



NORTH-WEST UNIVERSITY[®]
YUNIBESITI YA BOKONE-BOPHIRIMA
NOORDWES-UNIVERSITEIT
INSTITUTIONAL OFFICE

Procurement Policy

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Procurement Policy

1 Preamble

As a pre-eminent university in Africa, driven by the pursuit of knowledge and innovation, with a unique institutional culture based upon the values the university espouses, the North-West University (NWU) has adopted this Procurement Policy on 23 November 2012.

2 Policy statement

The strategic procurement management objective of the University is to optimise the utilisation of the University's financial resources through a procurement process that is fair, equitable, transparent and cost-effective, while also ensuring the attainment of ancillary policy objectives such as transformation. From an organisational point of view, a centralised procurement management structure provides control and coordination without inhibiting evaluation, recommendation and authorisation powers in respect of procurement needs on a decentralised Divisional level. The decentralised operational goal is formalised in a clear and practical set of delegations of authority set out in the Authorization Levels, which delegations also provide for the requisite checks and balances.

Once a decision is taken in accordance with the Authorization Levels, the centralised Procurement Division executes the actual procurement process and manages it electronically, thereby ensuring the attainment of the aforesaid strategic objective while allowing other University employees to focus on their core responsibilities.

This policy replaces all previous policy instructions in respect of procurement.

All University employees who are directly or indirectly involved in procurement processes are expected to adhere to this policy in all applicable activities.

3 Definitions

- 3.1.1 "Accountant: Fixed Assets" shall mean the individual employed by the University in that capacity from time to time.
- 3.1.2 "Authorization Levels" shall mean the most recent Schedule of Authorization Levels as approved by the Council of the University. In this document the Council allocates authority for the approval of various transactions to various levels of University management.
- 3.1.3 "Campus Rector" means the individuals employed in that capacity by the University from time to time in respect of each of the three University campuses.
- 3.1.4 "Council" shall mean the Council of the University.
- 3.1.5 "Director: Institutional Information Technology" shall mean the individual employed in that capacity by the University from time to time.
- 3.1.6 "Division" shall mean all organisational divisions of the University such as faculties, schools, academic and support divisions on all campuses, as well as affiliated centres, units, institutes, clubs and societies whose financial records, by agreement, are maintained within the University's Financial Accounting System.
- 3.1.7 "EME" shall mean Exempted Micro Enterprise, an entity with an annual turnover of less than R5 (five) million.
- 3.1.8 "Executive Director: Finance and Facilities" shall mean the individual employed in that capacity by the University from time to time.
- 3.1.9 "Finance Committee" shall mean the financial committee of the Council.

- 3.1.10 "Procurement Division" shall mean the procurement office of the Finance Division responsible for the procurement of all goods and services for the University.
- 3.1.11 "QSE" shall mean a Qualifying Small Entity that qualifies for measurement under the qualifying small entity scorecard with a turnover of between R5 million and R35 million.
- 3.1.12 "Director: Financial Administration" shall mean the individual employed in that capacity by the University from time to time.
- 3.1.13 "Start-up Company" shall mean a recently formed or incorporated entity that has been in operation for less than 1 year. A start-up company does not include any newly constituted enterprise which is merely a continuation of a pre-existing enterprise.
- 3.1.14 "Store Officers" shall mean individuals employed by the University in that capacity from time to time.
- 3.1.15 "Stores" designated areas utilised for storing stock items until such a time as it is required for use by University Divisions.
- 3.1.16 "Supplier" shall mean any person or organisation contracting to supply the University with goods and services upon notification of an official purchase order.
- 3.1.17 "University" shall mean the North-West University, including all campuses, as well as affiliated centres, units, institutes, clubs, subsidiaries, associates, companies, close corporations, trusts, other legal persons and legal entities and societies whose financial records, by agreement, are maintained within the University's Financial Accounting System.
- 3.1.18 "Vice-Chancellor" shall mean the Vice-Chancellor of the University from time to time

4 Purpose

The purpose of this policy is to:

- 4.1 Establish and maintain a framework for the efficient and effective procurement of goods and services for the University; and
- 4.2 Stipulate general principles and guidelines to be observed in the procurement process, such as:
- increasing buying power through financial operational means, e.g. buying in bulk;
 - ensuring operational stability by providing an uninterrupted flow of goods, services and equipment to the Divisions e.g. by means of development of working relationships with competent Suppliers;
 - ensuring an independent cost/quality appraisal in all purchasing decisions through a organisationally centralised procurement division;
 - promoting regional economic development, e.g. by giving preference to local suppliers in communities within which the University operates, subject to the considerations of price, quality, and service, which shall be paramount; and
 - conforming to all statutory and regulatory requirements, such as BBBEE requirements.

5 Organisational scope and application

- 5.1 This policy shall be applicable to all University Divisions, campuses and employees, and covers all aspects of the acquisition of goods and services by the University, irrespective of the source of the funds utilised.
- 5.2 The application of relevant provisions of this policy in respect of legally autonomous entities, whose financial records are maintained by the University, will be decided on a case-by-case basis by the individuals entitled to do so in accordance with the Authorization Levels.
- 5.3 Should specific conditions prescribed by a donor be in conflict with this policy, an agreement deviating from this policy may be entered into with the applicable donor and such agreement shall be concluded by the individuals entitled thereto in terms of the Authorization Levels on behalf of the University.

6 Responsibilities

- 6.1** The Council is ultimately responsible for the achievement of the strategic objective set out above.
- 6.2** The day-to-day management of the procurement process is the responsibility of the Vice-Chancellor and Campus Rectors, who shall, together with the institutional management of the University and other functionaries mentioned in the Authorization Levels implement the strategic objective.
- 6.3** The specialised Procurement Division is responsible for the operational aspects of the procurement of all goods and services and shall in this regard report to the Executive Director: Finance and Facilities. Therefore:
- Only the Procurement Division is authorised to place the actual purchase orders in the name of the University, whether for the acquisition of goods, services or rights to usage (e.g. consider equipment lease or rental agreements).
 - The purchase order process of the Procurement Division may not be circumvented in any way whatsoever, e.g. by utilising third-party or personal funds, credit lines or any separated University funds, and then claiming the cost back from the University, unless specifically authorised.

7 Code of Procurement Ethics and Conduct

7.1 Integrity

- 7.1.1** The procurement of goods, services and equipment must be executed with the highest standard of integrity in all business relationships with Suppliers, both internally and externally. Any practices, however common in the business world, which might reasonably be deemed improper should be rejected.
- 7.1.2** Confidential information received during the procurement process shall be respected at all times, e.g. prices from one Supplier may not be divulged to another. Under no circumstances may employees engaged in purchasing activities exploit their position for personal gain.
- 7.1.3** Any employee of the University involved in the procurement of goods, services and equipment on behalf of the University must disclose in advance any personal interest, which might impinge on, or might reasonably be deemed by others to impinge on his/her impartiality, in any matter related to his or her duties. A signed written declaration indicating full current details of any personal or immediate family interest in any Supplier or potential Supplier should be furnished to the person responsible for authorising the purchase requisition and/or purchase order and copied to the Director: Financial Administration.
- 7.1.4** Employees involved in the procurement of goods, services and equipment on behalf of the University should refrain from accepting gifts and other personal favours of a material nature from any Supplier. Any gifts/invitations of a material nature that are accepted must be declared to the purchaser's superior in writing. Should an employee have any doubt regarding the circumstances or propriety in relation to gifts, or hospitality, which may be offered, they should be declined, or the advice of his/her immediate superior should be obtained.
- 7.1.5** Employees in general, but specifically employees in the Procurement Division, are required to provide their full cooperation in the elimination of fraud and corruption, and to be constantly aware of the possible existence thereof in their work environment.

7.2 Competence

- 7.2.1** Employees in the Procurement Division must foster the highest standards of professional competence in the procurement cycle. This will include optimising the use of all resources for which they are responsible.
- 7.2.2** The interests of the University must be safeguarded in all transactions and established policies strictly adhered to at all times.

7.2.3 All agreements entered into on behalf of the University must be respected and must be consistent with good business practice.

7.3 Suppliers

7.3.1 Employees in the Procurement Division must ensure that all purchases are made without prejudice, with a view to obtaining the best value for money while ensuring compliance with the strategic management objective and ancillary objectives in respect of procurement.

7.3.2 Any arrangement, which might prejudice or prevent the effective operation of fair competition, must be avoided. All suppliers capable of providing the required value, quality and service should be afforded an equal opportunity to compete.

7.3.3 Suppliers' representatives should, at mutually convenient or agreed times, be afforded a prompt and courteous reception.

8 Supply Chain Management

Supply chain management forms an integral part of the financial management of the University and requires compliance with general best practice. It is generally divided in five subsections, namely demand management, acquisition management, logistics management, disposal management and supply chain performance. For these purposes, this policy provides a framework within which each of these subsections can be managed and measured through control mechanisms, thereby ensuring optimum utilisation of the University's financial resources. In organising the University's supply chain management along these lines, traditional University specific procurement practices will be gradually integrated into best-practice supply chain requirements.

Efficient supply chain management is an ongoing process and includes making provision for continuous change in the needs and requirements of Divisions in respect of the procurement of goods and services. The interaction between the specialised Procurement Division and other University Divisions and the function that each of the various role players fulfils will therefore need to be reassessed and developed on a continuous basis.

8.1 Demand Management

This function is fulfilled throughout all Divisions of the University, with the Procurement Division providing the necessary assistance when required. Goods, services and equipment are divided into three sub-categories for the management of demand within the University context. The three sub-categories are: specialised goods, non-specialised goods and IT goods.

The University has a high demand for specialised goods, services and equipment due to the specialised nature of each Division. School Directors, Focus Area Directors and Deans of faculties are directly involved in the activities and the management of the various Divisions, and are therefore in the best position to determine and address the needs of each Division within the allocated budget.

The assessment of demand for non-specialised goods is done throughout all Divisions of the University, with due regard to general standards and guidelines set by the Procurement Division and budgetary constraints.

The demand for IT goods is managed on a centralised basis by the Director: Institutional Information Technology, with due regard to general and technical standards and guidelines set by the Institutional IT Division and budgetary constraints. The final decision in respect of IT goods requirements is made within each Division with regard to their specific area of responsibility, subject to institutional standards and guidelines set by the institutional IT Division.

To ensure that procurement demands are met successfully and efficiently, a needs assessment should be made regularly in order to guide the acquisition of goods and services. Amongst others, the following are taken into account:

- Identifying and understanding future needs
- Estimating the frequency of the need
- Determining specifications of goods, services and equipment to be procured
- Identifying required delivery dates by taking into account optimisation of usage of available funds
- Linking requirements to available budgets
- Doing an expenditure analysis

- Doing an industry analysis
- Comparing alternatives

8.2 Acquisition Management

Once the demand for specific goods, services and equipment has been established, the final decision in respect of the actual acquisition thereof is taken at the various levels of delegated authority. The Authorization Levels to this policy provides an exhaustive list of where and by whom final decisions in respect of acquisition must be taken. The operational process involved in the acquisition of goods, services and equipment shall be determined by the Procurement Division and shall from time to time be updated and published on the University's intranet.

Efficient acquisition management is an essential factor in ensuring that the strategic management objective and ancillary policy objectives of the University are met.

At least the following will be taken into account by the Procurement Division in the University's acquisition management:

- The determination of the most appropriate strategy in approaching the various markets.
- Transformation, preferential procurement and local economic policy objectives.
- The total cost of ownership principle will be applied, e.g. life cost and inventory carrying cost.
- Applicable depreciation rates.
- The need for compiling standard contracts and/or tender documents.
- The need for procedural rules in respect of determining contract and/or tender evaluation criteria, evaluating contracts and tenders and making recommendations.
- The rules pertaining to the signing of procurement contracts and/or tender documents.
- The need for a centralised and efficient contract administration.

8.3 Logistics Management

For the proper functioning of the University, it is important that goods, services and equipment are available when needed and that available funds and resources are optimally utilised. The logistics of goods and equipment provided to the University is managed by appropriately classifying such goods and equipment and by keeping an up-to-date stock register and asset register. Stock registers are kept and updated by the various Store Officers in charge of university Stores and the asset register is kept and updated by the Accountant: Fixed Assets.

It is ultimately the responsibility of the Procurement Division to ensure that all goods, services and equipment are available as and when needed throughout all Divisions of the University. The Procurement Division's duties in this regard include, but are not limited to:

- expediting orders;
- transport management;
- determining product standards in cooperation with the user Divisions in a continuous effort to improve standards and specifications of products;
- vendor performance evaluation;
- receiving and distributing goods and equipment; and
- optimising available funds by inter alia taking into account the required dates for delivery as set in the demand management process.

In the final instance, the financial system is activated from the logistics management process to generate payment to relevant Suppliers.

8.4 Disposal Management

The electronic asset register forms the basis of the disposal management process. A database of redundant goods is created and updated by using the information available on the asset register and depreciation calculations. Planning for future disposals is done by the Accountant: Fixed Assets, with the assistance of the Director: Financial Administration.

The final decision in respect of re-use or disposal of redundant goods is made in consultation with the applicable user Division of the respective items. Optimisation of usage of available resources will form the basis of any decision regarding the re-use or sale of redundant goods. The operational aspects of the disposal of assets are executed by the Accountant: Fixed Assets. The process will as far as possible be dealt with on an auction basis.

The Procurement Division will annually consult with all management units of the University to identify surplus or redundant furniture and equipment for disposal or re-allocation.

8.5 Supply Chain Performance

A retrospective analysis is regularly undertaken to determine whether demand, acquisition, logistics and disposal management objectives have been achieved and whether the end users are satisfied with the goods, services and/or equipment. The following aspects are taken into account for purposes of the evaluation of the supply chain management process:

- achievement of goals;
- compliance with University norms and standards;
- savings generated;
- cost variance per item;
- cost and time efficiency of procurement process; and
- contract breach.

8.6 Implementation

The implementation and development of the first four subsections of supply chain management is the responsibility of the Director: Financial Administration, who will report directly to the Executive Director: Finance and Facilities on a regular basis in this regard.

9 Broad-based Black Economic Empowerment

9.1 Policy

9.1.1 The University is committed to both the principles and the practical implementation of broad-based black economic empowerment. To this end, it will follow a phased approach to implement, measure and monitor progress on black economic empowerment and will strive to reach the targets set by the Codes of Good Practice, promulgated in Government Gazette 29617 published in February 2007, in respect of qualifying procurement spend with black empowered enterprises and/or black-owned enterprises.

9.1.2 The University will abide by the principles guiding the Black Economic Empowerment Strategy and legislation of the national government, which are the following:

- A broad-based empowerment drive that will effectively deracialise the South African economy and fast-track the inclusion of marginalised people into mainstream economy.
- The Broad-based Black Economic Empowerment drive to be all-inclusive, with all enterprises operating in the South African economy taking part.
- A need to promote high standards of corporate governance.
- The BBBEE strategy must be viewed as integral, related and complementary to the economic growth of South Africa.

9.1.3 All Suppliers will be identified as being generic, QSEs, EMEs or Start-up companies, and will be required to provide the University with either a broad-based scorecard or proof that it is exempted from providing a scorecard in terms of BBBEE legislation. Scores obtained by suppliers in terms of legislation will be one of the criteria in terms of which Suppliers are selected.

9.1.4 The process of Supplier and tender evaluations must be simple, workable and effective.

9.1.5 Without compromising quality, standards, service levels or price, the procurement process of the University will be a fair, equitable, transparent, competitive and effective process that will enable all service providers, regardless of race, gender or ethnicity an equal opportunity to do business with the University, whilst complying with the requirements of the BBBEE legislation laid down by government.

9.2 Implementation

9.2.1 This policy is being implemented in accordance with the requirements of Government Gazette 29617 published in February 2007 on the BEE Codes of Good Practice and the BBBEE guidelines.

9.2.2 Progress reports in respect of the achievement of the targets set by the Codes of Good Practice will be provided to the Finance Committee annually.

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