# SOUTH AFRICAN MEDICAL ASSOCIATION TRADE UNION

# PROCUREMENT POLICY

Table Of Content PAGE

## 1. PURPOSE

1.1. The South African Medical Association of Trade Union ("SAMATU") spends large amounts of money to procure goods and services annually. It is essential that goods purchasing is conducted in a consistent, ordered, transparent, responsible and cost-effective manner in order to avoid fruitless and wasteful expenditure. SAMATU'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. The policy directive applies to all staff involved with procurement either as the person requesting the purchase, as the line manager authorising the purchase or as the buyer.

1.2. This Policy provides for the procurement of goods and services at SAMATU, with particular emphasis on the benefits to be derived from economies of scale and obtaining value for money when procuring goods and services for the organisation. In addition, the Policy incorporates SAMATU's approach to preferential procurement in supporting Broad-Based Black Economic Empowerment.

1.3. All office bearers, staff and all officials involved in procurement for and/or on behalf of SAMATU must ensure compliance with the Policy. It is of the utmost importance for office bears to ensure that all staff members involved in the application of financial resources are informed on and are properly trained in SAMATU's procurement processes. Due to the high risk involved in procurement and the possibility of irregularities and fraud, any non-compliance to the Policy is viewed in a serious light.

1.4. The Policy supports principles associated with procurement i.e. value for money, open and effective communication, ethical and fair dealing, accountability and reporting, and equity.

## 2. ORGANISATIONAL SCOPE

2.1. The Policy applies to all procurement undertaken on behalf of SAMATU, regardless of the source of funding and is therefore applicable to all levels of leadership (including all branches and provinces).

2.2. For all procurement and contracts concluded through a tender process, the prescribed tender procedure must be followed.

## 3.POLICY STATEMENT

3.1 SAMATU's approach to procurement is to ensure effective and transparent and centralise decision-making and authorisation, within a framework of a central control and coordinating structure. The Procurement Committee is situated in National Finance Committee with the National Treasurer and the General Secretary exercising oversight. This structure requires that all purchases are made according to prescribed procedures with an oversight and support function exercised by the National Treasurer and the General Secretary. A central Procurement Committee is necessary in order to:

3.1.1 obtain benefits of scale;

3.1.1.1implement and monitor corporate policy (e.g. preferential procurement and Broad-Based Black Economic Empowerment);

3.1.1.2 render a professional support service;

3.1.1.3 standardize suppliers and products where appropriate;

3.1.1.4 centrally control the selection and registration of suppliers;

3.1.1.5 manage, report on and coordinate procurement; and

3.1.1.6 ensure compliance with applicable legislation.

3.2.1The Procurement Committee ensures that buyers, in corporation with the branches, are able to negotiate for the procurement of required goods and/or services at the lowest prices and best conditions for SAMATU.

3.2.2SAMATU acknowledges that discretion may sometimes be required in the application of the Policy. Examples include instances where only a sole supplier exists for a particular product and/or services, where specialised services are rendered, where the suppliers are prescribed by a third party in terms of an agreement or for emergency services or products.

3.2.3SAMATU is a legal entity that can be held liable contractually or otherwise. Contractual liability usually results after a SAMATU purchase order is generated or a contract is entered into, irrespective of the source of the funds. This means that:

3.2.4 All requests for goods or services at the Union must be processed by means of the Union's requisition and purchase order;

3.2.5 No goods or services may be supplied if the supplier is not in possession of an official SAMATU purchase order;

3.2.6 The Union reserves the right to refuse payment for any goods or services rendered in the absence of an official purchase order (in which event the relevant staff member or official will be held liable for the purchase price or possible damages by the external third party). This may also lead to disciplinary action;

3.2.7 No goods or services bought may be paid for by a personal credit card, cheque or cash to be claimed later without prior written authorisation obtained in accordance with the **General Internal Delegations and Control over the Approval of Expenditure**; and

3.2.8 The Union reserves the right to refuse payment of any expense incurred personally for goods or services for official Union purposes.

## 4.DEFINITIONS

4.1"**agent**", An individual or a business that plays an intermediary role in securing;

4.2"**approved supplier**", A supplier that has met all mandatory requirements and was accredited by the Procurement Committee for addition to the approved supplier database;

4.3"**approver**", General Secretary or National Treasurer who approves the procurement action in accordance with the approved Delegation of Authority;

4.4"**closed tender**", An invitation to tender, which is issued to a limited group of potential suppliers from the Union's approved supplier database;

4.5"**contract**", The agreement that results from the acceptance of a tender by the Union;

4.6"**contractor**", Any natural or legal person whose tender has been accepted by the Union in writing;

4.7"**emergency**", Unforeseen situation where action is necessary to:

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

4.8"**employee**", An employee of the Union;

4.9"**end user**", The person who will utilise the goods or services required;

4.10"**fruitless/wasteful expenditure**", Expenditure incurred that would have been avoided had reasonable care been exercised;

4.11"**goods and services**", All external purchases and contracting done by the Union with funds other than the staff budget;

4.12"**procurement**", A process which creates, manages and fulfils contracts 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;

4.13"**open tender**", A tender published for general public attention;

4.14"**preferential procurement**", Procurement based on the preferential system as per the guidelines promulgated by the Preferential Procurement Policy Framework Act as amended (Act 5/2000) and its Regulations, 2011;

4.15"**professional service**", An occupational in the tertiary sector of the economy requiring special training in the arts or sciences. Some professional services require holding professional licenses such as architects, auditors, engineers, doctors and lawyers;

4.16"**quotation**", A written indication of fees and/or costs for the rendering of goods or services that is made by a supplier;

4.17"**supplier**", A person or legal entity that could potentially supply goods and/or services to the Union;

4.18**"supplier database**", List of accredited suppliers that the Union will keep, update and distribute to all units in terms of this policy;

4.19**"term contract**", A contract with a negotiated duration period;

4.20**"value of money**", Refers to the best available outcome when all relevant costs and benefits over the lifecycle are considered.

## 5. DELEGATIONS FOR PROCUREMENT, CONTRACTING AND AUTHORIZATION

The delegation for procurement, contracting and authorisation is determined by a decision of the National Executive Council and is included in the policy on **General Internal Delegations and Control over the Approval of Expenditure.**

5.1 Delegations for procurement and contracting

Approvals must be in accordance with the Policy on Internal Delegation of Authority. These delegations vary according to whether procurement is within the budget or outside of the budget.

Prior written authorisation must be obtained in accordance with the **General Internal Delegation and Control over the Approval of Expenditure,** for purchases of goods of services paid for by a personal credit account, cheque or cash.

## 6. **BROAD-BASED BLACK ECONOMIC EMPOWERMENT AND PREFERENTIAL PROCUREMENTS**

### 6.1 Background

The Union believes that the development of a Preferential Procurement Policy aimed at encouraging the active participation of affirmative business enterprises will ensure broader and meaningful participation and growth in the economy and promote sustainable development by the creation of new job opportunities and general prosperity.

SAMATU, therefore, gives preference to suppliers and service providers who have corporate social responsibility programmes in place. The Union has made a conscious decision to make use of affirmative business enterprises to provide services to and supply the Union with goods and services.

The procurement Policy aims to:

- Provide a fair and transparent process for the Union's procurement process and activities;
- Contribute to economic empowerment as per the Code of Good Practice on Board-Based Black Economic Empowerment by actively striving to meet or exceed a compliance target in procuring goods or services from such empowered suppliers and service providers;
- Manage and monitor progress against the procurement objectives and establish regular reporting on this aspect.

6.2 SAMATU's preferential procurement policy is guided by the following legal prescripts:

6.2.1 Section 217 of the Constitution of South Africa which provides that the government has to institute a procurement system that is fair, equitable, transparent, competitive and effective;

6.2.2 The Department of Trade and Industry's Code of Good Practice applicable to Broad-Based Black Economic Empowerment published in the Government Gazette (Act 53/2003, Notice 1019 of 2013);

6.2.3 The Preferential Procurement Policy Framework Act (PPPFA) (Act 5/2000) and its Regulations.

## 7. PRESCRIBED MONETARY AND DELEGATED LIMITS FOR QUOTATION AND TENDERS

7.1. The prescribed monetary and delegated limits to determine the commercial process required (quotations and tenders) are presented in Annexure 1. The monetary values/ranges in the table may be amended from time to time as approved by the NEC.

7.2. Procurement of goods and services may not be "divided" artificially to lower the monetary values. Where multiple orders are placed with the same supplier of 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 Committee for approval.

7.4. All deviations from the prescribed commercial process must be fully substantiated by the relevant user and must always have higher delegated approval. Where the estimated cost of the procurement exceeds the threshold set for quotations as per Annexure 1, 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 waivers (refers to section 14).

## 8. QUOTATIONS AND TENDERS

8.1. The end-user is responsible for finalising all specifications. Brand names and/or suppliers and/or service providers should not be specified.

8.2. Quotations and tenders will be obtained by the unit and/or branch and/or province requiring the goods and/or services.

8.3. Quotations and closed tenders for goods and/or services must be sourced from suppliers registered on the Union's approved supplier database.

8.5. Refer to **Annexure 1** for the prescribed monetary and delegated limits for quotations and tenders.

## 9. SINGLE SOURCE PROCUREMENT

9.1. Single source negotiations must be used when one of the other procurement procedures is impractical or otherwise inappropriate. Comparison of prices with goods or services of such as 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:

9.1.1 Sole supplier situations – an example would be specialised requirement or procurement for research purposes where a sole supplier exists for the required product/services. Proof of sole supplier status must be obtained and is not accorded on the basis of "brand";

9.1.2 Th appointment of professional services such as financial, audit, medical, security, legal, human resource management etc. where individual expertise is required (refer to section 11);

9.1.3 Ad hoc once-off purchases with specific requirements such as conference attendance and the use of performing artists;

9.1.4 Emergency purchases or where the needs of the Union preclude the use of the competitive quotation of competitive proposal process (refer to section 10).

9.1.5 All decisions to appoint a sole supplier must be 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 as per Annexure 1, approval must be sought from the Procurement Committee (refer to section 14).

## 10. EMERGENCY PROCUREMENT

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

10.1.1 Avoid or limit danger or imminent danger or deal with a dangerous situation, or

10.1.2 to enable the continuation of threatened key activities, or

10.1.3 to clear up damage, or prevent further damage or to deal with natural disasters, or

10.1.4 to address imminent operational or other safety risks.

10.2. In emergencies an emergency procurement transaction may be executed without the issue of a purchase order. Such purchases may only be concluded subject to the following conditions:

10.2.1 The procurement in emergency situations is approved in accordance with the **General Internal Delegations and Control over the Approval of Expenditure;**

10.2.2 Where applicable, the supplier must submit the pricing schedule for the emergency work within three (3) working days after approval of the work;

10.2.3 A purchase order must be finalized and forwarded to the supplier as soon as the financial operational system is available. No payment will be made without the system generated purchase order.

## 11. APPOINTMENT OF PROFESSIONAL SERVICE PROVIDERS

11.1. The Union frequently engages service providers to render professional services. Such service providers may operate as part of a business entity in their personal capacity and 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 SAMATU supplier database.

11.2. Professional services include inter alia, services rendered by legal practitioners, auditors and accountants and psychologists.

11.3. Such service providers must be prequalified based on functionality such as skill, knowledge, experience, reputation, capacity, ethics, and/or creativity. The appointment of such service providers is overseen by the Procurement Committee.

## 12. PETTY CASH PURCHASES

Procurement of consumable items (excluding assets and items with existing contracts such as fuel, rental, courier services, flights, chemicals, glassware, etc.) with a cost of less than R10 000 per order may be arranged by the end-user and paid from the unit's or branches or province's petty cash provision.

## 13. STANDARDISATION

13.1. Specific standards must be set by the Procurement Committee and the office of the General Secretary and the finance committee and must be continuously developed in cooperation with the relevant branches and provinces to ensure that specifications and standards of capital products meet the SAMATU's needs. Attempts must be made to standardize inter alia, the following capital goods:

- Computer and network equipment;
- Access control systems;
- Office furniture and equipment;
- Air conditioning systems;
- Audio visual equipment;
- Photocopy, fax, and telephone answering machines;
- Some specialised and/or research equipment;
- Motor vehicles.

13.2. Information on standardized equipment must be stored and made available the Procurement Committee. Procurement of non-standard equipment will only be allowed as an exception after substantiation by the relevant authority in accordance with the internal delegations and approval by the Procurement Committee (par. 14).

13.3. Maintenances or service agreements for certain equipment may be negotiated and concluded with an appropriate supplier. The price, scope of maintenance, terms and conditions must be negotiated with the supplier in the case of a sole service provider and quotations must be obtained when more than one service provider is able to provide the same scope of maintenance required.

## 14. PROCUREMENT COMMITTEE

14.1. A procurement committee considers and approves all requests for deviations from the prescribed requirements of the Procurement Policy, including professional service providers.

14.2. The Procurement Committee compromises of the following members:

- National Treasurer
- FINCOM member x2
- Staff x 2( 1 Procurement Initiator & 1 Meeting Admin )

14.3. 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 on deviations from the prescribed requirements of the Procurement Policy must be kept. The Committee reports to the NEC on an annual basis.

## 15. APPROVED SUPPLIER DATABASE

15.1. The Union only conduct business with approved suppliers.

15.2. Suppliers must apply for registration on the approved supplier database.

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

15.4. Where a supplier is deactivated from the approved supplier list, for whatever reason, including unethical behavior, unsatisfactory quality and service or a change in ownership causing a conflict-of-interest situation, the final decision for such removal rests with the procurement committee.

15.5. The supplier database shall be opened bi-annually for addition of new suppliers.

## 16. CONTRACTS INCORPORATING SERVICE LEVEL AGREEMENTS

16.1. SAMATU enters into contracts incorporating service level agreements (SLAs) for the supply of goods or services. The signing of such a contract constitutes a legally enforceable contractual relationship between the Union and a third party and must be concluded and signed according to the Internal Delegation of Authority policy.

16.2. In order to account for such commitments electronically, purchase orders should be created. The person who concludes and signs the contract on behalf of the Union must ensure that the required purchase order is created electronically, then approved and issued to the contractor.

16.3. Terms and conditions for all contracts should be approved by the Procurement Committee.

## 17. CONTRACT REGISTER

17.1. A register for all contracts incorporating Service Level Agreements should be maintained by the branch and/or unit and/or unit, which initiates and concludes the contract. Such contract information must be submitted to the office of the General Secretary for the maintenance of a centralized contract register.

17.2. Contract performance management is the responsibility of the end-user.

## 18. ETHICAL CODE FOR PROCUREMENT

18.1. Any employee or member or office bearer involved in procurement activities must always act ethically, in good faith and in the best interests of the Union. Employees, members and office bearers are responsible for obtaining competitive prices and for ensuring quality of services and products.

18.2. In addition to the aspects applicable to ethical behavior as contained in the code of conduct, the following must also be complied with:

18.3. Employees, members and office bearers must at all times:

18.3.1 Declare in writing any conflict or potential conflict of interest before SAMATU procures goods or services from the staff member or employee or from an organization within which the staff member/employee/office bearer has an interest in terms of Clause 19 of this policy on conflict of interest;

18.3.2 Avoid the intention or appearance of unethical or compromising practices in relationships, actions and communications with suppliers;

18.3.3 Show due care towards the Union by complying with the Union's policies, meeting all the Union's legal instructions and acting only according to delegated authority;

18.3.4 Refrain from conducting private business of professional activities that may be in conflict with the interest of the Union policy;

18.3.5 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;

18.3.6 Treat confidential information or proprietary information of the Union or supplier with the necessary care and with consideration to its legal and ethical implications;

18.3.7 Promote a professional relationship with suppliers by acting with dignity and impartiality during all phases of the procurement process;

18.3.8 Avoid agreements that may limit competition;

18.3.9 Know and understand the content and spirit of the Procurement policy and realize the legal implications of procurement decisions;

18.3.10 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;

18.3.11 Report any behaviour that they become aware of that contravenes this Policy to line management.

18.4. Unethical behaviour is viewed in a serious light. Therefore, it is incumbent that each branch and province maintains a register of gifts and gestures of goodwill received by staff. All gifts and gestures of goodwill are recorded in the register irrespective of the value of such a gift/gesture.

18.5. Failure to comply with these requirements and the Policy as a whole may result in disciplinary action.

## 19. CONFLICT OF INTEREST

19.1. In accordance with the code of conduct:

19.1.2. SAMATU members and employees must notify the Union of any conflict or possible conflict of interest before the Union procures any goods or services from the member or employee or an organization within which member or employee holds an interest;

19.1.3. Members and employees may not conduct business directly or indirectly with the Union that entails or may entail a conflict of interest with SAMATU;

19.1.4. Members and employees may not on behalf of the Union enter into a contract or personal interest.

19.5. The Procurement Committee must on a regular basis conduct a validation exercise to ascertain and verify any vested interests by members and employees of the Union in enterprises conducting business with the Union.

19.6. Where it has been determined that a conflict or potential conflict of interest exists, the following procedure must be followed:

19.6.1. All procurement from the relevant supplier must be stopped with immediate effect and the supplier deactivated on the supplier database as soon as all existing transactions have been completed for payment, or

19.6.2. the employee/member/office bearer could decide to sever his or her relationship with the Union thereby allowing the Union to continue its business relationship with the relevant supplier, or

19.6.3 the Procurement Committee could approve the continued business relationship with the relevant supplier if (1) the goods, products or services in question are unique, (2) the supplier is a sole supplier and (3) it is in the best interest of the Union.

## 20. INTERNAL AUDIT

20.1. The Internal Audit must be notified by the relevant line manager of all tender processes with an estimated value greater than R20m. The Internal Audit retains the right to review and investigate various aspects of such tender processes.

20.2. Internal Audit may review aspects of the procurement process, including an assessment of the value for money obtained for the Union in the procurement of goods and services.

## 21. ASSOCIATED DOCUMENTS

The policy must be read in conjunction with the following documents:

21.1. Section 217 of the Constitution of South Africa;

21.2. The Preferential Procurement Policy Framework Act (PPPFA) (Act 5 of 2000 and its Regulations);

21.3. The Department of Trade and Industry's Code of Good Practice applicable to Broad-Based Black Economic Empowerment;

21.4. The Code of Conduct for Union members and employees;

21.5. The King IV Report

## Annexure 1

| MONETARY LIMITS | COMMERCIAL PROCESS REQUIRED |
|---|---|
| R1- R10 000,00 | Petty Cash |
| R10 000,01 – R100 000,00 | 3 written quotations |
| R100 000,01 – R1 000 000,00 | Open Tender facilitated by Procurement Committee. |
| R1 000 001,00 to R20 000 000,00 | Open Tender facilitated by Procurement Committee.<br>Open tender, at least suppliers must be invited from the open market. FINCOM and the NEC to authorize the procurement. |
| Above R20 000 000,00 | Open Tender facilitated by Procurement Committee.<br>A public tender process must be followed and the Internal Auditor must be notified of the specifications, advert date and scheduled dates. FINCOM and the NEC must authorize the procurement |

| CONTROLLED BY: COMPLIANCE OFFICER | APPROVED BY: GENERAL SECRETARY |
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| SIGNATURE: | SIGNATURE: |
| DATE: 2024/02/19 | DATE: 19-02-2024 |

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