

CHAPTER 3

ANALYSIS OF PUBLIC SECTOR PROCUREMENT PROCESSES AT GAUTENG DEPARTMENT OF INFRASTRUCTURE DEVELOPMENT

3.1 INTRODUCTION

Gauteng Department of Infrastructure Development (GDID) seeks to create an effective, efficient and professional Supply Chain Management (SCM) division that adds value to the Department and adheres to world best practice in all its procurement-related activities. All procurement-related activities of GDID are guided by the Department's SCM Policy Document which is informed by the Procurement Policy of Gauteng Provincial Government Supply Chain Management Manual and other national and provincial legislation and treasury regulations that govern public sector procurement. The Department, through its SCM division, seeks to achieve its Departmental, Provincial and National objectives of poverty alleviation and job creation through the development and promotion of Historically Disadvantaged Individuals (HDIs), Black Economic Empowerment (BEE) and Small, Medium and Micro Enterprises (SMMEs).

This chapter focuses on Gauteng Department of Infrastructure Development's procurement structures and the role players in the supply chain management function of the Department. The procurement processes as employed by the supply chain management unit with more focus on competitive bidding are examined. The chapter also examines how the Department seeks to contribute to both national and provincial goals of black participation in the economy through black economic empowerment and small, medium and micro enterprises. Furthermore the chapter explores measures the Department has in place in order to combat corruption.

3.2 BACKGROUND

All national and provincial legislation and policies governing procurement provide a framework for procurement whilst the Supply Chain Regulations of 2004 require as alluded to in chapter 2, that each organ of state must develop and implement its own

supply chain management policy. GDID has therefore developed its own SCM policy which is implemented in line with the appropriate national and provincial legislation already mentioned in chapter 1 and 2 of this study.

The Supply Chain Management Policy seeks to achieve the BBBEE objectives of both national and provincial government through its procurement activities. The Department is thus guided by the BBBEE Act of 2003 and the Preferential Policy.

3.3 ROLE PLAYERS IN THE PROCUREMENT OF GDID

The key role players in the procurement of GDID include the Member of Executive Council, Head of Department as the Accounting Officer, Chief Procurement Officer, End-users and other procurement officers.

3.3.1 Member of Executive Council

In terms of Section 132(2) of the Constitution, the duties and powers of the Member of the Executive Council (MEC) are assigned by the Premier of the Province and the MEC is required to act in accordance with the Constitution. The MEC as an executive authority is therefore responsible for directing the Department's activities in line with both the national and provincial legislation and policies. Such legislation includes the PFMA and Gauteng Finance Management Supplementary Act of 2000. These Acts provide for an open, fair and transparent pre-qualification procurement process. The MEC has the authority to intervene with regard to the procurement policy and processes in the Department when he/she has reason to believe that they are in conflict with legislation or are somehow prejudicial to the general public.

3.3.2 Head of Department

Section 36(2)(a) of the PFMA provides that the Head of Department (HOD) must be accounting officer of the Department and as already alluded to in Chapter 2 of this study, must ensure that the Department has and maintains an effective, efficient and transparent system of financial and risk management and internal control. He (or she) must ensure compliance by the department with the provisions of the PFMA. In terms of Section 7(3) of the Public Service Act of 1994 as amended, the HOD, as a public servant, is responsible for the efficient management and administration of the Department. It is therefore the duty of the Accounting Officer to demonstrate to the

executive authority and all other stakeholders that the procurement process is transparent, fair, open and competitive. He has to monitor, investigate and audit the procurement process as part of his/her management and administrative duties.

3.3.3 Head of Supply Chain Management

In terms of GDID-SCM Policy (2009;1), the Head of SCM as the Chief Procurement Officer together with the various Business Units of the Department must establish and implement an appropriate demand management system and a supply performance management system. The demand management system is to ensure that the resources required by the department support its operational commitments and its strategic goals as outlined in the Department's Strategic Plan and its Annual Performance Plan. The supply performance management system is to ensure:

- the achievement of goals;
- compliance to norms and standards;
- that savings are generated;
- the efficiency of stores;
- there is no contract breach;
- cost efficiency of the procurement process;
- whether supply chain objectives are consistent with government's broader policy;
- that the material construction standards become increasingly aligned with those standards that support international best practice;
- that the principles of co-operative governance as expounded in the Constitution are observed; and
- that the reduction of regional economic disparities is promoted.

The head of SCM must implement a system of acquisition management and disposal management. Together with the Gauteng Shared Services Centre (GSSC), he/she must also implement an appropriate system of logistics management. GSSC is a Gauteng Provincial Government Initiated Institution established to pool together internal support or 'back office' functions that are frequently duplicated across all Gauteng Provincial Government Departments. Its core business is to render services to departments and to manage these functions along best practice principles and include mainly the procurement of commodities.

3.3.4 Procurement Support Staff

These are individuals responsible to the day-to-day activities relating to supply chain management. They are from the various business units of the Department and include the BEE specialist, sourcing specialist and the secretary to the Departmental Acquisition Council.

3.4 ORGANIZATIONAL STRUCTURES INVOLVED IN THE SCM OF GDID

According to the Gauteng Department of Public Transport, Roads and Works (2009:21) various structures are involved at different levels in the implementation and management of the various facets of the supply chain management function within the department. The structures are: the Supply Chain Management (SCM) Unit; Cross Functional Sourcing Teams (CFSTs) and the various Business Units (BUs) including the Construction and Industry Board (CIDB). There are also various committees involved in the procurement process of the Department and they are the Specifications Committee (SC); Evaluation Committee and the Adjudication Committee. The Adjudication committee is made up of the Departmental Acquisition Council (DAC) Central and its sub-committees.

3.4.1 Supply Chain Management UNIT

The Supply Chain Management (SCM) Unit is responsible for demand management, sourcing, compliance management, purchasing and logistics. This unit is responsible for: category strategy development; strategy implementation; supplier analysis and selection; contract negotiation and management; category specification and sourcing; performance measurement of suppliers; order placing with suppliers and expediting of orders; specification of a procurement system and maintenance of such system (Gauteng Department of Public Transport, Roads and Works, 2009:22).

3.4.2 Cross Functional Sourcing Teams

Cross Functional Sourcing Teams (CFSTs) are multi-disciplinary teams made up of permanent SCM staff members as well as part-time (but formally allocated) members from other business units who are experts in the different functional areas. The CFSTs is responsible for managing the process of specifying the need and selecting suppliers, whilst the Business Units and technical experts are responsible for the technical

correctness of standards and selection criteria. This committee evaluates all bids received and submits a report as well as recommendations regarding the award(s) of the bid(s) to the Departmental Acquisition Council and Trading Entities Acquisition Council as per their respective jurisdiction. CFSTs comprise of a sourcing specialist who has commercial skills and experience, a category expert and a BEE expert who ensures that the Department strives to achieve certain levels of procurement from BEE suppliers, enterprises and entities in accordance with agreed targets and within specified timeframes according to the Department's BEE policy (Gauteng Department of Public Transport, Roads and Works, 2009:25).

3.4.3 Business Units

Business Units are the separate directorates within the GDID headed by various managers. The Business Units are responsible for delivering projects on behalf of client Departments. They must purchase goods and services through the approved processes that are managed by SCM to ensure compliance with BBBEE regulations and the GDID BEE policy.

3.4.4 Construction Industry Development Board

According to the Construction Industry Development Board (CIDB) Act 38 of 2000, the CIDB was established as a statutory body to provide strategic leadership to construction industry stakeholders to stimulate sustainable growth, reform and improvement of the construction sector. The CIDB is mandated to establish a national register of contractors, which categorises contractors in a manner that facilitates public sector procurement and promotes contractor development. The CIDB must also establish a national register of projects to gather information on the nature, value and distribution of projects and to provide the basis for the best practice project assessment scheme.

3.4.5 Gauteng Shared Services Centre

The Gauteng Shared Services Centre (GSSC) pools together internal support or 'back office' functions that are frequently duplicated across all Gauteng Provincial Government Departments. The core business of the GSSC is to render services to the departments and to manage these functions along best practice principles. These services include mainly the procurement of commodities (Gauteng Department of Public Transport, Roads and Works, 2009: 29).

3.4.6 Bid Specifications Committee

According to the Gauteng Department of Public Transport, Roads and Works (2009:30), the Bid Specifications Committee compiles the specifications for all procurement of goods or services by the applicable GDID's selection committee. This committee must be composed of one or more officials of the applicable GDID selection committee preferably the manager responsible for the function involved, and may, when appropriate, include external specialist or advisors. The specifications for each goods and services must be drafted in an unbiased manner to allow potential suppliers to offer their goods or services. Specifications must take into account any accepted standards such as those issued by the Standards South Africa, the International Organisation for Standardisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply. The specifications must amongst other things indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations of 2001.

3.4.7 Bid Evaluation Committee

The evaluation of the bids is the competency of the Cross Functional Sourcing Teams (CFSTs). This Bid Evaluation Committee evaluates all bids received and submits a report and recommendation(s) regarding the award of the bid(s) to the Departmental Acquisition Council and the Trading Entities Acquisition Council as per their respective jurisdiction. According to Visser and Erasmus (2002:160), any person involved in the evaluation of a tender may not be part of the adjudication panel.

3.4.8 Departmental Acquisition Council

The Departmental Acquisition Council (DAC) is responsible for ensuring and promoting the realization of the BBBEE and SMME targets as reflected in the SCM Policy Document of the Department. The DAC comprises of three sub-committees namely: the Trading Entities Acquisition Council, B3000K and the B1000K. The DAC adjudicates all tenders above three million. This committee as well as its sub-committees is responsible for facilitating the bid processes and for providing the Executive Management Team (EMT), the Head of Department and the Executive Member of Council (MEC) with regular progress on the performance of the

Department's procurement function (Gauteng Department of Public Transport, Roads and Works, 2009:34).

Trading Entities Acquisition Council (TEAC)

The TEAC is established as an acquisition council for the following entities of GDID: Government Motor Transport Trading Account; Impophoma Infrastructure Support Trading Account; Emoyeni Trading Account; Kopanong Trading Account and Urban Transport Fund. TEAC adjudicates all the Department's Trading Entities' tenders up to a value of R200 000 (Gauteng Department of Public Transport, Roads and Works, 2009:33).

B3000K-DAC

This sub-committee adjudicates all tenders that are below three million but above one million rand.

B1000K-DAC

This sub-committee adjudicates all tenders that are below one million but above two hundred thousand rands.

3.5 THE PROCUREMENT PROCESSES EMPLOYED BY THE SCM UNIT

In terms of the SCM Policy (2009:5) of GDID, goods and services may only be procured by way of written or verbal quotations, formal or written quotations and through competitive bidding. The respective processes are discussed below.

3.5.1 Written or verbal quotations

The SCM Policy provides that for procurements of transactions of over R 2000 up to a maximum of R10 000 including Vat, written or verbal quotations may be used. Quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the Gauteng Shared Service Centre (GSSC) and the Gauteng Department of Infrastructure Development (GDID). If quotations are obtained from providers who are not listed on the GSSC database and the GDID database, then such providers must be requested to submit such quotations in writing to the extent feasible.

If it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the accounting officer or another official designated by the accounting officer. The accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices and if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider. The procedure must still be fair, equitable, transparent, competitive and cost-effective.

3.5.2 Formal written price quotations

Formal written price quotations or request for quotation (RFQ) used for procurements of a transaction value of over R10 000 up to R500 000 including Vat. RFQs require specific responses rather than creative solutions. Suppliers' responses contain firm offers for typical items such as prices, quantities, dates (usually limited time frame) and installation/engineering ability. RFQs should ask the potential suppliers to quote the price at which they will perform in accordance with the terms and conditions of the order or contract should they receive the award. The conditions for the procurement of goods or services through formal written price quotations are the same as those of written or verbal quotations mentioned above.

It should be noted that the procedure for the procurement of goods or services when using the list of accredited prospective providers, the department must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis. All requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, be advertised for at least seven days on the GSSC website and an official notice be placed on the notice board. Offers received must be evaluated on a comparative basis taking into account unconditional discounts. The accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation. Offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and the lowest price offered. Acceptable offers, which are subject to the preference point system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points and proper records must be kept for all transactions.

3.5.3 Competitive Bidding

The GDID SCM Policy (2009:36-40) states that the competitive bidding strategy is used for the procurement of goods and services above a transaction value of R500 000 including Value Added Tax (VAT) and for long term contracts. It should also be noted that according to the SCM policy, no requirement for goods or services above an estimated transaction value of R500 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise that through a competitive bidding process. The procedure for a competitive bidding process involves the compilation of bidding documents, public invitation of bids; site meetings or briefing sessions; handling of bids submitted in response to public invitation; evaluation of bids; awarding of contracts and administration of such contracts.

3.5.4.1 Bid documentation for competitive bids

In compliance with bid documentation for competitive bidding process, the department must take into account the general conditions of contract and any special conditions of contract, if specified and any treasury guidelines on bid documentation; and the requirements of the Construction Industry Development Board in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure. Bid documentation must include the preference points to be used, goals as contemplated in the Preferential Procurement Regulations and the evaluation and adjudication criteria including any criteria required by any applicable legislation. The documentation must compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted.

If the value of the transaction is expected to exceed R10 million (VAT included), the bidders must furnish:

- a certificate signed by the bidder certifying that the bidder has no disputed commitments with regard to the services provided to the Department towards another Department or service provider in respect of which payment is overdue for more than 30 days;
- particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;

- a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the Department is expected to be transferred out of the Republic; and
- stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or when unsuccessful, in a South African court of law.

3.5.4.2 Invitation of competitive bids

Invitation of competitive bids is done by way of public advertisement in newspapers commonly circulating locally, through the GDID website, in the Government Tender Bulletin and any other appropriate way. Information contained in a public advertisement include the closure date for submission of bids, which may not be less than 30 days in the case of transactions over R10 million (Vat included) or which are of a long term nature, or 28 days in any other case, from the date on which the advertisement is placed in the newspaper, date, time and venue of any proposed site meetings, and any information required by legislation to be included in the invitation to bid. The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 28 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process. It is important to note that bids submitted must be sealed.

3.5.4.3 Site meetings/briefing sessions

All contractors are expected to attend compulsory site meetings and those who fail to attend such briefing sessions will automatically be disqualified from further participating in the bidding process. An attendance register of the attendees of compulsory site meetings will be kept.

3.5.4.4 Handling, opening and recording of bids

Bids are opened as soon as possible after the submission period has expired and at the same time in public. Bids received after the closing time are not considered and are returned unopened immediately. A request by a bidder or member of public that the names of bidders who submitted bids in time be read out, must be granted and if practicable, each bidder's total bidding price. The head of SCM must record in a

register all bids received in time and must make the register available for public inspection and publish all entries in the register and the bid results on the website. No information regarding the bid, except the one mentioned above should be disclosed to bidders or other persons until the successful bidder is notified of the award.

3.5.4.5 Evaluation of bids

Evaluation of bids is the responsibility of the Cross-Functional Sourcing Team. The evaluation criteria must ensure that all suppliers are equally evaluated when in contention for the awarding of business. The evaluation of bids include verification of: the capability or ability of the bidder to execute the contract; Tax clearance certificate issued by the South African Revenue Services and payment of any levies and other charges as prescribed by the Department including National Government. Bids are evaluated only in accordance with the criteria specified in the bid specifications.

3.5.4.6 Awarding of contracts

The DAC or its sub-directorates will consider the recommendations of the evaluation committee and depending on its mandate, will make the final award of the tender or make other recommendations to the accounting officer how to proceed with the award.

3.5.4.7 Administration of contracts

Upon the approval of a bid, the accounting officer and the bidder must enter into a written agreement. Proper records of the agreement must be kept. The original or legal copies of the written contract should be kept in a secure place for reference purposes and for accounting systems. The minimum conditions that must be met in terms of drawing of the contract include the following: terms and of contract must be clearly stated; payment terms and conditions; BEE Development Plan; rental of equipment or a service; contracting human resources; consulting and professional services (Gauteng Department of Public Transport, Roads and Works, 2009:36).

3.5.5 Two-stage bidding

A two-stage bidding process is allowed for large complex projects and projects where it may be undesirable to prepare complete detailed technical specifications and long term projects with a duration period exceeding three years (Gauteng Department of Public Transport, Roads and Works, 2009:40).

In the first stage technical proposals on conceptual design or performance specifications are invited subject to technical as well as commercial clarifications and adjustments. In the second stage final technical proposals and priced bids are invited. This ensures that invitations to bid are extended only to those who have adequate capabilities and resources. Pre-qualification is based entirely upon the capability and resources of prospective providers to perform the particular contract satisfactorily.

3.6 DEVIATION FROM NORMAL PROCUREMENT PROCESSES

The Gauteng Department of Public Transport, Roads and Works (2009:63), provides that the accounting officer may dispense with the official procurement processes and procure any required goods and services through any convenient process which may include direct negotiations with a specific bidder. The accounting officer must then record the reasons for the deviation and report to the next meeting of the council and include as a note to the annual financial statement. Deviations from the normal procurement processes may only be used in an emergency, if such goods or services are produced or available from a single provider only.

The department to deviate from the normal procurement process, could be when there is disaster incidences like fire control; sometimes the respective beneficiaries awarded the tenders failed the final process for adjudication. Deviations from the normal procurement processes may also be used for the acquisition of special works of art or historical objects where specifications are difficult to compile or in any other exceptional case where it is impractical or impossible to follow the official procurement processes and for the ratification of any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

3.6.1 Urgent and emergency procurement

Emergency situations are regarded as those situations that could not be foreseen. It is where the procurement of goods and services could avoid a dangerous situation or where the delivery of goods and services is of critical importance and the invitation of comparative quotations is either impossible or impractical, only one written quotation is required. Bad or poor planning cannot be the reason for using emergency procurement only if the event of life threatening situations and where the occurrence

could not have been foreseen may such deviations be made. In the case of urgent matters the accounting officer must certify that the situation requires immediate action and must be treated as such.

Inter-American Development Bank (2008:8) states that an emergency condition creates an immediate need for goods or services that cannot be met through normal procurement sourcing methods. If at all possible, prior to initiation of an emergency procurement, the user department must submit a purchase requisition for the goods or services needed with a full explanation in writing of the circumstances necessitating the emergency procurement. Where time or circumstance preclude submission of written documentation, the user department must obtain verbal permission to proceed with the emergency procurement. The written documentation required (purchase requisition and justification) must be submitted by whatever means practicable as soon as possible thereafter. Lack of time is not justifiable for emergency procurement.

3.6.2 Unsolicited bids

The Department has no obligation to consider unsolicited bids received outside the normal bidding process. The accounting officer may decide to consider an unsolicited bid only if:

- the product or service offered in terms of the bid is proven to be a unique innovative concept;
- the product or service will be exceptionally beneficial to, or have exceptional cost advantages for the department; the person who made the bid is the sole provider of the product or service; and
- the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.

A non-competitive/unsolicited bid means that there is only one possible supplier for the goods or services for one of the following reasons:

- No other supplier for the product or service exists;
- The supplier has exclusive geographical or other distribution rights for the product or service; and
- The item is a replacement or add-on component of proprietary commercial software or hardware that is available only from its manufacturer.

Single-source procurement means that a particular supplier should be selected without competition (Inter-American Development Bank, 2008:7). Gauteng Department of Public Transport, Roads and Works (2009:50) provides that if the accounting officer decides to consider an unsolicited bid, the decision must be made public together with: the reasons as to why the bid should not be open to other competitors; an explanation of the potential benefits if the unsolicited bid were accepted; and an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.

3.7 PERFORMANCE MANAGEMENT OF THE SUPPLY CHAIN UNIT

Gauteng Department of Public Transport, Roads and Works, (2009:66) requires the accounting officer of the Department to develop and implement an internal monitoring system. The respective system is developed to determine, whether the authorised supply chain management processes were followed and whether the objectives of the SCM policy were achieved. Further, the system is developed to ensure that the preferential policy attains its objectives, the SCM policy stipulates that a robust performance management system must be established. This performance management system needs to create a link between the preferential procurement objectives and actual delivery. It will accordingly, encompass a process involving setting goals in terms of the preferential procurement objectives, establishing relevant key performance areas (KPAs) to monitor and specific key performance indicators (KPIs) to measure and to enable continuous performance review.

The GDID notes that for effective performance management in the Departmental supply chain management environment, it is appropriate to initiate the performance management process through the participation by supply chain management personnel in both the Secretariat and Departmental structures (sourcing specialists, technical specialists, commercial specialists, etc). This will ensure a common support and understanding of the preferential procurement objectives and will solicit adequate buying in on the process.

The GDID further notes that it is critical to initiate the performance management process in the supply chain management environment by establishing common goals for the various committees in the sourcing process, the Business Units, the procurement manager and his or her subordinates. Each Business Unit and the supply chain

management structures would need to define their own areas of responsibility (KPAs) in terms of the overall preferential procurement or BBBEE objectives and then clearly define these in terms of measurable expected results or targets (KPIs). The KPIs will then be applied by the relevant procurement practitioners (managers and subordinates) in planning their work and monitoring progress (Gauteng Department of Public Transport, Roads and Works, 2009:63).

3.7.1 Performance management process

The overall performance management process is based on the principles of management by objectives (MBO). The key steps in the performance management process are outlined below. Firstly there should be commitment at every level (from the Executive Management, DACs, Business Units and SCM practitioners) towards the preferential procurement or BBBEE objectives and the performance management process for the programme to be successful. Secondly top management must define departmental goals in terms of key performance areas and these must be stated in specifically measurable terms. Each individual manager and subordinate must then have clearly defined work responsibilities and objectives in terms of preferential procurement. Consultation between the supervisor and individual is very crucial. Lastly performance against the objectives must be monitored on a continual basis from the lowest levels between managers and individuals. Feedback on performance must then be given to all relevant stakeholders (Gauteng Department of Public Transport, Roads and Works, 2009:67).

3.7.2 Overview of departmental performance

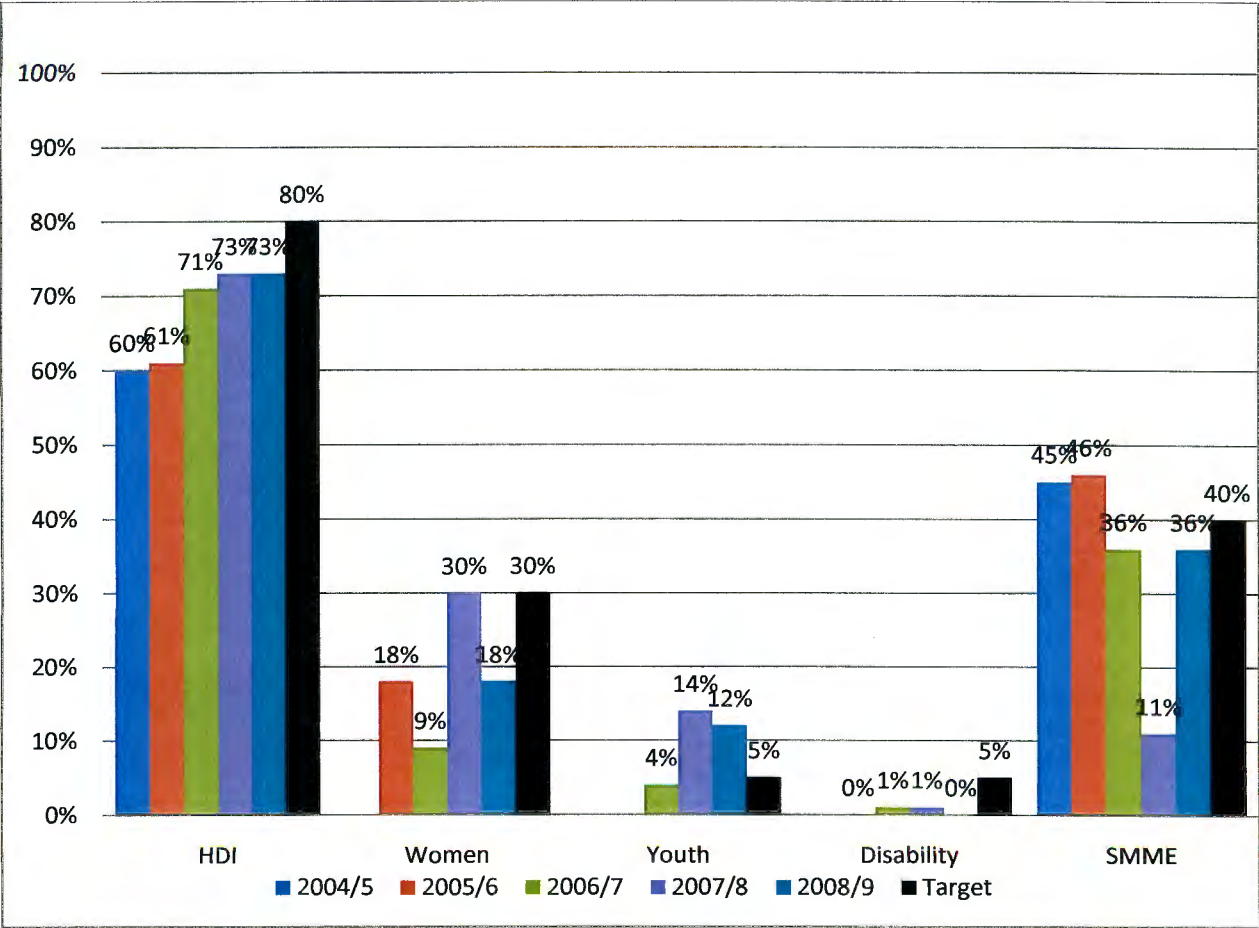
According to Gauteng Department of Public Transport, Roads and Works (2008:3), the Department has a mandate to the BBBEE objectives as outlined in the BBBEE Act 53 of 2003. A monitoring framework is outlined in the Gauteng Provincial Government BBBEE Strategy, incorporating targets against which the Department will measure its performance in terms of BBBEE achievements on a quarterly and annual basis. Gauteng Department of Infrastructure Development aimed at achieving 80% on HDI, 40% SMME, 30% women, 5% youth and 5% for people with disability incrementally over a period of five years from 2004 to 2009.

The graph on figure 3.1 depicts how the Department performed with regard to its achievement of BBBEE objectives from 2004 to 2009 and table 3.2 depicts the

performance of the Departmental Acquisition Council and its sub-committees with regard to the Departments, BBBEE achievements.

Figure 3.1 below shows that the Department has made great effort in trying to achieve the set targets. For HDIs the Department has achieved up to 73% of the set target of 80% and with regard to youth and SMME the targets where exceeded in some instances. With regard to women the achievements have not been so great even though in 2007/8 financial year the target on women was reached. The only failure was with regard to people with disabilities as the Department was only able to reach a target of 1% and still no improvements are showing in this regard (Gauteng Department of Public Transport, Roads and Works 2008:9).

Figure 3.1 Year to year comparison

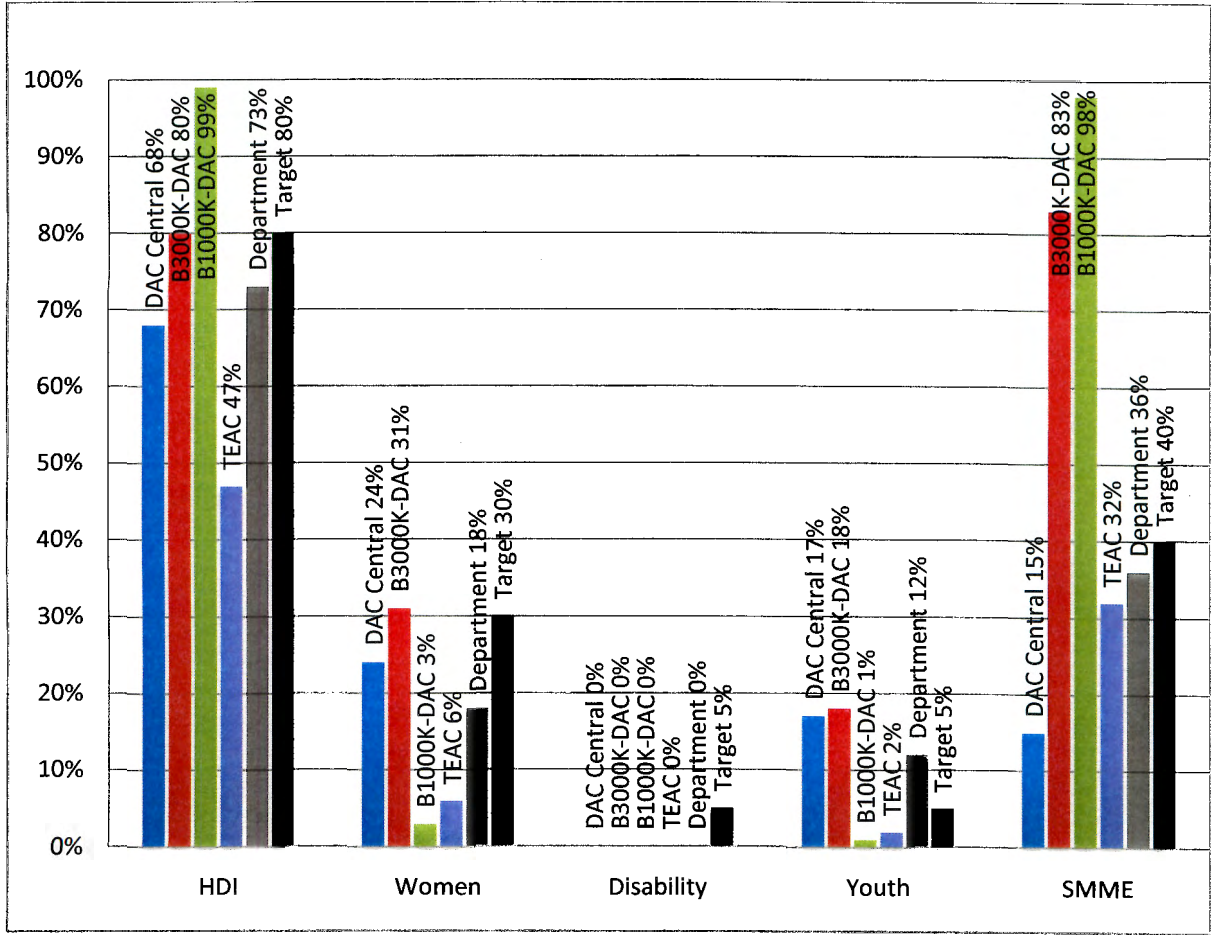


Source: Gauteng Department of Public Transport Roads and Works Annual BBBEE Report (2008/09:27).

Figure 3.2 shows the performance of the Departmental Acquisition Council and its sub-directorates for the year 2008 to 2009. In terms of weight in value, the DAC Central has

more influence on the overall performance on achieving BBBEE targets. The DAC constituted 68% of the total award of tenders. Generally, DAC Central performed below target in most BBBEE categories namely HDI, Women, and SMME the worst being for people with disabilities. In terms of HDI achievement, the B1000K-DAC was the highest when it comes to HDIs category and SMME category.

Figure 3.2 Summary DAC’S B-BBEE Achievements



Source: Gauteng Department of Public Transport Roads and Works Annual BBBEE Report (2008/09:25)

3.8 MEASURES TO COMBAT CORRUPTION

The SCM Policy document requires the SCM Unit, including every individual involved in the procurement of goods and services to conduct business in an ethical manner, in accordance with the department's policies and guidelines and to always conduct departmental operations in the best interest of the department. The policy restricts any person, advisor, director or corporate entity involved with the bid specification committee to bid for any resulting contracts (Gauteng Department of Public Transport, Roads and Works, 2009:42).

The SCM Unit's code of ethics provides that any official or any person involved in procurement must treat all providers and potential providers equitably. An official may not use his/her position for private gain or to improperly benefit another person. All persons involved in procurement may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including any close family member, partner or associate of that person, of a value of more than R350. The official must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person, close family members or associates. All persons involved in procurement are required to assist the accounting officer in combating fraud, corruption, favouritism and unfair and regular practices in the supply chain management by reporting to the accounting officer Gauteng Department of Public Transport, Roads and Works, 2009:67).

The accounting officer is required to take all reasonable steps to prevent abuse of the supply chain management system. He or she must be compelled by policy to investigate any allegations against any official or role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with the SCM policy. The accounting officer must check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector. The SCM policy stipulates that any bid from a bidder who owes rates and taxes to any Department or owes service charges to a Department or is in arrears for more than three months, or failed to perform satisfactorily on previous contracts in the last five years must be rejected. The accounting officer must reject a bidder who has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004). Any bid by a bidder who has abused the

supply chain management system, who has been convicted of fraud or corruption during the past five years, or has willfully neglected, reneged or failed to comply with any public sector contract during the past five years must be rejected.

3.9 CONCLUSION

The chapter examined the environment of supply chain management in Gauteng Department of Infrastructure Development and how it carried out its procurement activities. The Supply Chain Management Policy of GDID was thoroughly examined as it is the most crucial guiding document of all procurement activities of the Department. The 2008/2009 BBBEE Report of the Department was also perused as it provides an overview of the Departmental performance with regard to meeting its BBBEE objectives through procurement. Focus of the chapter was on the role players involved in the supply chain management of the Department, the various organizational structures involved and their role. Various procurement methods and processes were discussed including deviations from the normal procurement processes. Measures put in place to combat corruption and promote ethical behaviour as procurement is a function that is particularly vulnerable to fraud and corruption.