

**NATIONAL TREASURY  
REPUBLIC OF SOUTH AFRICA**

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**TO ALL  
ACCOUNTING OFFICERS: NATIONAL DEPARTMENTS  
HEADS: PROVINCIAL TREASURIES  
CHIEF FINANCIAL OFFICERS: PROVINCIAL DEPARTMENTS  
CHIEF EXECUTIVE OFFICERS / CHIEF FINANCIAL OFFICERS: CONSTITUTIONAL  
INSTITUTIONS / PUBLIC ENTITIES**

Supply Chain Management Office

**INSPECTIONS, TESTS AND ANALYSES CONDUCTED BY INSTITUTIONS  
ACCREDITED OR RECOGNISED BY THE SOUTH AFRICAN NATIONAL  
ACCREDITATION SYSTEM (SANAS) ON BID SAMPLES, CAPABILITY EVALUATIONS  
AND CONSIGNMENTS**

This circular is applicable to all national and provincial departments, constitutional institutions and public entities as defined in schedule 3A and 3C of the Public Finance Management Act (PFMA). All accounting officers of national departments and heads of provincial treasuries are required to disseminate the contents of this circular to all chief financial officers of departments and public entities that fall under their jurisdiction.

- 1 In order to ensure that uniformity exists in the bidding processes, accounting officers and authorities were directed to base all bid invitations on the General Conditions of Contract issued by the National Treasury in accordance with Chapter 16A of the Treasury Regulations that was published in terms of the Public Finance Management Act, 1999 (Act 1 of 1999).
- 2 Paragraph 8 of the General Conditions of Contract, which is quoted hereunder for ease of reference, deals with inspections, tests and analyses on bid samples, capability of manufacturers/ suppliers and consignments.

"8. Inspections, tests and analyses	8.1      All pre-bidding testing will be for the account of the bidder.  8.2      If it is a bid condition that supplies to be produced or services to be rendered should at any stage during production or execution or on completion be subject to
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inspection, the premises of the bidder or contractor shall be open, at all reasonable hours, for inspection by a representative of the Department or an organization acting on behalf of the Department.

- 8.3 If there are no inspection requirements indicated in the bidding documents and no mention is made in the contract, but during the contract period it is decided that inspections shall be carried out, the purchaser shall itself make the necessary arrangements, including payment arrangements with the testing authority concerned.
- 8.4 If the inspections, tests and analyses referred to in clauses 8.2 and 8.3 show the supplies to be in accordance with the contract requirements, the cost of the inspections, tests and analyses shall be defrayed by the purchaser.
- 8.5 Where the supplies or services referred to in clauses 8.2 and 8.3 do not comply with the contract requirements, irrespective of whether such supplies or services are accepted or not, the cost in connection with these inspections, tests or analyses shall be defrayed by the supplier.
- 8.6 Supplies and services which are referred to in clauses 8.2 and 8.3 and which do not comply with the contract requirements may be rejected.
- 8.7 Any contract supplies may on or after delivery be inspected, tested or analyzed and may be rejected if found not to comply with the requirements of the contract. Such rejected supplies shall be held at the cost and risk of the supplier who shall, when called upon, remove them immediately at his own cost and forthwith substitute them with supplies which do comply with the requirements of the contract. Failing such removal the rejected supplies shall be returned at the suppliers cost and risk. Should the supplier fail to provide the substitute supplies forthwith, the purchaser may, without giving the supplier further opportunity to substitute the rejected supplies, purchase such supplies as may be necessary at the expense of the supplier.
- 8.8 The provisions of clauses 8.4 to 8.7 shall not prejudice the right of the purchaser to cancel the contract on account of a breach of the conditions thereof, or to act in terms of Clause 23 of GCC."

- 3 The "organization acting on behalf of a Department" referred to in paragraph 8.2 of the General Conditions of Contract must be any appointed testing institution that is recognized or accredited by the South African National Accreditation System (SANAS). The contact details of SANAS are as follows:

South African National Accreditation System (SANAS)  
Private Bag X 23  
Sunnyside  
Pretoria  
0132

Physical Address  
DTI Campus  
77 Esselen Street  
Sunnyside  
Pretoria

Telephone No.                   012 394 3760  
Fax No.                           012 394 0526

A list of institutions is available on the SANAS website <http://www.sanas.co.za>

- 4 Accounting officers/ authorities have the power to decide on which SANAS accredited or recognized testing institution's services to use. The appointment of these service providers must, however, be obtained by means of a competitive bidding process. These inspections, tests or analyses are to be carried out for bids or contracts if the accounting officer/authority deems them to be necessary.
- 5 If and when applicable, bid documents, letters of acceptance, formal contracts, service level agreements, contract circulars or official orders must clearly reflect that the relevant testing institution is required to carry out these inspections, tests or analyses and the date by which the relevant reports / certificates must be submitted.

These services include bid sample testing (product compliance against specification requirements), capability evaluations (ability to manufacture or produce), pre-production inspections (inspections of prototypes before the commencement of full production), and consignment / batch inspections before delivery (inspection of supplies on a batch-to-batch basis as a result of an official order).

- 6 Inspections, Tests and Analyses are conducted during two phases of the bid process i.e. prior to the adjudication/award of a bid and post the adjudication/award of a bid.

**6.1 Prior to Adjudication / award**

**6.1.1 Bid Sample Testing (Product compliance)**

If a bidder is required to submit a report/certificate from a testing institution demonstrating that the product offered conforms to the requirements of the specifications laid down in the bid documents, this requirement must form part of the bid conditions. The conditions of bid must also indicate, among others, that the bidder must submit samples timeously to the testing institution, that the testing institution must be accredited or recognized by SANAS and that the compliance report should not be older than 12 months.

**The bid conditions must also stipulate that the costs for such tests, reports/certificates will be for the account of the bidder.**

### **6.1.2 Capability Evaluations**

If a bidder is required to submit a capability report from an institution demonstrating that the bidder or their supplier/manufacturer is capable of producing the offered products in accordance with the requirements of the specifications laid down in the bid documents, this requirement must form part of the bid conditions. The conditions of bid must also indicate, among others, that the premises of the bidder/manufacturer/supplier must be open at all reasonable hours for evaluations and that the report should not be older than 12 months. Such institutions must, however, be accredited or recognized by SANAS for the relevant activities covered by the scope of SANAS' accreditation programmes.

**The bid conditions must also stipulate that the costs for such capability evaluations and reports will be for the account of the bidder.**

Institutions may be required to evaluate suppliers/manufacturers by offering them a comprehensive capability report using their own formats or standards. Factors taken cognizance of during this process include plant size and location, choice of manufacturing processes, production planning, inventory and quality control, machinery that will be used to execute possible contracts, manufacturing processes or production scheduling activities, track record of manufacturing reliability and product conformance. The business' manufacturing policies, personnel, facilities and technology will also be viewed against the needs of the purchasing institution. This information, among others, will assist purchasing institutions with the adjudication / award process.

## **6.2 Post Adjudication / award**

### **6.2.1 Pre-production samples**

In certain instances it may be preferable to request for pre-production samples instead of bid samples. In such cases, the following conditions, among others, must form part of the bid invitation:

"The successful bidder may be required to submit pre-production samples to a testing institution at the written request of the purchasing institution concerned. Unless the accounting officer/authority decides otherwise, the pre-production

samples must be submitted within 30 days of the date on which the supplier was requested to do so. Mass production may commence only after both the purchasing institution and the supplier have been advised by the testing institution that the pre-production samples have been approved.

If the pre-production samples pass the inspections/tests at the first attempt, the costs associated with the inspections/tests will be for the account of the purchasing institution.

Accounting officers/authorities must take note of the fact that purchasing institutions would be responsible for the costs of pre-production sample inspections/tests in connection with specific or ad hoc contracts arranged by themselves and transversal term contracts facilitated by the National Treasury on behalf of purchasing institutions. Budgetary provisions must, therefore, be made for this expenditure.

If the testing institution does not approve the pre-production samples but such samples require corrections/improvements, the supplier must pay the costs of the inspections/tests.

The corrected samples, which are acceptable in all respects, must then reach the testing institution within 14 days of the date on which the supplier received the findings of the testing institution. Failure to deliver samples within the specified time and to the required standards may lead to the cancellation of the contract and implementation of the penalties contained in the General Conditions of Contract.”

## 6.2.2 CONSIGNMENT/BATCH INSPECTIONS

6.2.2.1 If it is a requirement that supplies to be produced or services to be rendered by suppliers should be subject to consignment / batch inspections at any stage during production, execution or on completion, such condition must form part of the bid document. Consignments are inspected on a batch-to-batch or lot-to-lot basis to ensure that they comply with predetermined specifications.

If and when such a requirement is relevant, the letters of acceptance or formal contracts or service level agreements or contract circulars and official orders to the successful bidders must reflect that the relevant testing institution is required to carry out such consignment / batch inspections. The purchasing institution must also send a copy of the official order to the testing institution and notify the testing institution in writing (preferably by means of an official order) that consignment / batch tests must be carried out.

It is the responsibility of the purchasing institution to determine and explicitly stipulate the number and frequency of consignment inspections to be carried

out, as the costs of such inspections would be borne by the purchasing institution. The consignment inspection can be carried out either before delivery at the supplier's premises or after receipt of the consignment at the purchasing institution's warehouse. Inspection at the supplier's premises is preferable as any faults are then indisputably the responsibility of the supplier and the correction thereof could be done promptly.

The supplier must also be instructed to contact the testing institution promptly when consignments are ready for inspection.


The bid conditions must stipulate that the inspection costs will be for the account of the purchasing institution.

Accounting officers/authorities must take note of the fact that purchasing institutions would be responsible for the costs of consignment / batch inspections in connection with specific or ad hoc contracts arranged by themselves and transversal term contracts facilitated by the National Treasury on behalf of purchasing institutions. Budgetary provisions must, therefore, be made for this expenditure.

6.2.2.2 If no consignment/batch inspection requirements were set out in the bid invitation and no mention was made of them in the letters of acceptance or the formal contracts or the service level agreements and the contract circulars, but purchasing institutions deem it necessary that such inspections should be carried out, they are required to make the necessary arrangements with the supplier and the testing institution themselves.

The inspection costs will then also be for the account of the purchasing institution.

6.2.2.3 If the consignment/batch inspection referred to in paragraph 6.2.2.1 and 6.2.2.2 do not comply with the requirements of the contract, irrespective of whether such supplies or services are accepted or not by the purchasing institution, inspection costs will be for the account of the supplier.

  
JAN BREYTENBACH  
CHIEF DIRECTOR: NORMS AND STANDARDS  
DATE: 2005/10/20

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