PROCUREMENT POLICY

Policy Code: GC8

Approved by: Senior Leadership Team

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Contents

1. INTRODUCTION

Procurement of goods and services should be in the best interest of The Institute. It is essential that the policy is aligning to the principles for procuring in a fair, equitable, transparent, cost-effective, and competitive manner to avoid fruitless and wasteful expenditure.

The Institute's funds must be managed responsibly, ensuring that goods and services of the correct quality and quantity are delivered at the right time and place and at fair prices.

2. PURPOSE

The purpose of this policy is to provide a framework used for procurement at DVI with the following objectives:

- implementing a procurement system that is fair, equitable, transparent, competitive and cost effective;
- give effect to the provisions of legislative requirements and any regulations pertaining thereto, including Broad-Based Black Economic Empowerment;
- ensure uniformity and consistency to manage the entity's purchasing transactions effectively;
- provide a mechanism to ensure sound, sustainable and accountable procurement;
- facilitate an efficient and cost-effective sourcing of the works, goods and services for delivery of works/goods/services to the entity;
- streamline, consolidate and, where possible, improve on purchasing practices.

3. ABBREVIATIONS AND DEFINITIONS

Abbreviation	Meaning

B-BBEE	Broad-Based Black Economic Empowerment
DVI	The Da Vinci Institute for Technology Management (Pty) Ltd
SARS	South African Revenue Services
SCM	Supply Chain Management
SLT	Senior Leadership Team

Term	**Definition**
Authority	Meaning the necessary delegation granted to line management to approve the acquisition of goods and services to facilitate the day-to-day execution of tasks.
Approved Supplier	A supplier that has met all mandatory requirements and was accredited by the Procurement division for addition to the approved supplier database.
Approver	Department Head or relevant manager who approves the procurement action in accordance with the approved Delegation of Authority.
Broad-Based Black Economic Empowerment	The economic empowerment of all black persons, including women, workers, youth, persons with disabilities and persons living in rural areas, through diverse but integrated socio-economic strategies that include, but are not limited to: (i) increasing the number of black persons who manage, own and control enterprises and productive assets; (ii) facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises; (iii) human resource and skills development; (iv) achieving equitable representation in all occupational categories and levels in the workforce; (v) preferential procurement; and (vi) investment in enterprises that are owned or managed by

Term	Definition
	black persons.
Close family member	A spouse/partner, children, sibling or parents of a person.
Conflict of interest	Arises when an individual has a personal material interest in an activity, transaction, and organisation or otherwise that could be reasonably seen to have the potential to impair their objectivity or judgement in performing their duties at DVI.
Contract	A legally enforceable agreement between parties that is contained in writing and signed by authorised functionaries. For purposes of this policy, a contract also includes a purchase order.
Consultancy Services	The appointment of any external natural person or legal entity by DVI to render a specialised advisory service to the entity.
Corruption	Dishonest or fraudulent conduct, which harms DVI.
Employee	An employee of DVI; a person contracted to work as a member of staff.
End-user	A person who requests any goods/services in the procurement process.
Fraud	Knowingly lying or practising deception to obtain a benefit or advantage.
Funds	All funds managed through DVI cost centres are subject to DVI Procurement Policy and Procedures.
Goods and Services	All external purchases and contracting done by DVI with funds other than the staff budget.
Head of Department	A designated official responsible for the administration as well as the financial functions in a department.
Long-term contract	A contract with a duration exceeding one year.

Term	Definition
Obsolete	No longer produced or used; out of date; to become obsolete by replacing it with something new.
Procurement	A process which creates, manages and fulfils contractual obligations relating to the provision of goods, works or services, the hiring of goods and services, disposal and the acquisition or granting of rights or concessions.
Quotation	A written indication of fees and/or costs for the rendering of goods or services that is made by a supplier in response to a request by DVI.
Scope of work	Means the documentation that specifies and describes the goods, services, or engineering and construction works which are to be provided and any other requirements and constraints relating to the manner in which the contract work is to be performed.
Supplier	A supplier may be a person or an entity that provides goods or services to DVI. The other common term is 'vendor'.
Supplier Database	List of accredited suppliers that DVI will keep, update and distribute to all units in terms of this policy.
Supply Chain Management	SCM is an integral part of financial management. This function is the collaborative strategy that integrates the planning, procurement and provisioning processes to eliminate non-value-adding cost infrastructure, time and activities, and seeks to introduce international best practices.

4. SCOPE

This policy governs the procurement of goods and services across DVI, excluding the appointment of fulltime employees. Goods and services can include:

(a) Capital goods

(b) Standard stock items

(c) Services including consultancy and other professional services

(d) Maintenance of facilities and equipment

(e) Minor works

(f) Infrastructure projects

(g) Procurement of any other general items required by the entity

The policy applies to all permanent and contract employees of DVI when purchasing using financial resources of DVI.

Any person found guilty of non-compliance with the provisions of this policy will be subject to DVI's disciplinary procedures.

5. ETHICAL CODE FOR PROCUREMENT

Any DVI employee involved in procurement activities (either as member of staff of the Procurement Committee or as a member of staff from other units authorised to conduct purchasing on behalf of DVI) must, at all times, act ethically, in good faith and in the best interest of the entity. Employees are responsible for obtaining competitive prices and appropriate quality of services and products.

Employees must also:

- Declare in writing, any conflict or potential conflict of interest before DVI procures goods or services from the staff member or from an organisation within which the staff member holds an interest;
- Avoid the intention or appearance of unethical or compromising practices in relationships, actions and communication with suppliers;
- Show due care towards DVI by complying with the relevant policies, meeting all the legal instructions and act only according to delegated authority;
- Avoid practicing private business or professional activities that may be in conflict with the interest of DVI and may contravene the Higher Education Act or any DVI policy;
- Never request money, loans, credit or preferential treatment from a supplier or accept gifts, entertainment, favours or services from a supplier/or potential

supplier that may possibly have an effect on the outcome of the procurement decision;
- Treat confidential information or proprietary information of DVI or supplier with the necessary care and with consideration to its legal and ethical implications;
- Promote a professional relationship with suppliers by acting with dignity and impartiality during all phases of the procurement process;
- Avoid agreements that may limit competition;
- Know and understand the content and spirit of the Procurement Policy and realise the legal implications of procurement decisions;
- Commit to sound commercial practices to ensure value for money by obtaining competitive market related rates, evaluating quality of goods and services and reporting on poor service and unethical behaviour on the part of suppliers; and
- Report any behaviour that they become aware of that contravenes this Policy, to line management.

Unethical behaviour is viewed in a serious light. Therefore, it is incumbent on each unit in DVI to ensure that gifts and gestures of goodwill received by staff are declared to HR and approved or disapproved by the relevant line-manager.

Failure to comply with these requirements and the Policy may result in disciplinary action.

6. DELEGATION OF AUTHORITY

The structures set out below give strategic direction and execution authority to the Procurement Policy.

Board of Directors

The Board has the ultimate responsibility for the delegation of authority.

a) The Board has overall accountability for the implementation of and adherence to all SCM policies and procedures, as well as all SCM activities performed under these policies.
b) Through this policy, in line with the Delegation of Authority of the entity, the Board delegates its functions in terms of overseeing, planning and executing SCM in DVI to the SLT, the Procurement Department and all other departments referred to in this document.
c) Any concerns relating to SCM may be referred to the Finance, Audit, IT, Infrastructure and Risk Committee.
d) The Board is the highest authority to which SCM disputes may be escalated.

Senior Leadership Team

- The SLT to plan and execute Procurement and SCM activities.
- Disputes of any nature arising within SCM must be escalated to the CEO.
- The CEO has powers to authorise deviation from the normal procurement process.

7. PRESCRIBED MONETARY AND DELEGATED LIMITS FOR QUOTATIONS

The prescribed monetary and delegated limits are presented in the approved Delegation of Authority (DOA). The monetary values/ranges in the DOA may be amended from time to time as approved by the Board.

Procurement of goods or services may not be "divided" artificially to lower the monetary value in order to evade the prescribed commercial processes or delegation levels. Where multiple orders are placed with the same supplier for similar projects/services/product descriptions, substantiation by the user for the need to separate the purchase orders must be supported by the approver and submitted to the Procurement Division for approval.

In borderline cases where it is difficult to accurately estimate the price of the goods or services, the process for the next higher monetary value level has to be followed. The approver with the approval delegation for the purchase has to make the decision in borderline cases. The Executive Head: Business Operations may be consulted for advice in such situations.

All deviations from the prescribed commercial process must be fully substantiated by the relevant user and are always subject to higher delegated approval. Where the estimated cost of the procurement exceeds the threshold set for quotations, approval must be sought from the Procurement Committee established to approve all deviations from the prescribed requirements of the Procurement Policy and to maintain a record of such deviations.

Monetary threshold	**Number of quotations**
R0-R10 000	1 written quotation
R10 001-R50 000	2 written quotations
R50 001 and above	3 written quotations

8. QUOTATIONS

The end-user is responsible for finalising all specifications and requirements for the item or service. Brand names or suppliers should not be specified.

Quotations will be obtained by the unit requiring the goods and/or services and will be sourced from suppliers registered on DVI's approved supplier database.

Where the Procurement Division is requested to assist, the buyer and end-user must agree before a decision is made whether or not to accept a quotation. If a dispute arises, the Executive Head: Business Operations will have the final say on the acceptance of the quotation.

The decision to award must be based on compliance with specifications, conditions of the contract, ability and capability to deliver, BEE level of the supplier, whether the supplier is tax compliant and consideration of whether the price quoted is market related.

A written quotation cannot be considered unless the supplier has submitted the following compulsory documents:

- Company registration documents (only for new suppliers).
- Tax compliance certificate or SARS PIN
- BBBEE certificate or affidavit
- Bank letter not older than 6 months confirming the bank information.

9. SINGLE SOURCE PROCUREMENT

Single source negotiations should be used when any of the other procurement procedures is impractical or otherwise inappropriate. Comparison of prices with goods or services of like complexity or similar product/service costs should be used as a substitute for competitive procurement processes in this method. This method of procurement allows for:

- Sole supplier situations – an example would be specialised requirements or procurement for research purposes where a sole supplier exists for the required product/service. Proof of sole supplier status must be obtained and is not accorded on the basis of “brand”;
- The appointment of professional services such as financial, audit, medical, security, legal, human resource management etc. where individual expertise is required;
- Ad hoc once-off purchases with specific requirements such as conference attendance and the use of performing artists;
- Emergency situations or where the needs of DVI preclude the use of the competitive quotation or competitive proposal process.

All decisions to appoint a sole supplier must be well documented by the relevant user and must always be approved by the relevant approver. Where the estimated cost of the procurement exceeds the threshold set for quotations, approval must be sought from the Procurement Committee.

10. EMERGENCY PROCUREMENT

Emergency purchases are applicable only in unforeseen cases of emergency where immediate action is necessary to:

- Avoid or limit hardship or imminent hardship or deal with a dangerous situation;
- to enable the continuation of threatened key activities;
- to clear up damage, or prevent further damage or deal with natural disasters; or
- to address imminent operational or other safety risks.

The procurement in emergency situations is approved by the Procurement Committee and the executive of the specific department.

Where applicable, the supplier must submit the pricing schedule for the emergency work within three days after approval of the work.

Emergency situations do not include instances of inadequate planning and management of the procurement process by DVI staff.

11. APPOINTMENT OF PROFESSIONAL SERVICE PROVIDERS

DVI frequently engages service providers to render professional services, and they are commonly referred to as consultants. Irrespective of the structure within which a service provider provides the service, the service provider will have to be registered as a supplier on the approved supplier database.

Professional services include inter alia, services rendered by architects, engineers, environmental experts, interior decorators, builders, building maintenance support, auditors, lawyers, accountants, investment advisors, actuaries, taxation specialists, insurance specialists, information technology specialists and other technical and academic specialists.

Such service providers should be prequalified based on functionality such as skill, knowledge, experience, reputation, capacity, ethics and/or originality/creativity. The appointment of such service providers is overseen by the Procurement Committee after the relevant recommendation from the department head.

12. PETTY CASH PURCHASES

Procurement of consumable items with a cost of less than R1 000 per item may be arranged by the end-user and paid from the available petty cash.

In the event that no petty cash is available, the purchase may be made directly by the staff member who will subsequently be reimbursed.

13. PROCUREMENT COMMITTEE

A Procurement Committee considers and approves all requests for deviations from the prescribed requirements of the Procurement Policy, as well as the approval of new suppliers to be added to the approved supplier database.

The Procurement Committee comprises of the following members:

- Executive Head: Business Operations (Chair);
- 2 members of the Finance team;
- IT Manager; and
- 2 members of SLT.

The Committee will determine its own meeting procedures with due observance of generally accepted norms of fair administrative process and a record of all decisions and / or deviations from the prescribed requirements of the Procurement Policy must be kept. The Committee reports to the SLT on an annual basis.

14. APPROVED SUPPLIER DATABASE

DVI prefers to only conducts business with approved suppliers who are registered on the approved supplier database.

Supplier applications will be vetted by the Procurement Committee to identify suppliers who may be added to the approved supplier database.

To reduce the risk of any possible conflict of interest, members of Council members, employees and their immediate family members are not entitled to register on the supplier database or conduct business directly or indirectly with DVI as this may entail a conflict of interest unless the SLT is of the opinion that:

- The goods, product or service in question are unique;
- The supplier is a sole supplier;
- It is in the best interest of DVI.

Where a supplier is deactivated from the approved supplier list, for whatever reason, including unethical behaviour, unsatisfactory quality and service or a change in ownership causing a conflict of interest situation, the final decision for such removal rests with the Executive Head: Business Operations.

15. REVIEW OF THIS POLICY

Regular review and amendment of this policy will be done in line with the approved institutional policies and regulatory requirements. This will take place in consultation with the relevant quality assurance structures at departmental and institutional level, under the auspices of the official custodian of this policy, namely the Executive Head: Business Operations.

16. PROCEDURE: PROCUREMENT

This procedure will detail the steps to follow during the procurement process.

Step	Description	Notes
1	Identify main areas where service providers are needed	Engage with all line managers on needs
2	Line managers to provide detail of the proposed service provider as well as a motivation (pricing, reliability, service delivery etc)	Tax clearance, company documentation, BBBEE certificate, bank confirmation
3	Procurement Committee to review the service provider information and confirm who will be added to the approved supplier list	Identify possible risks and address
4	Once added to the approved supplier list, budgeted items can be procured from an approved service provider	
5	Unbudgeted items to be approved as per the DOA, and then the item can be procured from an approved service provider	
6	Where no approved service provider exists, the line manager needs to provide the relevant quotations as per the Procurement Policy and submit to the Procurement Committee	
7	The Finance Office to update the list of approved service providers and share with all line managers	Line managers to only use approved service providers
8	Annual review of all service provider service during the year to determine client satisfaction 5 – very unsatisfactory 4 – unsatisfactory 3 – satisfactory 2 – very satisfactory 1 – extremely satisfactory	Service providers with a score between 3 and 5 to be removed from the approved supplier list, and replaced with a new approved supplier
9	Ensure Procurement Committee members understand and adhere to all relevant requirements, policies etc by providing training and resources	

#	**Stakeholder**
1	Executive Head: Business Operations
2	IT Manager
3	SLT members
4	Bookkeeper
5	Accountant

Version History	**Amendment Details**	**Approval Date**	**Approving Committee**
V1		28/08/2024	SLT