of three (3) members to adjudicate recommendation to the Accounting Officer/CEO for bid award. The BAC must be appointed by the Accounting Officer/CEO or his/her delegate.

(2) Bid Adjudication makes recommendations for award to the Accounting Officer/CEO or his/her delegated official.

(3) Bids must be adjudicated by the Bid Adjudication Committee chaired by the CFO or designated official in the absence of the CFO.

(4) The Bid Adjudication Committee must consider the recommendations of the Bid Evaluation Committee and ensure that the bidding process was fair, competitive, transparent, efficient and cost effective.

(5) NFVF reserves the right not to accept the lowest offer or any offer; this clause must be stipulated in the all the NFVF bid documents.

8.1.2.13. Negotiations with preferred bidders

(1) The NFVF may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –

(a) does not allow any preferred bidder a second or unfair opportunity;

(b) is not to the detriment of any other bidder; and

(c) does not lead to a higher price than the bid as submitted.

(2) Minutes of such negotiations must be kept for record purposes.

8.1.2.14. Bid Award

(1) Bids and contracts must be awarded to the bidder who scores the highest total number of points in accordance to the 90/10 or 80/20 preference point system, and or CIDB Guidelines in line with National Treasury regulations.

(2) If the Committee decides to award (if so designated) a bid to a bidder other than the one recommended by the Bid Evaluation Committee and/or the bidder that did not score the highest number of points, the Chairperson of the Bid Adjudication Committee must inform the Accounting Officer/CEO or designate of such decision in writing.

(3) The award must be done in accordance to section 2 (1) (f) of the PPPFA. If the Accounting Officer or the designated official ratifies the decision, the National Treasury and the Auditor General must be informed of the reasons for such deviation within ten working days (10 working days).

(4) The same (in clause 20.11.2) must apply if a recommendation of the Bid Adjudication Committee is overturned by the Accounting Officer/CEO.

(5) The SCM must check the National Treasury Database of Defaulters prior to awarding any contract to ensure that no recommended bidder, nor any of its directors are listed as companies or persons prohibited from doing business with the public sector.

(6) When submitting a proposal, the bidder accepts that NFVF reserves the right to appoint and NFVF's decision is final.

8.1.2.15. Due Diligence of the Supplier

(1) NFVF reserves the right to investigate the capability and ability of the preferred bidder before the contract is awarded.

(2) NFVF shall conclude a contract with a supplier whose bid has been processed through the normal procurement process.

(3) Detailed vetting and due diligence of the suppliers will be done before the bid is awarded to the successful bidder or within the stipulated period as indicated in the bid documentation.

(4) SCM officials and bid committee members shall be subjected to vetting and screening to ensure that they declare their financial interests and conflict of interest.

8.1.2.16. Publication of Awards

(1) The following information must be publicised on the government tender bulletin, e-portal and if possible any other media were the tender was initially advertised after the award is accepted and signed contract is concluded between NFVF and the successful bidder:

- (a) Contract numbers and description;
- (b) Names of the successful bidder(s);
- (c) B-BBEE level status;
- (d) The contract price (s); and if possible;and
- (e) Dates for completion of contracts.

(2) For bids relating to the construction industry, the prescripts of the Construction Industry Development Board (CIDB) require that:

- (a) Bids be advertised in the CIDB iTender System; and
- (b) Bids be registered on the CIDB Register of Projects (RoP) on award and progressively updated until project completion for the promotion, assessment and evaluation of best practices on construction projects.

8.1.2.17. Administration of Contracts

(1) Background Information

Once a bid has been awarded to a successful bidder, a contract is then negotiated and entered into with the service provider or supplier. The purpose of the contract is to detail out the terms and conditions under which the goods would be supplied or a service rendered. It is important at this stage to ensure that the contract is managed properly internally by NFVF to ensure that the user's requirements as defined and agreed to by the Bid Specifications Committee are met.

(2) Contracts

- (a) Once the terms of engagement for each service provider or supplier have been agreed to, they should be reduced into a written contract. This would apply to all procurement whether through quotations or bids.
- (b) The General Conditions of Contract should be used for this purpose. Special Conditions which would have been communicated to the bidder as part of the Bid Document must also be incorporated into the terms of contract.

(c) Prior to signing a formal contract or service level agreement (SLA) with a contractor, CEOs or delegated authority must ensure that such contracts or SLAs are legally sound to avoid potential litigation to minimse possible fraud and corruption. This must include legal vetting by Legal.

(d) No service provider or supplier of goods should provide a service or supply goods before a valid agreement has been concluded and signed with them.

(e) The contract should be signed by an official of NFVF at an appropriate level taking into account the delegated authority.

(f) All contracts should be maintained in a contracts register for ease of reference

(3) Price Adjustments

i. Non-contractual price adjustments should normally not be allowed. This should be provided for in the contract

ii. Contractual price adjustments should be allowed where the bid/supply is a "**Non-firm"** one. In this case the basis of price adjustments should be provided for in the contract. The basis of such adjustments should be based either on rate of exchange claims, published indices such as CPI or be based on the service provider/supplier producing proof based on certain agreed upon documentation

(4) Unsatisfactory Performance

(a) The contract or SLA will provide for the performance evaluation criteria where every contracted supplier`s performance will be measured on a quarterly basis.

(b) The management of unsatisfactory contract performance should be provided for in the General Conditions of Contract.

(c) The General Conditions of Contract should provide that if the supplier fails to deliver the required quantity of goods or services in an acceptable quality, NFVF should:

(i) Penalise the supplier by levying a penalty, such a penalty should be defined in the General Conditions of Contract and may include charging interest on the supplier's agreed project/product price; or

(ii) Cancelling the contract.

(iii) Consider listing the service provider as an organization/individual prohibited from doing business with the state through National Treasury. The correct procedures should be followed to ensure that service providers and suppliers are not unfairly prejudiced.

(c) There should, however, be constant communication between the user and the supplier or service provider so that instances of unsatisfactory performance may be avoided.

8.1.2.18. Transversal Contracts

(1) The National Treasury and Provincial Treasury must facilitate the arrangement of transversal term contracts for goods and services that have been identified for procurement through transversal contracts.

(2) Accounting Officers unless authorised otherwise in writing by National Treasury are compelled to participate in any transversal term contract facilitated by any Treasury, if they have a need for any goods or services provided for in such a transversal contract.

(3) After a transversal contract has been awarded, the accounting officer must ensure that, where appropriate, service level agreements are entered into by his or her institution.

(4) The provisions in the service level agreement must be consistent with the terms and conditions of the contract awarded by the relevant Treasury.

8.1.2.19. Contracts procured by organ of state

(1) The accounting officer may participate in any contract arranged by means of a competitive bidding process by any other organ of state, subject to the written approval of such organ of state and the appointed contractors.

8.1.2.20. Unsolicited Bids/Proposals

(1) These are bids that may be submitted to NFVF by external service providers marketing an idea that could add value to NFVF's business.

(2) NFVF is not obliged to consider an unsolicited proposal but may consider such a proposal only if it meets the following requirements:

(a) a comprehensive and relevant project feasibility study has established a clear business case; and

(b) the product or service involves an innovative design; or

(c) the product or service involves an innovative approach to project development and management; or

(d) the product or service presents a new and cost-effective method of service delivery.

(3) It is not permissible that NFVF itself should invite these and neither are its employees allowed to go out and invite such kind of bids. If an external organisation/individual approaches NFVF, only then can such be considered and must be approved by the CEO as presented to him/her by the relevant business unit or department.

(4) Unsolicited bids/proposals must be considered in accordance with National Treasury Practice Note No. 11 of 2008/2009 on Unsolicited Proposals.

8.1.2.21. Declaration of Interest

(1) In enhancing compliance monitoring and improving transparency and accountability in SCM, it is required by National Treasury that a verification of the names and identity numbers of Directors/Trustees/Shareholders of companies, enterprises, closed corporations and trusts must be verified against the relevant staff structure.

(2) The Standard Bid Document (SBD 4) "*Declaration of Interest*" compels bidders to submit the names of their directors/ trustees/shareholders, their individual identity numbers, personal tax reference numbers and employee numbers as part of their bid (includes written price quotations, advertised competitive bids, limited bids and proposals) submissions.

(3) This information must be verified with relevant HR records in order to determine whether or not any of the directors/trustees/shareholders are officials employed by the NFVF. Such verification must take place during the bid evaluation process. If a bidder/director/trustee/shareholder declares that he/she is an employee of the NFVF and furnishes where applicable, proof that appropriate authority exists for him/her to undertake remunerative work outside his/her employment in the public service, such a bid must be evaluated in accordance with normal procurement processes. If a bidder/director/trustee/shareholder is found to be an official within the NFVF and has failed to make such a declaration in the bid documents, the bidder may be disqualified and the matter must be dealt with as a financial misconduct and the CEO must take necessary disciplinary steps against the official concerned.

8.1.3. Part 3 – LOGISTICS MANAGEMENT

8.1.3.1. Logistics Management

(1) Acquisition is the actual doing step of the procurement process. It answers the question: "now that we have identified the demand and we have undertaken the steps that are necessary in terms of the SCM policies and procedures to meet or satisfy the identified demand, what are the logistics of meeting the identified demand"? It is the actual practical steps that bring the procurement process alive.

(2) Logistics management includes the following steps:

- (i) Placing of orders against supplier agreements or quotations;
- (ii) Management of procured goods (stores management); and
- (iii) Vendor performance management.

(3) The objectives of the Logistic Management process are to ensure that:

- (i) NFVF orders and receives only those goods and services that are required and have been budgeted for;
- (ii) Goods and services delivered/received are of correct quantities, acceptable quality and price;
- (iii) Effective store management procedures are in place; and
- (iv) Goods and services are delivered timeously.

8.1.3.2. Purchase Order (PO)

(1) Purchase orders are generated by SCM and approved in accordance with Financial Delegations of Authority.

(2) An order should be placed either against the lowest quotation / existing contract or preferred bidder in the case of competitive bidding.

(3) Once the purchase order has been approved for:

- i. Once-off purchases, the PO is forwarded to the supplier and used as a contract with the supplier;
- ii. Provision of short to long term services, the PO is only issued once the appointment letter to the service provider has been forwarded and the contract has been drafted and signed by both NFVF and service provider

(4) End-users are prohibited from placing orders directly from suppliers for goods and services, and arranging with suppliers for such goods and services to be invoiced and

paid for in another financial year. These practices are only permissible in the case of multi-year contracts.

8.1.3.3. Receiving of goods

(1) One of the roles of the SCM is to accept goods from suppliers and acknowledge receipt thereof. The receiving function is the responsibility of the Business Unit that requested the goods and/or services and SCM.

(2) To ensure that only goods for which valid orders have been placed are accepted, the end user should match the goods delivered to the delivery note and order batch. (according to specification).

(3) Deliveries should be carefully examined before any delivery note is signed. Any evidence of damage or number of units should be investigated immediately, and such information should be endorsed on the delivery and goods received notes.

(4) While it may not be practical to quality assure the contents of goods in enclosed boxes, it is common practice to reject damaged or soiled boxes.

(5) The End User should complete a **goods received note** for the actual quantity of goods received, cross-reference it to the purchase order and delivery note.

(6) The completed goods received note and signed delivery note should be sent to the SCM unit.

8.1.4. PART 4 – DISPOSAL MANAGEMENT

8.1.4.1. Disposal Management

(1) Asset disposal is a final phase in the life cycle of an asset. It is the outcome of the organisation's realisation that the economic life of the asset has expired or the need for the service provided by the asset has changed. Asset disposal must be undertaken in accordance with the NFVF`s Asset Management Policy. The process includes the following:

(i) Identifying redundant and obsolete materials;
(ii) Inspecting materials for potential re-use;
(iii) Determining a strategy on how redundant, obsolete and items that cannot be re-used would be disposed of; and
(iv) Disposing of materials.

(3) SCM shall procure assets on behalf of NFVF upon receipt of procurement requisition generated by the end user.

(4) It is the role and responsibility of the Finance Manager to manage all procured assets.

(5) SCM shall generate a Capex order when procuring assets, and upon approval a copy of the capex order will be send to Finance to manage procured assets.

(6) The Finance to develop an Asset Register for all the assets that NFVF has procured.

(7) The need to dispose of assets shall be communicated to SCM and Disposal Committee.

(8) Unserviceable, redundant or obsolete assets may be disposed of by –

(i) transferring the asset to another organ of state at market-related value or, when appropriate, free of charge in terms of a provision of the Act enabling the transfer of assets;

(ii) selling the asset by means of an auction or a competitive bidding process;

(iii) donating it to schools or charitable organisations; or

(iv) destroying the asset.

(8) The NFVF must ensure that –

(a) immovable property is let at market-related rates except when the public interest or the plight of the poor demands otherwise;

(b) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and

(c) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within thirty (30) days whether any of the local schools are interested in the equipment.

8.1.5. PART 5 – RISK MANAGEMENT

8.1.5.1. Risk Management

(1) Risk is defined as "uncertain future events which could influence the achievement of an entity's objective". The NFVF must effectively manage risk through a system, whereby potential risks to Supply Chain Management and Financial Management as a whole are identified, considered and avoided. The SCM policies and procedures pose risks that need to be identified and managed on a daily basis. Examples of such risks are as follows:

(i) Incorrect identification of user requirements which may lead to incorrect goods being ordered and delivered,

(ii) Abuse of the SCM policies and procedures by service providers and NFVF's SCM officials which may lead in the objectives of the SCM policies and procedures not being met.

(2) Consideration and avoidance of potential risks in the Supply Chain Management system, should include:
   (a) the identification of risks on a case-by-case basis;
   (b) list and quantifying the risks identified,
   (c) develop and implement a risk register that will incorporate the risk management strategy and plan;
   (d) the allocation of risks to the function best suited to manage such risks;
   (e) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
   (f) the pro-active management of risks and the provision of adequate cover for residual risks; and
   (g) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

(3) Due care must be taken in the bid administration and management process to minimise the risk of litigation by unsatisfied bidders.

(4) The Accounting Officer/CEO must establish a system that deals with management of complaints and or allegations of abuse of SCM system.

(5) The system must provide for establishment of complaints or allegations register for abuse of SCM system

8.1.6. PART 6 – PERFORMANCE MANAGEMENT

8.1.6.1. Performance Management

(1) NFVF will implement an SCM Performance Management Framework undertaking a retrospective analysis to determine whether the SCM process is being adequately followed in procurement and whether the desired objectives are being achieved.

(2) The framework addresses the following issues:
   (a) Whether the SCM policies and practices lead to the achievement of SCM goals and objectives;
   (b) Whether the SCM policies and practices are cost-effective. This will include a review of the appropriateness of the SCM committees and their effectiveness;
   (c) Whether the SCM policies and practices are consistent with National Legislation and Regulations.

(d) Whether the performance of suppliers and service providers is at an acceptable level that is consistent with their contractual obligations; and

(e) Whether the engagement of service providers has had an impact on the business of NFVF.

(3) At the completion of each project, an assessment of each supplier/service provider (including consultants where applicable) is undertaken. This assessment should be available for future reference.

(4) Consultant agreements provide for consultants to observe due diligence and prevailing standards in the performance of their assignments. These standards should be internationally accepted and identified in the service level agreement. The Bid Adjudication Committee should be responsible for the evaluation of consultants. Such evaluation should be performed in a fair and confidential manner. In cases of repeated poor performance, the consultant should be notified and provided an opportunity to explain the reasons for such repeated poor performance and remedial actions proposed.

(5) The reliability of suppliers (other than consultants) should be monitored in terms of the delivery period and the quality of products provided.

CHAPTER 2

9. TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS

9.1. The accounting officer or accounting authority must ensure that officials implementing the institution's supply chain management system, are trained in order to develop officials for a career in SCM, provision should be made for the following types of training:

9.1.4. Introduction to SCM;

9.1.5. Intermediate training with the focus on intensive training on all the elements of SCM;

9.1.6. Advanced training that includes specialist skills within each element of SCM such as strategic sourcing.

9.2. Target Audience:

- Senior management (SMS level)
- Practitioners who are involved with the day to day operations of SCM (senior and operational level)
- New entrants – new appointees irrespective of the level at which that are appointed.
- Bid Committee members and any other SCM official.

9.3. The Accounting Officer is guided by training offered at Provincial and National Treasury through their accredited service providers.

10. DEVIATION FROM PROCUREMENT PROCESS

10.1. The NFVF may only deviate from the official procurement processes established by this policy in cases of **emergency** and **sole supplier status**.

10.2. **An emergency** occurs not due to poor planning, but where there is a serious and unexpected situation that poses a risk to health, life, property or environment which calls for an agency to action and there is insufficient time to invite competitive bids.

10.3. **Sole source** occurs when there is evidence that only one supplier possesses the unique and singularly available capacity to meet the requirements of NFVF.

10.4. **Expansion or Variation of orders** – The Accounting Officer/Accounting Authority must ensure that contracts are not varied by more than 20% or R20 million (including VAT) for construction related goods, works and or services and 15% of R15 million (including VAT) for all other goods and or services or the original contract value

10.5. Splitting of orders – Orders may not be split into parts of lesser value to avoid complying with the requirements of the procurement thresholds.

10.6. All deviations above a Rand value of R1 million must be reported to National Treasury and Auditor General within ten (10) working days after the deviation has been committed.

10.7. Any other deviation will be allowed in exceptional circumstance subject to prior written approval from the National Treasury

10.8. The Head of the Department requesting a deviation must submit a memorandum with reasons for the deviation and the reasons must be in line with the legislation. The memorandum must be approved by the Chief Executive Officer/CEO.

11. PLACING OF ORDERS FOR PAYMENT IN ANOTHER FINANCIAL YEAR

11.1. Accounting Officers and Accounting Authorities are prohibited from placing orders for goods and/or services from suppliers, receiving such goods and/or services and arranging with such suppliers for such goods and services to be invoiced and paid for in another financial year.

11.2. The above prohibition does not apply to multi-year contracts.

13. PROCUREMENT FROM ABROAD

Procurement from abroad constitutes engagement of service providers or acquiring goods/service from a country other than the Republic of South Africa;

13.1. When purchases cannot be arranged from South Africa, authorisation should be sought from the Accounting Officer to request quotations from abroad;

13.2. The following would need to be furnished to the CEO before procurement from abroad could be considered:

13.2.1. A description of the supplies required and estimated cost in foreign currency;

13.2.2. Proof that:

a) Bids have been invited locally without success; or

b) The prices quoted in response to a bid invitation are regarded as exorbitant; or

c) The supplies required are not obtainable locally or through local representatives and that no other brand or product will serve the purpose; or

d) The item is for use abroad and can be obtained cost-effectively abroad.

14. PROCUREMENT OF ICT-RELATED GOODS AND SERVICES

14.1. The NFVF may request the State Information Technology Agency (SITA) to assist with the acquisition of ICT-related goods and/or services through a competitive bidding process.

15. APPOINTMENT OF CONSULTANTS

15.1. The NFVF may procure consulting services provided that any Treasury Regulation guidelines applicable in respect of consulting services are taken into account when such procurements are made.

15.2. Consultancy services must be procured through competitive bids if –

15.3. the value of the contract exceeds R1,000,000 (VAT included); or

15..4. the duration period of the contract exceeds one year.

16. PROHIBITION ON AWARDS TO PERSONS WHOSE TAX MATTERS ARE NOT IN ORDER

No award above R30 000 may be made in terms of this policy to a person or service provider whose tax matters have not been declared by the South African Revenue Service to be in order. The declaration of tax compliance would be in the form of a tax clearance certificate or pin issues by the South African Revenue Service. Another method of tax compliance would be in the form of a Central Suppliers Database (CSD Report) issued by National Treasury.

17. SPONSORSHIPS BY PROVIDERS

The NFVF must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –

(a) a provider or prospective provider of goods or services; or a recipient or prospective recipient of goods disposed or to be disposed.

(II) ASSET MANAGEMENT POLICY AND PROCEDURES

1. PURPOSE

The purpose of this policy is to outline the rules and guidelines for the effective management of the assets of the organisation.

2. APPLICATION

2.1 This policy covers, but is not limited to, the purchase, replacement, disposal, and depreciation and safeguarding of assets.

2.2 The management of assets must be in line with the other financial policies and procedures of the organisation.

3. PROCEDURE

3.1 Purchase of assets

3.1.1 The purchase of fixed assets must be in line with the Procurement and Payment Policy and Procedure and with Treasury Regulations. 3 quotations must be obtained and the best combination of price and quality accepted.

3.1.2 On delivery of the asset, the delivery note must be checked against the order to ensure correctness of asset delivered.

3.1.3 The processing of payment for the asset must be in line with the Transaction Policy and Procedure.

3.1.4 All fixed assets must be tagged with a unique asset identification code.

3.2 RECOGNITION AND MEASUREMENT

3.2.1 An item shall be recognised as assets classified as property, plant and equipment when:

3.2.1.1 It is probable that future economic benefits associated with the asset will flow to the entity; and

3.2.1.2 The cost of the asset can be measured reliably.

3.3 **Initial Recognition**: NFVF initially measures an item of property, plant and equipment at its cost, i.e., all costs incurred in bringing the asset to its intended working condition and location. These costs shall include:

3.3.1 Import duties;

3.3.2 VAT and other non-refundable purchase taxes;

3.3.3 Initial delivery and handling costs;

3.3.4 Installation costs;

3.3.5 Rebates and/or trade discount; and

3.3.6 Costs of site preparation.

3.4 Assets, whose costs meet the definition and recognition criteria as prescribed in GRAP 17 and GRAP 31, shall be capitalised and recorded in the fixed asset register.

3.5 Assets are included in the fixed asset register when they are available for use and are depreciated from that date.

3.6 When an asset is received in exchange of a similar asset, the transaction lacks commercial substance, the asset received is recorded at the value of asset given up. The only effect of this transaction is only to update the asset register with the details of the newly acquired assets.

3.7 In certain circumstances, it is appropriate to allocate the total expenditure on an asset to its component parts and account for each component separately. This can be the case when the component assets have different useful lives. The CFO has a responsibility to determine if the different components of the asset need to be recognised separately.

3.8 **Measurement Subsequent to Recognition:** After initial recognition; items to property, plant and equipment, except land and buildings, are carried at cost less accumulated depreciation and any accumulated impairment losses.

3.9 **Subsequent Expenditure**: Subsequent expenditure relating to an asset shall be expensed in the period incurred, unless future economic benefits shall be in excess of the originally assessed standard of performance of the asset.

4 Replacement of assets

4.1 Assets may be replaced should they become redundant, obsolete or damaged.
4.2 Replacement of assets must be in line with the Supply Chain Management Policy and the Transaction Policy.

5 Disposal of assets

5.1 Management may identify redundant assets or assets of low value for disposal. In this instance management may dispose of the asset on the following basis:

- An offer to staff on a tender basis;
- Donation to organisations within the industry requiring assistance;
- Sale to the general public;

5.2 The sale of the asset and recording of receipts must be in line with the Transaction Policy and Procedure.

6 Depreciation of assets

6.1 The depreciable amount of an item of property, plant and equipment shall be allocated on a systematic basis over its useful life.

6.2 The depreciation charge for each period shall be recognised as an expense in the statement of financial performances.

6.3 Where depreciable assets are acquired or disposed of during the financial year, depreciation shall be raised from the month the asset is available for use to the date of disposal.

7 USEFUL LIFE OF ASSETS

7.1 The economic benefits embodied in an item of property, plant and equipment shall be consumed through use of the asset. Factors such as technical obsolescence and wear and tear, while an asset remains idle, often result in the diminution of the economic benefits from the asset.

7.2 The following factors shall be considered in determining the useful life of an asset:

- The expected usage of the asset. Usage is assessed by reference to the asset's expected capacity or physical output.
- The expected physical wear and tear, which depends the maintenance of the assets.
- Technical obsolescence of the asset.

7.3 Legal or similar limits on the use of the asset, such as the expiry dates of related leases.

7.4 The useful life of an asset shall be reviewed annually at balance sheet date by the CFO to determine if the current expected useful life is still in line with the original expected useful life.

7.5 Where current and original expectations are different, the depreciation charge for the current and future periods shall be adjusted (change in estimate).

7.6 The net effect of the change in estimate shall be accounted for over the revised remaining useful life of the asset resulting in an increase/decrease to the depreciation charge in the current and subsequent accounting periods.

8 DEPRECIATION METHOD AND RATE

8.1 The depreciation method used to depreciate assets shall reflect the pattern in which the economic benefits are consumed. Currently, all assets are depreciated using the straight-line method of depreciation.

8.2 The depreciation method shall be reviewed periodically by the CFO and, if there has been a meaningful change in the expected pattern of economic benefits, the method shall be changed to reflect the changed pattern.

8.3 When such a change in depreciation method is necessary, the change shall be accounted for as a change in accounting estimate, and the depreciation charge for the current and future periods shall be adjusted

8.4 Assets of the organisation will be depreciated on a straight line basis at the following pre-determined rates:

Item	Depreciation Method	Average Useful Life
Furniture and Fittings	Straight line	10 years; 6 years
Office Equipment	Straight line	6 years
Computer Hardware	Straight line	10 years, 7 years; 3 years
Leasehold improvements	Straight line	10 years & can vary in line with type
Motor Vehicles	Straight line	5 years
Computer Software	Straightline	10 years
Website and licences	Straightline	• 5 years; 2 years & can vary based on licence term

The processing of depreciation must be in line with the Transaction Policy and Procedure.

9. **Safeguarding of assets**

9.1 It is the responsibility of all employees to safeguard the assets in their possession.

9.2 Management shall ensure that all assets are insured at their replacement cost value.

9.3 Asset counts should be done on a regular basis (annually).

9.4 The movement of assets outside the organisation's domicilium is prohibited unless written approval is received from the Accounting Officer.

9.5 The asset register is in place in each office and staff members are responsible for ensuring that assets removed from the office are returned in good order.

9.6 All the assets are insured and updated annually.

10 Inventory

10.1 Items of values less than R10,000.00 will be recorded as inventory and expensed in the year of acquisition. These assets would be maintained in the Inventory List to be maintained in the Finance Unit.

10.2 An inventory count will be done annually and a list will be kept with as an annexure to the fixed asset register.

10.3 On annual basis the Finance Unit shall assess the useful lives of the NFVF's assets and if there are assets that have a zero book value but are still being used at year-end, those assets would be removed from the main fixed asset register and be recorded in the Inventory List referred to in point 10.1. for control purposes.

11 Leased assets

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and reward incidental to ownership. The organisation's leases will depend on the type of lease acquired. As per GRAP 13 the following requirements would classify a lease as being a finance lease otherwise it would be an operating lease:

(a) ownership transferred by end of lease term;

(b) lease contains bargain purchase option;

(c) lease term comprises a major part of the asset's economic life;

(d) present value of minimum lease payments amount to substantially all the asset's fair value;

(e) specialised nature;

(f) not easily replaced;
(g) lessee bears lessor's cancellation losses;
(h) lessee bears gains/losses from changes in fair value of residual.

Lease payments under an operating lease shall be recognised as an expense in the statement of financial performance on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

(III) TRANSACTION POLICY

1. PURPOSE

The purpose of this policy is to outline the rules and guidelines for the capturing and processing of transactions onto the banking and accounting systems.

2. APPLICATION

This policy applies all transaction types including, but not limited to, cashbook payments and receipts and general journal entries.

3. PROCEDURE

Payments

- All invoices received from regular suppliers must be captured onto the supplier ledger. The following information is required:
  - Supplier Name and Address
  - Invoice Number
  - Invoice Date
  - Invoice Amount
  - Bank Details
  - Account Code for allocation to general ledger.

- All invoices must be captured onto the NFVF banking system (currently FNB) for payment. NFVF will utilise the FNB "Verify bank details" to verify that the recipient bank details are correct.

- The payment of the invoice must be processed in the cashbook and matched against the relevant supplier invoice.
- Ad-hoc invoices received from once-off suppliers can be processed directly to the cashbook using the relevant account code for allocation to the general ledger.
- Processing of fixed asset transactions must, in addition to capturing onto the supplier and general ledgers, also be captured onto the Fixed Asset Registrar.

4. RECEIPTS

- All receipts from regular customers must be captured onto the customer ledger. The following information is required:
  - Customer Name and Address
  - Customer Reference Number
  - Transaction Date
  - Amount
  - Account Code for allocation to general ledger.

- The receipt must be processed in the cashbook and matched against the relevant customer account.

5. JOURNAL

Payroll Journals

- Payroll transactions are processed onto the payroll system. The following information is required:
  - Employee Details
  - Gross Remuneration
  - Relevant deductions, e.g. medical aid and provident fund.
- A payroll journal is prepared from the payroll system and captured onto the general ledger using the relevant account codes and amounts.

Depreciation Journals

Monthly depreciation is calculated from the fixed asset register. A journal is prepared using the relevant account codes and amounts and processed as a general journal onto the general ledger.

General Journals

Reallocation or corrective journals must be processed in the event that original transactions were incorrectly captured onto the accounting system.

6. RECONCILIATIONS

General Ledger control accounts must be reconciled on at least a monthly basis

(IV) PETTY CASH POLICY

1. PURPOSE

The organisation's Petty Cash policy is to outline the rules and guidelines for the payment of goods and services by means of petty cash. Petty cash will be operated on an imprest system.

2. APPLICATION

This policy covers the payment of goods and services that are less than R1,000.

Petty Cash

- Small purchases of up to R 1,000 can be made in cash for expenses such as general kitchen expenses, taxi fares, postage, handyman repairs etc.
- It is not necessary to obtain a quote for payments made nor to complete an order form.
- All requests for petty cash must be approved by the relevant line manager.
- In the absence of the manager the accountant will approve once checked against budget.
- In cases where a request for local S&T is less than R 1,000.00, payment can be made from petty cash subject to the organisation's Subsistence policy.

3. Procedure

- A petty cash voucher must be completed when requesting petty cash.

- All supporting documentation must be attached to the petty cash voucher.
- The petty cash voucher must be approved by the relevant line manager or accountant.
- The person requesting the cash must sign a receipt for the cash.
- The petty cash must at all times be kept in a lockable moneybox, which must be kept in a safe.
- Access to the petty cash must be limited to one responsible person only.
- A payment requisition must be made out requesting the replenishment of cash.
- Supporting documentation must be attached to the payment requisition.
- The accountant will prepare the petty cash reconciliation.
- The cashed money must be counted and placed in the moneybox immediately.

(V). SUBSISTENCE AND TRAVEL POLICY

1. PURPOSE

The purpose of this policy is to outline the rules and guidelines for employees and council members who travel on business on behalf of the organisation.

Any employee of NFVF and its stakeholders can claim subsistence and/or travel costs for expenses incurred on official business duties. These expenses include but are not limited to: lodging, meals, refreshments, laundry, hotel board levies, service charge and other travel related expense that are supported by the valid invoices or receipts.
It is in the best interest of sound corporate governance that employees or NFVF stakeholders should not enrich themselves from travel claims.

2. APPLICATION

This policy applies to all employees and Council members including external committee members.

3. General

- All employees travelling locally for business travel must be authorised to do so by the Line Manager.
- The Chief Executive Officer approves all employees' international travel.
- International travel for Council members is approved by the Chairperson of Council while Chairperson's international travel is approved by the CEO.
- The organisation may at the approval of the Chief Executive Officer, pay for persons who are not employed by the organisation to travel as part of a delegation or mission or where appropriate on their own on business.
- All travel bookings, including car hire, will be made by the organisation.
- Members of the Council and executive management travel on business class subject to Treasury Guidelines on travel.
- All other employees travel economy class and premium economy for trips longer than 8 hours, subject to Treasury Guidelines on travel.
- All accommodation will be booked by and paid for by the organisation.
- Accommodation will be on a bed and breakfast basis and at a hotel/guest lodge determined by the organisation.
- Any funds (excluding the subsistence allowance) given to the employee/Council member must be fully accounted for with supporting documentation. Any unused funds must be returned to the organisation within 7 workings days from the date of return from the trip.
- Funds not reimbursed by the employee or Council member with the 7-days prescribed period would be deducted from the staff member's salary with the next payroll to avoid any audit queries.
- Any expenses unaccounted for will not be reimbursed.

4. Travel Expenditure

- If an employee choses to use his/her own vehicle or transport other than that provided by the organisation, he must obtain written permission from his Line

Manager. Notwithstanding such permission, the employee uses such transport at his own risk and indemnifies the organisation from any claim that may arise out of such use of own vehicle or transport.

- The rate of reimbursement for travel expenditure incurred through the use employee vehicles will be based on Automobile Association Certificate rate.
- Changes to a travel itinerary that has cost implications for the organisation must be approved by the Chief Executive Officer or Line Manager before such changes are made with a travel agent. The employee will carry any penalty fees if such permission was not granted.
- Employees who miss their flights without just cause will be liable for penalty fees provided that reasonable steps were not taken to secure the plane ticket with the travel agent. Just cause depends on the circumstances but excludes negligent and wilful conduct on the part of the employee.

5. Subsistence Allowance

- Employees receive a subsistence allowance for meals and incidental expenses for local and international business at the applicable rate as determined from time to time.

6. Other Expenses

Employees and Council members may be reimbursed for the following incurred expenses provided that supporting documentation is produced:

- Actual laundry expenses for travel in excess of three (3) days;
- Cost of a taxi between the hotel and the airport;
- Cost for one telephone call a day to family. On international trips the duration of the call must not exceed ten minutes;
- All business calls;
- Entertainment (e.g. lunch, transport to meetings) costs for business associates.
- Travel visa costs;

- Long term parking at an airport.

7. Procedure

- A complete travel requisition form must be approved by the relevant signatories at least 7 days before the date of travelling;
- A copy of the approved travel requisition must be submitted to the designated travel co-ordinator and to the Finance department;
- The travel co-ordinator must make the necessary bookings with the travel agent and complete an order form;
- Employees are encouraged to make travel plans well in advance and to take advantage of discounted airfares;

Subsistence and Travel rates

Travel	Rate per kilometre for private owned vehicles as determined by the Automobile Association rates
Subsistence (Local Travel)	Only incidental costs – R152 per day. Meals and Incidental costs – R493 per day.
Subsistence (International Travel)	CEO & Chairperson USD200 Council members and employees USD150
	Rate for persons who are not employees will be determined by the CEO subject to availability of budget.

(VI). RELATED PARTY POLICY

1. PURPOSE

The purpose of this policy is to outline the identification, treatment, recognition and reporting of related party transactions within the organisation according to the requirements of the Public Finance Management Act (PFMA) and the Standard of Generally Recognised Accounting Practice - Related Party Disclosures (GRAP 20) by:

- ensuring that related party transactions are recorded and disclosed accurately and completely in the annual financial statements; and
- that only valid related party transactions are recorded in the annual financial statements.

The accounting officer will ensure that internal procedures and internal control measures are in place for all related party transactions.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

2. DEFINITIONS

For the purpose of this policy, the following words shall mean:

"Close members of the family of a person" means those family members who may be expected to influence, or be influenced by that person in their dealings with the entity. As a minimum, a person is considered to be a close member of the family of another person if they:

- are married or live together in a relationship similar to a marriage; or
- are separated by no more than two degrees of natural or legal consanguinity or affinity.

"Control" means the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

"Joint control" means the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

“Management” comprises those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. Where they meet this requirement key management personnel include:

- Council and sub-committees of Council
- Executive management

“A related party” means a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

As a minimum, the following are regarded as related parties of the organisation:

- A person or a close member of that person’s family is related to the organisation if that person:
    - has control or joint control;
    - has significant influence over the organisation;
    - is a member of the management of the organisation or its controlling entity;
    - An entity is related to the organisation if any of the following conditions apply: the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
    - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
    - both entities are joint ventures of the same third party;
    - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
    - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the

entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;

- the entity is controlled or jointly controlled by a person identified in (a); and
- a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

“Related party transaction” means a transfer of resources, services or obligations between the organisation and a related party, regardless of whether a price is charged.

“Significant influence” means the power to participate in the financial and operating policy decisions of the organisation, but is not control over those policies.

Identifying related party relationships

- In identifying related party relationships, attention should be given to the substance of a relationship and not merely its legal form.
- In all its transactions, the organisation will give consideration as to the nature of the relationship between the parties.
- Parties are considered to be related if one party has the ability to control (or jointly control) the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Identifying Related Party Transactions

A related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions will include outstanding balances, including commitments, between an entity and its related parties.

Disclosure

The organisation shall disclose all related party transactions in its annual financial statements in accordance with GRAP 20.

(VII) TELEPHONE AND CELLULAR PHONE ALLOWANCES

1. Purpose

The purpose of the policy is to outline the rules and guidelines for the use of cellular phones by staff who qualify to have company sponsored cellular phones.

2. Application

This policy applies to all employees who qualify to have company-sponsored cellular phones. These include senior management and staff whose nature of work are such that he/she is away from the workplace and needs to be involved regularly in input communication.

3. Policy Principles

- A cellular and/or telephone allowance phone is not regarded as a perk as not all employees will be entitled to a cellphone allowance a right employee.
- If an employee exceeds their allocated monthly allowance for telephone and cellphone, he/she shall be liable for paying the amount limits for calls which are private.
- A written motivation must be provided by the employee and approved by his/her Manager if the exceeded amount was incurred for work related business.
- Monthly departmental reports shall be circulated to all Managers for the purpose of this action.

2. Cellular phone benefit

- Senior management and managers will automatically receive this benefit.
- Employees below these levels who may need the use of a cellular phone should motivate in writing to their Line managers, who will then evaluate the need and recommend that such a cellular phone benefit be granted.

- The Head of the Department’s approval must be obtained.
- Copies of formally approved motivations for the use of cellular phones must be filed by the division/department for control and auditing purposes.

3. Cellular phone

The organisation’s employee’s monthly cellphone allowance applies as follows:

- Chief Executive Officer: R1,500
- Head of Departments: R1,000
- Managers: R1,000
- If the limit is exceeded, proof must be submitted and substantiated with an invoice from the service provider for reimbursement together with a form signed by the Line Manager.

4. **International Roaming**

- As a general principle, the organisation where possible makes provision for the purchase of rental phones and sim cards for international travel.
- It is the responsibility of the employee to familiarise themselves with service provider’s international roaming and data roaming policies applicable to their contracts/handsets.