



PURCHASING POLICY

This policy is to be read in conjunction with the school's Vision and Mission Statement, and its Code of Conduct.

Code of Purchasing Ethics

All school employees will observe the highest ethical principles when entering into purchasing interactions with suppliers. These principles are summarized in the following guidelines:

- Personal interests which may impinge on impartiality when dealing with suppliers will be declared to the school's Executive Committee.
- Confidential information received in the course of duty will be respected. Information given in the course of duty will be true and fair.
- Any purchasing arrangement which hampers fair competition among potential suppliers should be avoided.
- Gifts or hospitality which may be seen to influence an employee to prefer one supplier over another will not be given or received.
- Purchasing from a supplier may not depend upon a reciprocal relationship with the school.
- No employee may use the purchasing influence of the school for personal purchases of any kind.
- All purchasing agreements will be made with the school as purchaser – no other relationship with a supplier will affect this arrangement.
- No employee will use the school's purchasing influence to obtain preferential prices beyond which the supplier would usually provide.
- No item will be acquired in contravention of copyright laws. No software, in particular, will be acquired through illegal copying.

- Any requirements prescribed by South African law will be identified and complied with in all cases.

ETHICS

Introduction

At a time when the capital expenditure of the School exceeds several million rands and its network of suppliers is considerable, the importance of the school's relationship with its suppliers, the impact of ethical practices in this relationship and the school's reputation, is summed up in the following excerpt:

“Although purchasing has developed somewhat into a science of its own, its decisions remain largely a matter of personal judgement and it is necessarily carried on, to a great extent, through personal contacts and relationships. The purchaser is the custodian of the (school's) funds, responsible for their conservation and prudent expenditure. Moreover, through contacts and dealings with suppliers, the purchaser is a custodian of the (school's) reputation for courtesy and fair dealing.

For all these reasons a high ethical standard of conduct is essential. The purchaser must not only act ethically, but must be above the suspicion of unethical behaviour. Such conduct is seen as an essential pre-requisite for the promotion and maintenance of good supplier relationships.”

(Steward F. Heinritz; “Purchasing; Principles and Applications”)

It is important to note the following:

- Several suppliers to the school are directly or indirectly involved with the school. This adds an important dimension to the relationship.
- The economic health of suppliers can be affected by the conduct and behaviour of the school.
- The integrity and reputation of the school is dependent on how school employees interact with suppliers and with those, perhaps, already directly or indirectly associated with the school.

PURPOSE OF THIS DOCUMENT

This document provides a set of guidelines by which all employees should be bound when interacting with suppliers. While all purchasing ethics are interpreted subjectively, this document recommends a policy that is as unambiguous as possible. The acceptance of and adherence to the principles contained herein protect not only the interests of the school but those involved in the purchasing process.

The school regards integrity, commitment, professionalism, the identification of risk, and prudence as central to every aspect of the school's activities.

Declaration of Interest

- A conflict of interest can arise when an employee is involved in a personal activity which may interfere with the interests of the school.
- Any perceived interest which may impinge or might reasonably be perceived by others to affect the judgement of the employee to the detriment of the school and/or its suppliers must be avoided.
- All outside interests which fall within this category must be disclosed to the School's Executive in writing. Interests of this type can be financial, i.e., an investment in a company supplying goods to the school. Indirect interests could include family members whose interests may affect the objectivity of an employee.

Confidentiality of Official Information

- Confidential information received in the course of duty must be respected and should not be used for personal gain.
- The school's interests must be protected by dealing confidentially with school and supplier information.
- School or supplier information which is generally not available to the public may not be disclosed.
- No school/supplier information should be disclosed to external parties, unless warranted.
- It is not the school's intention to exclude suppliers in which school employees may have a personal interest from providing or delivering personal services. These suppliers could provide an efficient and effective service, at a reasonable price, to the benefit of the school.
- Where a buyer is in possession of inside or confidential information of which competitors have no knowledge, he is being unjustly favoured. Such information should not be used for personal gain.
- School tender documents must include a clause whereby school employee interests can be disclosed.
- Information that is provided to suppliers or to any party involved in the purchaser/supplier relationship must be true and accurate at all times.

Fair Competition Among Suppliers

- A long-term relationship with a supplier can be to the advantage of the school provided that the relationship does not exclude fair competition in the marketplace for the school's business. Particular caution is needed where these potentially restrictive relationships between the school and an existing supplier are based on a personal relationship between an employee of the school and a counterpart of the supplier.

Undue Influence Caused by Gifts, Entertainment & Hospitality

- In the interests of maintaining a good relationship with parents and/or suppliers, an employee will not accept any favours which may influence the employee to prefer one parent or supplier over another.
- In order to maintain existing relationships or secure additional business, suppliers may invite a school employee to luncheons, dinners or even donate gifts. Any gift from a supplier or parent which may alter the judgement of a school employee to accept terms that would not normally be accepted should be considered unethical and not be entertained.
- It is suggested that only the following gestures be regarded as acceptable:
 - Occasional lunches and dinners provided that the company is already a supplier of goods/services or with whom the school has been involved with negotiations.
 - Advertising material, for use within the school environment, that has little or no real value and on which the name of the supplier is engraved.
 - Tickets to local sporting events.

It is important that the timing of such gifts be considered.

A gift such as a diary would not be out of place at year-end, whilst the offer of a free weekend at Sun City, for example, prior to the compilation of school reports must be viewed with circumspection.

- Moderate hospitality is an accepted courtesy of a “business” relationship. However, the recipients should not allow themselves to reach a point where they might be considered to have been influenced in making a purchase decision **as a result** of accepting such hospitality.
- The frequency and scale of hospitality should not be significantly greater than a recipients' employer would be likely to provide in return. When in doubt as to what is acceptable in terms of gifts or hospitality, the offer should be declined or advice sought from Executive.
- Any gift, offer of hospitality or similar benefits to the value of approximately R500 or more must be disclosed in writing to the Executive Committee.

Contractual Authority and Liability

- To ensure that the school is not exposed to contractual liability through the actions of employees acting outside their limits of authority, it is necessary that such levels of authority are clearly documented, published, updated and adhered to.
- Where an employee enters into an agreement, whether verbally or in writing, with an outside party the school could be committed contractually with the risk of irrecoverable loss.
- It is the responsibility of Executive/Management to compile levels of purchasing authority matrices.

Sharp Practices

The term "sharp practice" is best defined as evasion and indirect misrepresentation just short of actual fraud on the part of the purchaser. Illustrations of sharp practices include:

- Discussing large quantity purchases with a potential supplier in order to gain large volume discounts when, in fact, the actual requirements are small in volume that would not earn quantity discounts in the normal course of events.
- Inviting bids from suppliers whom the purchaser has no intention of patronizing and using these quotations for the sole purpose of negotiating down other quotes from suppliers who are considered to be potential suppliers.

Sharp practices constitute misrepresentation by the employee concerned and the school, and must be avoided.

Although it is legitimately expected of a purchaser to make full use of the school's purchasing power, this factor should operate to the mutual benefit of both the school and the supplier.

Reciprocity

Purchases from an authorized supplier should not be made on the basis that the supplier purchases services from the school. The school's decision to use the services of a supplier must be totally independent from the supplier's decision to utilize the services of the school, for whatever reason.

Where suppliers of identical goods and services compete for the school's business, cognisance should be taken of existing relationships. Parents of children at the school may be considered provided that support services etc., are comparable to that provided by other suppliers and the school is in no way prejudiced.

Purchases for Personal Use

No employee may use the purchasing power of the school for personal purchases of any kind unless the purchase is for the benefit of the school and has been approved by ExCom.

Preferential Prices

This deals with the difference between a "best price" and a "preferential price".

- Purchasing agents for the school must try to obtain the best price for approved goods and services.
- Volume or quantity discounts are normal and should be negotiated where possible.
- However, no purchaser may knowingly incite or receive a preferential price (that is, a price lower than the supplier charges others for the same product where the quantities and methods of sale are the same) through manipulation or coercion or where the supplier is not acting of his own free will.

Copyright and Software Piracy

- Certain items purchased by the school, including books, other written material, videos, audiotapes and computer software, are subject to copyright and, in some cases, "restricted use" clauses are included in the purchase agreement.
- To comply with local and international law, as well as the terms of a purchase agreement, no employee may copy or use these products in contravention of these laws and agreements.
- In some cases, breach of copyright may result in severe financial penalties. Moreover, the relationship between the school and the supplier of the copyright materials could be severely compromised.

Ethics and Restrictions Imposed by South African Law

While there is no South African legislation dealing directly with ethical practices in purchasing agreements, employees of the school entering into purchasing negotiations and agreements must assume responsibility for establishing and complying with any restrictions decreed by South African common law, now or in the future, and comply with such in all cases.

Custodianship of Business Practices & Purchasing Ethics in Redhill

ExCom, and where necessary, Management Committee assumes responsibility for coordinating this process.

BASIC PRINCIPLES IN IMPLEMENTING THE PURCHASING POLICY

The decision whether goods or services are procured in-house or outsourced is an Executive/Management decision based on cost-benefit and other appropriate evaluations.

Once the purchasing/outsourcing decision has been taken there are four basic principles which must be adhered to by purchasing agents within Redhill. In the interests of clarity the basic principles are printed in bold.

1. **Identify the Need**

The end user must identify and specify the attributes of the goods or article/service required.

Normally the need will be identified at the time the budget for the next year is compiled. In those instances where budget provision was not made, Excom/Management/Trust authority is required.

It may be necessary for the user to discuss the product or service with potential suppliers, in terms of specifications or performance criteria. However, under no circumstances should final prices be discussed or any commitment made that could be understood to represent an order, unless the user is also the buyer and has secured the necessary authority to negotiate and place the order.

2. **Ordering**

The selection of the supplier, price determination, ordering, and monitoring the progress of the order is the prerogative of the buyer acting with due authority.

Best practice is to obtain a minimum of three written quotes for all goods of a capital nature. The request for the quotation must be specific regarding the item or service to be quoted for.

Tenders

Where, because of the size of the project, tenders are required, the determination of the minimum number required should be such that a fair representation of suppliers and products in the marketplace are examined. Best practice, again, is to seek a minimum of three tenders.

Tender Panel

Where tenders are called for, a panel comprising a user representative, a member of the relevant committee/sub-committee, the purchaser and where necessary a technical expert, should be instituted. Such panel would vary in size and composition depending on the size and value of the project. It is the responsibility of the panel to prepare the tender specifications and to award the contract.

Selection

It is insufficient to select a supplier merely on the basis of best price. Note must also be taken of:

1. Their financial standing. Can the supplier afford to carry the expense until payment is received?
2. What warranties are offered?
3. Product support. Do they have the necessary manpower, expertise and facilities to provide the required support?
4. Availability of spares?
5. Their track record.
6. What payment structures are they prepared to offer? Are there discounts available, if so, on what terms, etc?

Once a supplier has been agreed upon it is necessary to negotiate the terms and conditions of the purchase agreement.

All quotations and/or tender documents should be annotated with details of the reasons for rejection or acceptance.

Supplier Performance Record

Best practice is that a record of a supplier performance be maintained by the purchasing agent/end user. Such record should include amounts expended, problems experienced, budgeted amounts expected to be expended, discounts negotiated, reference to orders/purchase agreements etc.

Where a service has been outsourced the end-user must monitor supplier performance against agreed service standards and maintain appropriate records of supplier performance.

Purchasing Agreements

It is necessary for agreement to be reached between the purchaser and vendor on the terms and conditions pertaining to each transaction concluded. Where it is impractical to negotiate individual contracts for each and every purchase, broader purchasing agreements may be entered into with suppliers. These agreements state the terms and conditions under which the parties will generally operate. Where necessary, such agreements may be varied by a schedule stating variations required/allowed for a specific purchase, e.g. where delivery would normally be within 30 days, this could be varied to say 60 days, with the agreement of both parties.

Authorisations

Because of the nature of the work involved all purchasing agents within the school must seek the appropriate authorizations i.e as per the purchasing authority matrix.

Placing the Order

It is the responsibility of the purchaser to place the order in writing (i.e use the order book) with at least one copy being retained for office use. Such orders should indicate all specifications, as well as terms and conditions required to conclude a satisfactory contract/agreement. It should be unambiguous in nature, leaving no room for misinterpretation. Negotiated discounts should also be quoted to ensure that the invoice conforms to the order specification and conditions.

As a basic principle no payment should be made in advance of the receipt of goods or the provision of services.

The purchaser is responsible for the expedition and follow-up of an order.

3. Receiving

The purchaser must stipulate in the order the address to which the goods must be delivered. It is not necessarily the responsibility of the purchaser to accept delivery, store, install or otherwise dispose of the goods.

This responsibility lies with the user who is to confirm receipt of the consignment by forwarding the delivery note and/or advice of goods received to the Bursar's Department. Such delivery note should be certified to the effect that the goods have been received in good order and inspected. In this respect, cognisance should be taken of:

- State of packaging
- Quantity of items must agree with that on the order
- General state of the article
- The supplier must state the order number
- The price reflected on the invoice agrees with the price on the order, where the invoice accompanies delivery.

Should any discrepancy exist, the purchaser must resolve the issue with the supplier. If required, a qualified receipt should be given to the deliverer.

When returning unwanted goods to suppliers a signature must be obtained from the person collecting the goods and a request for a credit note must be forwarded to the Bursar's department.

Petty cash refunds will only be made when the relevant cash slip is presented to the Bursar's department.

4. **Payment**

Payment should be effected independently of the buying function, although this may not always be practical within a school situation.

The payer will receive statements against which all invoices are to be compared and any discrepancies referred to the supplier. The payer is to file the statement together with all supporting documentation.

(The School reserves its right to amend or rescind these conditions or to make any additional condition, as and when required).

REVIEW OF POLICY

This policy may be reviewed from time to time.