



# **SUPPLY CHAIN MANAGEMENT POLICY 2016/2017**

1. **PREAMBLE**

WHEREAS Section 217 of the Constitution of the Republic of South Africa, 1996 requires the organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, when contracting for goods or services, to do that in accordance with a system which is fair, equitable, transparent, competitive and cost effective.

WHEREAS Section 111 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) requires that the Municipality adopt, maintain and implement a Supply Chain Management Policy;  
And WHEREAS Municipal Supply Chain Management Regulations made in terms of Section 168 of the Local Government: Municipal Finance Management Act prescribes what such Supply Chain Management Policy must provide for:

Now THEREFORE, the Council of the Mogalakwena Municipality adopts the Supply Chain Management Policy as set out in this document.

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## 1. DEFINITIONS

In this Supply Chain Management Policy, unless the context otherwise indicates, a word or expression to which a meaning has assigned in the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), has the meaning so assigned, and:

**“Competitive bid”** means a written offer submitted in a prescribed or stipulated form, in response to an invitation by the Municipality for the provision of goods and services;

**“Competitive bidding process”** means a competitive bidding process referred to in paragraph 12 (1) (d) of this Policy

**“Final award”**, in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;

**“Council”** refers to Mogalakwena Municipality;

**“Equity Ownership”** refers to the percentage ownership and control, exercised by individuals within an enterprise.

**“Black people”** is a generic term, which means Africans, Coloureds and Indians who are South African citizens.

**“Broad-Based Black Economic Empowerment”** means the economic empowerment of all Black people through diverse but integrated socio-economic strategies that include, but not

Limited to:

- 1(i) Increasing the number of black people that manage, own and control enterprises and productive assets;
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- 3(ii) Facilitating ownership and management of enterprises and productive assets by communities, workers, co-operatives and other collective enterprises;
- 4(iii) Human resources and skills development;

5(iv) Achieving equitable representation in all occupational categories and levels in the workforce;

6(v) Preferential procurement; and

7(vi) Investment in enterprises that are owned or managed by black people.

**“B-BBEE status level of contributor”** means the B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act

**“Historically disadvantaged Individual (HDI)”** means a South African citizen who:

- Had no franchise in the national elections prior to the introduction of the Constitution of the Republic of South Africa 1983(act 10 of 1983) or the Constitution of the Republic, 1993(act 20 of 1993)(“the interim Constitution”)

And/or

- is a female and/or
- has a disability

Provided that a person, who obtained South African citizenship on or after the coming into effect of the interim Constitution, is deemed not to be an HDI.”

**“Functionality”** means the measurement according to predetermined norms, as set out in the tender documents, of a service or commodity that is designed to be practical and useful, working or operating, taking into account, among other factors, the quality, reality, viability and durability of a service and the technical capacity and ability of a bidder;

**“List of accredited prospective providers”** means the list of accredited prospective providers, which the Municipality entity must keep in terms of regulation 14 of the Local Government: Municipal Finance Management Act (56/2003): Municipal Supply Chain

Finance Management Regulations;

**“SMMEs”** (Small, medium and Micro Enterprises) refers to separate and distinct business entities, including co- operative enterprises and NGOs, managed by one owner or more, as defined in the National Small Business (Act 102 of 1996).

**“Contract”** refers to legally binding agreement between Mogalakwena Municipality and the service provider.

**“Contractor”** means any natural or legal person whose bid has been accepted by the Council.

**“Closing time”** means the date and hour specified in the bid documents for the receipt of tenders.

**“Comparative prices”** means the price after the factors of non-firm prices and all unconditional discounts that can be utilized have been taken into consideration;

**“Order”** means an official written order issued for the supply of goods or the rendering of a service in accordance of the accepted bid or price quotation.

**“Written” or “in writing,”** means hand written in ink or any form of mechanical writing in printed form.

**“In the service of the state”** means to be –

- (1) A member of –
  - (i) Any municipal Council;
  - (ii) Any provincial legislature; or
  - (iii) The National Assembly or National Council of Provinces
- (2) A member of the board of directors of any municipal entity;
- (3) An official of any municipality or municipal entity;

(4) An employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);

(5) A member of the accounting authority of any national or provincial public entity; or

(6) An employee of Parliament or a provincial legislature;

**“Long term contract”** means a contract with a duration period exceeding one year;

**“Other applicable legislation”** means any other legislation applicable to municipal supply chain management, including

(i) The Preferential Procurement Policy Framework Act, 2000 (Act No.5 of 2000);

(ii) The Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and

(iii) The Construction Industry Development Board Act, 2000 (Act No.38 of 2000).

**“Reputable service provider”** means a service provider which is a manufacturers, dealer, distributor, retailer, wholesaler and/or hardware stores etc that supplies the specific goods or service on a fair and reasonable amount that will be regarded as a market related price.

**“Treasury guidelines”** means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act;

**“The Act”** means the Local Government: Municipal Finance Management Act, 2003 (Act No.56 of 2003)

**“Service provider”** means a current or potential supplier, manufacturer, contractor, vendor, agent, or professional service provider.

**“Corrected Bid Sum”** means the Bid sum, corrected in terms of the bid documentation, where applicable.

**“Structures Act”** means the Local Government: Municipal Structures Act, 1998(Act No. 117 of 1998).

**“The accounting officer”** means the Municipal Manager of a Municipality



## 2. INTRODUCTION

- The supply chain policy of the Mogalakwena Municipality sets a frame work for meaningfully managing, monitoring and reporting of procurement activities and provides the procedures to be followed in procurement and is premised within the context of the South African legislative framework. the laws that are currently applicable include;
  - (d) the Constitution of the Republic of South Africa Section 217(Act 108 of 1996)
  - (e) the Preferential Procurement Policy Framework Act(Act 5 of 2000) and its regulations 2011
  - (f) the Local Government: Municipal System Act( 32 of 2000),
  - (g) Local Government: Municipal Finance Management Act(56 of 2003)
  - (h) The Broad Based Black Economic Empowerment Act 53 of 2003
  - (i) The State Information Technology Agency (SITA) act 88 of 1998
  - (j) Supply Chain Management – A Guide to accounting officers for municipalities and municipal entities 2005
  - (k) The prevention and combating of corruption Activities Act 12 of 2004
  - (l) National Treasury SCM practice notes and circulars

The principles of this policy are those set out in the legislative framework mentioned above in particular;

- ❖ that of realizing value for money
- ❖ good governance and
- ❖ ensuring cost effectiveness and
- ❖ competitive equitable,
- ❖ transparent and fair access to procurement opportunities to all.

- The Supply Chain Policy forms part of the overall business systems of the Mogalakwena Municipality and will be supported by specific procurement systems aimed at improving both procurement and business performance to ensure the Mogalakwena Municipality obtains goods and services in support of its activities at a lowest possible cost having regard to quality and service, while acting in a socially responsible manner in developing and supporting small, micro and medium enterprise SMMEs owned by Historically Disadvantaged Individuals HDIs.

## **CHAPTER 1**

### **OBJECTIVES, PRINCIPLES AND ROLES**

#### **Objective of Supply Chain Management Policy**

3. The objective of the supply chain management policy is -
  - 1(a) To give effect to the provisions of section 217 of the Constitution of the Republic of South Africa, 1996;
  - (b) To give effect to the provisions of the Local Government: Municipal Finance Management Act, (Act No. 56 of 2003)
  - (c) To give effect to the provisions of the Preferential Procurement Policy Act 5 of 2000 and regulations 2011
  - (d) To give effect to the Municipal Supply Chain Management Regulations
  - (e) The Broad Based Black Economic Empowerment Act 53 of 2003
  - (f) The State Information Technology Agency (SITA) act 88 of 1998
  - (g) Supply Chain Management – A Guide to accounting officers for Municipalities and municipal entities 2005
  - (h) The prevention and combating of corruption Activities Act 12 of 2004
  - (i) National Treasury SCM practice notes and circulars

## **Principles**

4. Principles of supply chain management policy are -
- (a) Accountability: Effective supply chain management system must be maintained in order to enable the Accounting Officer to discharge his/her responsibilities.
  - (b) Efficiency: Procurement process must be carried out as cost-effective as possible.
  - (c) Effectiveness: The Municipality must meet the socio-economic goals of the National Government and sound financial governance appropriate to procurement requirements.
  - (d) Fairness: The service providers must be treated fairly. The Municipality must not impose unnecessary burdens or constraints on the service providers or potential service providers.
  - (e) Legality: The Municipality must conform to all legislative requirements in terms of the procurement.
  - (d) Transparency: The Municipality must ensure that there is openness and clarity on Supply Chain Management Policy and its deliverables.
  - (e) Responsiveness: The Municipality must endeavor to meet the aspirations, expectations and needs of the community served by the procurement.
  - (f) Informed decision-making: The Municipality needs to base decisions on accurate information and monitor requirements to ensure that they are being met.

- (g) Integrity: There must be no corruption or collusion with the service providers.
- (h) Consistency: The service providers must be able to expect the same general Supply Chain Management Policy across the Municipality.
- (i) Competitiveness: Procurement must be carried out by competition unless there are convincing reasons to the contrary.

### **Oversight role of the Council**

5. The Council must maintain oversight over the implementation of the supply chain management policy. For the purpose of such oversight, the accounting officer must –

(a) Within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the Executive Mayor

1(b) Within thirty (30) days of the end of the financial year submit a report on the implementation of the supply chain management policy of the Municipality.

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3(c) Whenever there are serious and material problems in the implementation of the Supply Chain Management Policy, immediately submit a report to the Council.

4(d) The reports of supply chain management policy must be made public in accordance with section 21A of the Municipal Systems Act.

### **Role of the Accounting Officer**

6. Accounting officer should –

1(a) At least annually review the implementation of the policy and when considers it necessary, submit proposals for the amendment of the policy to council

- (b) Implement a Supply Chain Management Policy.
- (c) Take account of the need for the uniformity in supply chain practices, particularly to promote accessibility of supply chain management systems for small businesses.
- (d) Ensure strict adherence to the guidelines provided by the National Treasury.
- (e) Develop the internal procedures and processes.
- (f) Report to Council regarding implementation of the Supply Chain Management.
- (g) Comply with the highest ethical standards.
- (h) Ensure training of supply chain practitioners.

**Delegation of supply chain management powers and duties**

- 7. (1) The Council hereby delegate to the Accounting Officer any all powers and duties to enable the Accounting Officer –
  - (a) To discharge the supply chain management responsibilities conferred on the Accounting Officer in terms of –
    - (i) Chapter 8 or 10 of the Act; and
    - (ii) The supply chain management policy
  - (b) To maximise administrative and operational efficiency in the implementation of the supply chain management policy

- (c) To enforce reasonable cost-effective measures for the prevention of fraud, corruption, favoritism and unfair and irregular practices in the implementation of the supply chain management policy
  - (d) To comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.
- 7. (2) The Accounting officer may not delegate or sub delegate any supply chain management powers or duties –
  - (i) To a person who is not an official of the municipality or
  - 1(ii) To a committee which is not exclusively composed of officials of the municipality
- 7. (3) The delegation to the accounting officer in terms of 3.3.1 above is subject to the following conditions:
  - (a) That a competitive bidding process will be followed for any specific procurement of a transaction value above R200 000.00 (Vat included) and the procurement of long term contracts.
  - (b) That on recommendation from the bid adjudication committee, the Accounting Officer makes final awards on procurement of a transaction value above R 200 000.00 Vat included.
  - (c) That the final award in a competitive bidding process should be made through the committee system provided for in section 8 of this policy .

- (d) That a written report be submitted to the accounting officer in the case of the final award of a transaction value between R200 000.00 and R5 000 000.00 within five days of the end of each month.
- (e) No decision-making in terms of any supply chain management powers and duties may be delegated to an advisor or consultant.
- (j) That no requirement for goods or services above an estimated transaction value of R200 000.00 (VAT included) may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

#### **Committee Systems for Competitive Bids**

- 8. A committee system for competitive bids should consist of at least –
  - 1(i) A bid specification committee
  - 2(ii) A bid evaluation committee
  - 3(iii) A bid adjudication committee



## **Composition of Committees**

9. The Accounting Officer should appoint members of each committee based on the following considerations:

- (a) Bid Specification Committee – should have the following members:

- (i) One or two officials/specialists from the procuring department
- (ii) official / demand practitioner from SCM
- (iii) External specialist (e.g. consultant appointed to assist or a representative from co-funding organ of state such as DWAF etc.) depending on nature of the project
- (iv) One official from legal department.
- (v) Any municipal official with expertise or skills to contribute positively in the project.

The specification of bids lower than R200 000(inc VAT) will be compiled by the head of department or delegated official with SCM manager on the oversight role.

The specification and evaluation committees per project may preferably be composed by the same members and must be approved by the CFO.

No person, advisor involved with the bid specification committee, or director of such, may bid for any resulting contracts.

- (b) Bid Evaluation Committees – this is an AD HOC committee to comprise of at least the following standing members:

- (i) Divisional head SCM (chairperson)
- (ii) Supply Chain Administrator- Acquisition (secretariat)
- (iii) Official from legal Department
- (iv) Official(s)/specialists from the procuring department.

- (v) Any co-opted external specialist with the approval of the Accounting Officer. The specialist only plays an observer status and has no voting rights in the bid evaluation.

The committee automatically dissolves at/when the final award takes place and will reconvene when the need arises on the same project.

(c) Bid Adjudication Committee

Bid adjudication committee must consist of at least four senior managers of the municipality or municipal entity, which must include;

- (i) The Chief Financial Officer or, if the Chief Financial Officer is not available, another manager in the office of the Chief Financial Officer reporting directly to the Chief Financial Officer and designated by the Chief Financial Officer;
- (ii) Senior Officials (Managers) from Technical, Electrical, Traffic and Emergency, Planning and Development, Community and Finance departments.
- 1(iii) At least one senior supply chain management practitioner who is an official of the municipality to serve as secretariat
- 2(iv) A technical expert in the relevant field who is an official of the municipality or municipal entity, if the municipality has such an expert.

3 The adjudication committee to be appointed in writing and must be cleared on all level of confidentiality and must declare their interests.

**Functions and Purpose of Committees**

10. Following are functions and purposes of the different committees

- (1) Bid Specification committees

(a) A bid specification committee must compile the specifications for each procurement of goods or services for the municipality:

(b) Specifications –

- 1(i) Must be approved by the accounting officer on recommendation by the Bid Specification Committee.
- 2(ii) Must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services
- 3(iii) Must take account of any accepted standards such as those issued by Standards South Africa, the international Standards Organization, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply.
- 4(iv) Where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design.

\* May not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification

\* May not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words “equivalent”.

- (v) Must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Policy Framework Act 5 of 2000(PPPFA) , Preferential regulations of 2011 and supply chain management policy of the municipality,

- (vi) Must set clear evaluation criteria to be used to evaluate the bid offers. No evaluation criteria will be set after advert or closing of the bid.

(2) Bid Evaluation Committees

- (a) A bid evaluation committee must –

- 1(i) Evaluate bids in accordance with –
- \* The specifications for a specific procurement; and
  - \* The points system as must be set out in the supply chain management policy of the municipality in terms of regulation 27(2)(f) and as prescribed in terms of the

Preferential Procurement Policy Framework Act and regulations 2011;

- \* All the applicable policies, practice notes and circulars from CIDB(for construction works) and National Treasury should be implemented when evaluating bids.



- (ii) Consider technical report from procuring division / Project Management Unit of the municipality.
- (iii) Evaluate each bidder's ability to execute the contract;
- (iv) Bid evaluation members who are scoring for functionality accept responsibility for the decisions individually and must when requested to do so, motivate for their decisions.

- (v) Check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrear; and
- (vi) Request administrative documents only from shortlisted bidders or from bidders who have the potential to be awarded the bid in terms of functionality, price and functionality (I.e. Tax clearance, ID copies of shareholder,

any trade certificate or any clearance, company registrations, CIDB Certificates, municipal rates and taxes statements) and provide such potential bidders to correct the administrative omission that are not material to the overall evaluation of the bid.

(vii) The information to be requested as per item (v) above must be obtained within two working days.

(viii) Advise the adjudication committee in cases where one service provider or contractor is to be contracted for more than two project; whether through evaluation of his capacity,

capability, experience, management and/or by evaluating the current contract awarded by the municipality if they are progressing well and according to plan. This will assist the municipality not to pile up contracts to one person who will further delay service delivery due to work overload.

- (ix) Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

- (x) Re-evaluate formal quotation/bids in cases where bid evaluation recommendations were referred back by the Bid adjudication Committee.

10. (3) Bid Adjudication committees

- (a) A bid adjudication committee must –

(i) Consider the report and recommendations of the bid evaluation committee; and

1(ii) Either –

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- \* Depending on its delegation, make a final award or a recommendation to the Accounting Officer to make the final award; or



- \* Make another recommendation to the Accounting Officer how to proceed with the relevant procurement.

## **CHAPTER 2**

### **SUPPLY CHAIN MANAGEMENT SYSTEM**

#### **Format of Supply Chain Management System**

11. This Policy provides systems for –
- 1(i) Demand management
  - 2(ii) Acquisition management
  - 3(iii) Logistics management
  - 4(iv) Disposal management
  - 5(v) Risk management; and
  - 6(vi) Performance management

#### **Part 1: Demand Management**

##### **System of demand management**

12. (1) The Accounting Officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the Municipality support its operational commitments and its strategic goals outlined in Integrated Development Plan.
- (2) The demand management system must -
- 1(a) Include timely planning and management processes to ensure that all goods and services required by the municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality at a fair cost;
  - 2
  - (b) Take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature;

3(c) Provide for the compilation of the required specifications to ensure that its needs are met; and

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5(d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

(3) Benefits of Demand Management

Demand management should provide benefits such as:

- 1 ☐ Best value for money;
- 2 ☐ Better risk management;
- 3 ☐ More efficient procurement;
- 4 ☐ Improvements in procurement outcomes;
- 5 ☐ More opportunities for innovating bidding and contract management;
- 6 ☐ More opportunities for implementing and achieving National Government's broader policy objectives;
- ☐ Effective partnership between supply chain management practitioners and end-users.

**Part 2: Acquisition management**

**System of acquisition management**

13. (1) The Accounting Officer must implement the system of acquisition management set out in this Part in order to ensure –

- (a) That goods and services will be procured by the Municipality in accordance with authorised processes only;

- (b) That expenditure on goods and services will be incurred in term of the approved budget in terms of section 15 of the Act;
  - (c) That the threshold values for different procurement processes will be complied with;
  - (d) That bid documentation, evaluation and adjudication criteria, and general conditions of contract, are in accordance with any applicable legislation;
  - (e) That any Treasury guidelines on acquisition management will be properly taken into account; and
  - (f) Unless the Municipality otherwise directs:
    - (i) Bids are invited in the Republic only, and
    - (ii) The laws of the Republic should govern contracts arising from the acceptance of bids.
- (2) The Supply Chain Management will not apply if a municipality contracts with another organ of state for –
- 1(a) The provision of goods or service to the municipality;
  - 2
  - 3(b) The provision of a municipal service or assistance in the provision of a municipal service
  - 4(c) The procurement of goods and services under a contract secured by that other organ of state, provided that the relevant supplier has agreed to such procurement

- (3) If a municipality procure goods or services contemplated in 2 above, it must make public the fact that it procures such goods or services otherwise than through its supply chain management system including –
- (a) The kind of goods or services; and
  - (b) The name of the supplier
- (4) The supply chain management system, except where provided otherwise in the regulation, will also not apply in the following:
- (a) Water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
  - (b) Electricity from Eskom or another public entity, another municipality or a municipal entity.

#### **Range of Procurement processes thresholds and delegations**

14. (1) The procurement of goods and services will be procured through the following thresholds and delegations:

<b>RAND VALUE</b>	<b>TYPE OF PROCUREMENT</b>	<b>DELEGATED AUTHORITY</b>
R 0 -2000	Petty cash(one quote must be attached when requesting petty cash)  In cases where it is impractical or impossible to finance the goods or services below R2000.00 from petty cash, one quotation must be attached to issue an order.	Departmental Manager
R	a) More than three formal written price quotations (IQUAL Database).	Departmental manager if less

2000-3000	<p>b) Where possible, quotations for a service(s) at a specific area of the municipality must as far as possible be requested from local companies in and around that specific area.</p> <p>c) Bidders must be given three (03) working days to prepare their quotations.</p> <p>d) Follow up must be made where negative fax report is received to confirm the fax number.</p> <p>e) Where two quotes are received, a cover memo must be signed by the inviting official indicating that only two quotes have been received from the invited providers when the document is submitted for approval.</p> <p>f) In cases where one quote is received from the invited providers and positive evidence of invitation is available, a supporting benchmark quote from reputable service provider must be attached to serve as a competitive market price and must be accompanied by a cover memo that only one quote was received from the normal process.</p> <p>g) Where no quotes are received from invited bidders and positive evidence of invitation is available (fax transmission or telephonic communication is noted), a limited bidding with, where possible with three (03) written quotations from reputable (manufacturer, dealer, distributor, retailers, wholesalers and/or hardware stores etc) suppliers must be obtained and submitted for approval of the Chief Financial Officer and Municipal Manager. (where the need arises, reference to reputable provider can be obtained from users of that service)</p> <p>h) Where a limited bid is followed the compliant and lowest acceptable quotation must be signed by the user division as approval of the content of the quotation and amount that is to be committed.</p> <p>i) Unless the approved quotation specifies the delivery date,</p>	<p>than R 5000 above CFO and Municipal Manager's approval</p>
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	<p>the general delivery date will be 14 days from the date of order.</p> <p>j) The same procurement process is followed when procuring store items and the user division must be allowed to approve the specifications before advertising and after receipt of the quotations before approval by CFO and municipal manager.</p>	
R30 000-200 000	<p>a) Publication of specification 7 days on the website and notice boards</p> <p>b) Tender notices must be checked and be authorized by the head: SCM before advertising.</p> <p>c) Notices to be deposited in the tender box and to be opened by not less than two SCM officials and by request or availability of bidders; the bids may be read out in public.</p> <p>d) Bid offers must be checked against the administrative criteria and compliance to specification before submitted to supervisor for evaluation.</p> <p>e) The provision of the Preferential Procurement Policy Framework Act 5 of 2000 and the Preferential Procurement Policy Framework of 2011 applies.</p> <p>f) Where no valid B-BBEE complaint certificate is not attached, bidders will be evaluated but no points will be claimed or given.</p> <p>g) B-BBEE certificate must have a SANAS logo as per national treasury circular on the issuance and verification of EME certificates. (B-BBEE accredited verification agencies can be checked on <a href="http://www.sanas.co.za">www.sanas.co.za</a>. and registered auditors and accountants must also be verified with relevant registration bodies.</p> <p>h) The evaluation report must be signed by the Divisional Head: SCM before signed by the user division and then the Chief Financial Officer.</p> <p>i) Should the user division or CFO not recommend the evaluation by SCM, the reasons for disapproval must be</p>	<p>Chief Financial Officer</p> <p>recommend for Municipal Manager's approval</p>

	<p>recorded and feedback must be given to SCM for advice and/or re-evaluation.</p> <p>j) The same procurement process is followed when procuring store items and the user division must be allowed to approve the specifications before advertising and after receipt of the quotations before approval by CFO and municipal manager.</p>	
R200 000 and above	<p>a) Competitive bidding/tender 14 days for contracts below R10 000 000 and above will be 30 days</p> <p>b) A tender register for all tenders advertised, awarded, cancelled with relevant dates must be kept and be updated.</p> <p>c) Bids must be deposited in the specified tender box and must be read in public</p> <p>d) Received bids and amounts should be recorded by corporate services and submitted to Supply Chain Management for evaluation.</p> <p>e) The names and amounts (where possible) of bidders for each bid must be published on the municipal website 10 days after closure of that bid.</p> <p>f) User division must present the provisional technical report to the evaluation committee.</p> <p>g) A final evaluation to be held by the approved Bid Evaluation Committee members.</p> <p>h) Detailed evaluation report must be presented to the adjudication committee for recommendation to Municipal Manager.</p> <p>i) Tender awarded information must be published after the conclusion of the contract (<i>Debriefing</i>).</p>	Bid Adjudication Committee recommends approval to the Municipal Manager.

- (2) The Accounting Officer may lower and not increase in writing the threshold values specified in 1 above.



- 1(3) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirement of this policy.
- (4) When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

**General preconditions for consideration of written quotations or bids**

15. A written quotation or bid MAY not be considered unless the provider who submitted the quotation or bid –

- (a) Has furnished that provider's –
  - (i) Full name;
  - (ii) Identification number or company or other registration number; and
  - (iii) Tax reference number and VAT registration number if registered for VAT;
- (b) Has authorized the Municipality to obtain a tax clearance from the South African Revenue Services that the provider's tax matters are in order; and
- (c) Has indicated –
  - (i) Whether he or she is in the service of the State, or has been in the service of the State in the previous twelve months;
  - (ii) If the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the State, or has been in the service of the State in the previous twelve months; or

- (iii) Whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the State, or as been in the service of the State in the previous twelve months.

*This section must be read together with the approved circular on administrative requirements as approved by council.*

### **Lists of accredited prospective providers**

16. (1) The Accounting officer must –

- 1(a) Keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through written or verbal quotations and formal written price quotation; and
- 2(b) At least twice a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;
- 3(c) Database must be advertised for opening for at least two months and close to allow listing, checking and utilization of the listed providers before others can be added.
- 4
- 5(d) Specify the listing criteria for accredited prospective providers; and
- 6

- 7(e) Disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.
- (2) The list must be updated at least quarterly to include any additional prospective providers who might have bought and want to submit their forms after the quarterly update and any new commodities or types of services.
- (3) The list must be compiled per commodity and per type of service

### **Petty Cash Purchases**

- 17. The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 13 (1) (a) of this policy are as follows -
  - (a) Employees are not authorized to approve their own petty cash transactions nor petty cash transactions be authorized by a subordinate staff member.
  - (b) Petty cash purchases are limited up to R2000.00 (VAT included) per transaction.
  - (c) The total amount of petty cash purchases for each manager is limited up to the maximum of R10 000.00 (VAT included) per month.
  - (d) The petty cash fund cannot be used to –
    - (i) Purchase goods currently covered by term contracts;
  - (e) Receipts and appropriate documentation for each purchase must be submitted to finance.

### **Formal written price quotations**

18. The following are conditions for procurement of goods or services through formal written price quotation:

1(a) Quotation must be obtained in writing from the different providers whose names appear on the list of accredited prospective providers of the municipality.

b) In the case of specialised plant, machinery and vehicles, quotations can be obtained from providers who are not listed, provided that such providers meet the listing criteria in the supply chain management policy in paragraph 16.1 to 16.3

(c) If it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the Chief Financial Officer or an official designated by the Chief Financial Officer.

The reasons must be recorded in a form of a cover memo drafted by the procuring official.

(d) Section C above is only applicable where there is proof that more than three providers were invited and none responded and/or where all the received quotes are above the budget.

e) Exception to three quotation will only be approved in accordance to Sec 18(c) where it is **practically impossible** to source/ obtain quotations for the following services:

- (i) Accommodations
- (ii) Training
- (iii) Workshop, conferences, seminars, and meetings
- (iv) Emergency services

- (v) Maintenance or servicing of specialised vehicles or equipments.
- f) A designated official referred in (c) above must within three days of the end of each month report to the Chief Financial Officer on any approvals given during that month by that official.
- g) The names of the potential providers and their written quotations must be recorded.
- h) Sub section 18 (c) does not apply to impossibility of finding quotations due to poor planning.

**Procedures for procuring goods or services through formal written quotations**

19. The procedure for the procurement of goods or services through formal written price quotations is as follows:
- (a) All acquisitions in excess of R30 000 that are made by means of price quotations, must be advertised by the Supply Chain Management Unit for at least 7 (seven) calendar days on the website and official notice board, and 80/20 preference point system is applicable.
  - (b) Bid offers in response to tender notice must be deposited in the tender box, opened at the time specified in the notice and may be opened in public.
  - (c) Bid offers will be checked for administrative compliance and compliance to the given specifications.

- (d) The senior official in SCM will evaluate the bid offers and the Divisional Head: SCM will verify the evaluation and sign on behalf of SCM.
- (e) Where the quotations have been invited via the notice board and website of the Municipality, no additional quotations need to be obtained should the number of responses be less than three quotations.
- (f) When using the list of accredited prospective providers, the Municipality must: -
  - (i) Promote ongoing competition amongst the providers, including by inviting providers to submit quotations on a rotational basis;
  - (ii) Promote the objectives of the Broad-Based Black Economic Empowerment Act; and
  - (iii) Apply the Preferential Procurement Policy Framework 2011 and any applicable regulations
- (d) Accounting Officer must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations is not abused.
- (e) The Accounting Officer or Chief Financial Officer must on a monthly basis be notified in writing of all formal written quotations accepted by an official acting in terms of a sub delegation.
- (f) 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 lowest price;

- (g) Acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points;
- (h) A proper record keeping of the received written quotations must be maintained.

### **Process for competitive bidding**

20. Following are procedures for a competitive bidding process for each of the following stages:

- (1) Compilation of bidding documentation

In addition to paragraph 5.2.3 above, the bid documentation must –

- (a) Take into account –
  - The general conditions of contract;
  - Any Treasury guidelines on bid documentation; and
  - The requirement of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure.
- (b) Include evaluation and adjudication criteria, including any criteria required by other applicable legislation.
- (c) Where applicable, include the minimum functionality criteria required for bidders to achieve for functionality before they are shortlisted for further evaluation of price and preferences.
- (d) Compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted and the exclusion of such prospective contractors from those tenders.
- (e) Require the bidders to furnish the following if the value of the transaction is expected to exceed R10 million (VAT included):

- If the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statement –
    - \* For the past three years; or
    - \* Since their establishment if establishment during the past three years.
  - A certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payments 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 municipality is expected to be transferred out of the Republic.
- (e) 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.
- (2) Issuing of bid documents
- On the date that the advertisement appears in the Municipality's Tender Bulletin, and or media, prospective bidders may request copies of the tender documentation.



Sale and pricing of the tender document to be as per clause 20(3) below.

The Departments will keep a register and potential bidders should sign for receipt of the bid documentation. If a fee is payable, an official receipt must be issued before the bid document is handed to the bidder.

No bid responses from any tenderer should be accepted if sent via the Internet, e-mail or fax.

The Supply Chain Management Unit will only consider request for the extension of the closing dates of advertised bid if the postponed date can be advertised in the media used to advertise before the original closing date.

The closing time may be postponed only if all potential bidders can be advised of the postponed time, in writing, before the original closing time.

If the tender document has been revised the bidders who already purchased the bid document will be issued with a revised bid document free of charge.

(3) Payment of bid documents

To ensure that only bona fide bidders collect documentation, and to recover printing costs, bid documents will be issued only after payment of the following amounts to the cashier:

- Micro Projects R 130.00
- Small Projects R 260.00
- Medium Projects R 390.00

- Large Projects R 520.00

A list of interested providers who have purchased the tender documents must be recorded and be kept safe for reference and auditing purposes.

(4) Public Invitation for competitive bids

The following are procedures for the invitation of competitive bids:

- (i) Invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin) and
- (ii) Public advertisement must contain the following:
  - The closure date for the 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 14 days in any other case, from the date on which the advertisement is placed in a newspaper; subject to (iii) below; and
- (iii) Accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can justified on the grounds of urgency or emergency or an exceptional case where it is impractical or impossible to follow the official procurement process.
- (iv) Bids submitted must be sealed.
- (vi) The following information must appear in any advertisement:
  - \* Bid number;

- \* Description of the requirements;
- \* The place where the bid documents are obtained;
- \* The date, time and venue where site inspection/briefing session will be (if applicable);
- \* Closing date and time;
- \* The fee applicable that must be paid before the bid documents will be issued; and
- \* The name and telephone numbers of the contact person for any enquiries.

(5) Site meetings of briefing sessions

A fully explanatory briefing meeting must be conducted before the close of the bids to ensure that the bidders understand the scope of the project and that they can comply with the conditions and requirements.

It should be a condition that prospective bidders attend a briefing meeting and non-attendance should invalidate a bid, where a site inspection/briefing session is applicable.

(6) Handling of bids submitted in response to public invitation

(a) **Closing of bids**

All bids will close at 12H00 on a date as stipulated on the advertisement, which must be reflected in the bid document. Where possible, bids must be closed on a Wednesday or Friday. Bids are late if they are received at the address indicated in the tender documents after the closing date and time.

A late bid should not be admitted for consideration and where practical should be returned unopened to the bidder accompanied by an explanation.

(b) **Opening of bids**

Bids are opened in public as soon as possible after the closure by corporate services in the presence of the Head: Supply Chain Management or his/her delegate.

The official opening the bids should in each case read out the name of the bidder and the amount of the bid.

The bid should be stamped with the official stamp of the Municipality and endorsed with the signatures of the person opening it and of the person in whose presence it was opened.

Bids should be recorded in a register kept for that purpose and the names of all bidders and the amount (*where practical*) must be published on the municipal website.

(7) **Validity of the bids**

The validity periods should not exceed 90 (ninety) calendar days and is calculated from the date of bid closure endorsed on the front cover of the bid document. The validity period for quotations is thirty days after closure.

Should the validity period expire on a Saturday, Sunday or Public holiday, the bid must remain valid and open for acceptance until the closure on the following working date.

Validity period must only be extended before the actual expiry. No bids will be considered for evaluation and/or adjudication when the validity has lapsed.

**(8) Consideration of bids**

- The Council takes all bids duly admitted into consideration.
- The Council reserves the right to accept the lowest or any bid received
- The decision by the Municipality regarding the awarding of a contract must be final and binding.

**(9) Evaluation of bids**

After technical evaluation and price, bids will be screened for administrative compliance. Where a potential bidder has omitted such documents, the evaluation committee will request submission of such documents within two working days.

The following are criteria against which all bids responses will be evaluated:

- (i) Compliance with bid conditions;
  - \* Bid submitted on time
  - \* Bid forms signed and each page initialed
  - \* All essential information provided
  - \* Submission of an Original Tax Clearance Certificate
  - \* Submission of a Joint Venture Agreement, which has been properly signed by all parties
  - \* Payment of the municipal fees
  - \* Audited financial statements, where applicable

- \* Valid CIDB certificate
  - \* Company registration certificate
  - \* Any other document deemed administrative.
- (ii) Meeting technical specifications and comply with bid conditions;
  - (iii) Financial ability to execute the contract

Communication with regard to clause 9 above should be in writing and sent by way of fax or email. Where not practicable, telephone will be used to notify bidders. Failure to submit the requested documents within two days will lead to disqualification.

**(10) Evaluation of bids on functionality and price**

- (i) Mogalakwena Municipality must in the bid documents indicate if, in respect of a particular bid invitation that bids will be evaluated on functionality and price.
- (ii) The total combined points allowed for functionality and price may, in respect of bids/offers with an estimated Rand value equal to, or below R1 000 000.00, not exceed 80 points.
- (iii) The total combined points allowed for functionality and price may, in respect of bids with an estimated Rand value above R1 000 000.00, not exceed 90 points.
- (iv) When evaluating bids, the points for functionality must be calculated for each individual bidder against the minimum functionality points for that specific bids (if any).
- (v) The conditions of bid may stipulate that a bidder must score a specified minimum number of points for functionality to qualify for further evaluation.

In general, not all bids should be invited on the basis of functionality as a criterion. The need to invite bids on the basis of functionality as a

criterion depends on the nature of the required commodity or service taking into account quality, reliability, viability and durability of a service and the bidder's technical capacity and ability to execute the contract.

- (vi) The number of points scored for achieving Government's Preferential Procurement points must be calculated separately and must be added to the points scored for functionality and price.
- (vii) Only bid with the highest number of points be selected.

### **Sub-contracting arrangement**

- i) A bidder must not be awarded the points claimed for B-BBEE status level of contribution if it is indicated in the bid documents that such a bidder intends to sub-contracting more than 25% of the contract value to any other enterprise that does not qualify for at least the same number of points that the bidder qualifies for, unless the intended sub-contractor is an EME that has the capability and ability to execute the sub-contract.
- (ii) All the applicable legislations and contract The CIDB, SARS, GBCC, GCC and other evaluation methods subjected to the main contractor must be complied with by the sub-contractor to avoid associated risks.

### **(11) Acceptance of bids**

Successful bidders must be notified at least by registered post, or facsimile of the acceptance of their bids, but that acceptance however, will only take effect after completion of the prescribed contract form.

Unsuccessful bids should not be returned to bidders, but should be placed on record for audit purposes.

A register or records should be kept of all bids accepted

**(12) Publication of bid information**

The particulars of the successful bidders should be published in the Municipality's notice boards as well as the website.

**(13) Cancellation and re-invitation of bids**

- (a) (i) In the event that in the application of the 80/20 preference point system as stipulated in the bid documents, all bids received exceed the estimated Rand Value of R1000 000.00, the bid invitation must be cancelled.
- (ii) In the event that, in the application of the 90/10 preference point system as stipulated in the bid documents, all bids received are equal to or below R1 000 000.00, the bid must be cancelled.
- (iii) In the event that the Municipality has cancelled a bid invitation as contemplated in sub regulations (i) and (ii) must re-invite bids and, must, in the bid documents stipulate the correct preference point system to be applied.

1(b) A bid may be cancelled before award if:

- \* Due to changed circumstances, there is no longer a need for the goods, works or services offered, or



- \* Funds are no longer available to cover the total envisaged expenditure, or
- \* No acceptable bids were received.

(c) When a tender is cancelled by the municipality and re-advertised, bidders who already purchased that tender document should be issued with the new tender document free of charge on submission of proof of payment for the cancelled tender.

(14) Negotiations with preferred bidders

- (i) It is allowed under this Policy that the Accounting Officer should negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation -
  - \* Does not allow any preferred bidder a second or unfair opportunity;
  - \* Is not to the detriment of any other bidder; and
  - \* Does not lead to a higher price than the bid as submitted.
- (ii) Minutes of such negotiations must be kept for record and audit purposes

1(15) Limited bidding

2 It is allowed under this policy that the accounting office may use  
 3 limited bidding to procure goods and services but approval must only  
 4 be granted where there is sufficient motivation / reasons and after a  
 careful and thorough analysis of the market.

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- 6 (i) "Multiple source"- There is a limited competition, hence only a few prospective bidders are allowed to make proposal. This should be based on a thorough analysis of the market.

- 7 (ii) "Single Source"- This should be based on a thorough analysis of the market and use a transparent and equitable pre-selection process, to request only one amongst a few prospective bidders to make a proposal.
- 8 (iii) "Sole source"- There is no competition and it has been proven through careful and transparent market analysis that only one bidder exists ( for example, sole distribution rights etc)

9(16) Two-stage bidding process

- (i) A two-stage bidding process may be allowed for –
- \* Large complex projects;
  - \* Projects where it may be undesirable to prepare complete detailed technical specifications; or
  - \* Long-term projects with a duration period exceeding three years.
- (ii) In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.
- (iii) In second stage final technical proposals and priced bids should be invited.

(17) Cession of payments

17.1 A contractor may, subject to clause 17.2, only cede his right to payment in terms of a contract to a third party. A contractor may not by means of cession, cede any of his responsibility or obligations to perform in terms of a contract to any third party.

- 17.2 (a) when a contractor chooses to cede his or her right(s) to payment in terms of the contract to a third party, such contractor must request the AO/CFO in writing.
- (b) the request referred to in sub clause 17.2(a) must be –
- (i) on the official letterhead of the contractor;
  - (ii) signed; and
  - (iii) dated
- 17.3 When the Municipality receives a request in terms of clause 17 from the contractor's bank, financier or attorney, written confirmation must be obtained from the contractor to verify the details of the transfer of payment.

### **Procurement of banking services**

21. (1) A contract for banking services
- (a) Must be procured through competitive bids.
  - (b) Should not be procured abroad.
  - (c) Should not be procured from institutions not registered as a bank in terms of the Banks Act, 1990 (Act No. 94 of 1990).
  - (d) Must not be for a period of more than five years at a time.
  - (e) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
  - (f) The closure date of the submission of bids must not be less than 60 days from the date on which the advertisement is placed in a newspaper.

### **Procurement of IT related goods and services**

22. (1) The Accounting Officer must request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.

- (2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.
- (3) The Accounting Officer must notify SITA together with a motivation of the IT needs if–
  - (i) The transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
  - (ii) The transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).
- (4) If SITA comments on the submission and the Municipality disagree with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the Council, the National Treasury, the Provincial Treasury and the Auditor General.

**Procurement of goods and services under contract secured by other organs of state**

23. (1) The Accounting Officer may procure goods and services under a contract secured by another organ of State, but only if –
- (a) The contract has been secured by that other organ of State by means of a competitive bidding process applicable to that organ of State;
  - (b) There is no reason to believe that such contract was not validly procured;
  - (c) There are demonstrable discounts or benefits to do so; and

- (d) That other organ of State and the provider has consented to such procurement in writing.
  - (2) Subparagraph (1)(c) and (d) do not apply if –
    - (a) A municipality procures goods and services through a contract secured by a  
Municipal entity of which it is the parent municipality  
Procurement of goods necessitating special safety arrangements
  - (3) The accounting officer must on a quarterly basis report to council in respect of all/any goods and services procured under this clause
24. (1) The acquisition and storage of goods in bulk (other than water) which necessitate special safety arrangements, including gasses and fuel, should be avoided wherever possible.
- (2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the Accounting Officer.

### **Proudly SA Campaign**

25. (1) The Municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from;
- 1(i) Firstly – supplier and businesses within the municipality or district;
  - 2(ii) Secondly – suppliers and businesses within the relevant province;
  - 3(iii) Thirdly – suppliers and businesses within the Republic.

### **Appointment of Consultants**

26. (1) When procuring for consulting services, the Accounting Officer should take into account any Treasury guidelines.
- (2) Consultancy services must be procured through competitive bids if -
- (a) The value of the contract exceeds R200 000 (VAT included);
  - or
  - (b) The duration period of the contract exceeds one year.
- (3) In addition to any requirements prescribed by this Policy for competitive bids, bidders must furnish particulars of –
- (a) All consultancy services provided to an organ of State in the last five years;
  - (b) Any similar consultancy services provided to an organ of State in the last five years.
- (4) The Municipality may develop and use the annual database or panel of consultants for that year on rotation basis provided that the database is developed in consideration of the broader market, taking account applicable legislations and that the utilization of such database of consultant will be fair, equity, transparent, competitive, cost effective. i.e. on a fair and reasonable rotation process.
- (4) The Accounting Officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a

consultant in the course of the consultancy service is vested in the Municipality.

**Deviation from, and ratification of minor breaches of procurement processes**

27. (1) The Accounting Officer may –

- (a) Dispense with the official procurement processes established by this Policy and procure any required goods or services through any convenient process, which may include direct negotiations, but only -
  - (i) In the event of an urgent or emergency, one written quotation is to be obtained;
    - Urgent cases are cases where early delivery is of critical importance and the invitation of competitive bids is either impossible or impractical. (However, lack of proper planning is not a reason for deviation)
    - Emergency cases are cases where immediate action is necessary in order to avoid a dangerous or risky situation or misery.
  - (ii) If the required goods or services are available from a single provider only, one written quotation is to be obtained;
  - (iii) In respect of repairs to motor vehicles, machinery and equipment that need to be stripped to quote, only one written quotation is to be obtained;
  - (iv) Where three or more suppliers have been invited to quote but no quotation was received;
  - (v) For the acquisition of special works of art or historical objects where specifications are difficult to compile; or

- (vi) Acquisition of animals for game reserves.
- (b) Ratify any minor breaches of the procurement processes by official or committee acting in terms of delegated powers or duties, which are purely of a technical nature.
- (2) The Accounting Officer must record the reasons for any deviations in terms of subparagraph (i) and (ii) of this Policy and report them to the next meeting of the Council and include as a note to the annual financial statements.
  - a. Deviations should be used as a measure of last resort and must be avoided at all costs. Sound and sufficient motivation detailing the circumstances should accompany the requisition.

#### **Unsolicited bids**

- 28. (1) The Municipality is not obliged to consider unsolicited bid received outside the normal competitive bidding process in terms of section 113 of the Act.
- (2) The Accounting Officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if –
  - (a) The product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
  - (b) The product or service will be exceptionally beneficial to, or have exceptional cost advantages;
  - (c) The person who made the bid is the sole provider of the product or service;
  - (d) The reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer.



- (3) If the Accounting Officer decides to consider an unsolicited bid that complies with subparagraph (b) of this Policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –
  - (a) Reasons as to why the bid should not be open to other competitors;
  - (b) An explanation of the potential benefits if the unsolicited bid were accepted; and
  - (c) An invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- (4) All written comments received pursuant to subparagraph (c), including any responses from the unsolicited bidder, must be submitted to the National Treasury and Provincial Treasury for comment.
- (5) The adjudication committee must consider the unsolicited bid and may award the bid or make recommendation to the Accounting Officer, depending on its delegations.
- (6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- (7) When considering the matter, the adjudication committee must take into account –
  - (a) Any comments submitted by the public; and

- (b) Any written comments and recommendations of the National Treasury or the Provincial Treasury.
- 1(8) If any recommendations of the National Treasury or Provincial Treasury are rejected or not followed, the Accounting Officer must submit to the Auditor General, the Provincial Treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- (9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the Municipality to the bid may be entered into or signed within 30 days of the submission.

### **Combating of abuse of supply chain management system**

- 29. (1) The Accounting Officer must provide measures for combating abuse of the Supply chain management system by providing the following:
  - (a) To take all reasonable steps to prevent such abuse.
  - 1(b) To investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with supply chain management policy and when justified -
    - (i) Take appropriate steps against such official or other role player or
    - (ii) Report any alleged criminal conduct to the South African Police Service
  - 1(c) To 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

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3(d) To reject any bid from a bidder –

- (i) If any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality or municipal entity, or to any other municipality or municipal entity, are in arrears for more than three months; or
- (ii) Who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory

1(e) To reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract.

2(f) To cancel a contract awarded to a person if –

- (i) The person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
- (ii) An official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person and

1(g) To reject the bid of any bidder if that bidder or any of its directors –

- (i) Has abused the supply chain management systems of the municipality or has omitted any improper conduct in relation to such system
- (ii) Has been convicted for fraud or corruption during the past five years

- (iii) Has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years
- (iv) 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).

(2) The Accounting Officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) of this policy.

### **Part 3: Logistics, Disposal, Risk, Performance and Contract Management**

#### **Logistics Management**

30. (1) The Accounting Officer must establish and implement an effective system of logistics management, which must include the following –

(a) **Stock-holding**

Stores is only to hold stock complying with the following criteria:

- (i) Essential Goods – Only items whose immediate availability is considered essential to maintain a municipal service.
- (ii) Bulk Purchased supplies – Items of sufficient demand in common use which offer a reduction in cost over direct supply taking into account stock-holding costs.

(b) **Internal Requisitions**

Where stocks are held in stores, items must be requested internally as the sole source of supply with an original requisition form signed by the delegated official.

(c) **Stores Procedures**

To be operated for the regulation of stock levels and movement to provide adequate management information numerically and financially in accordance with any procedural notes which must be issued by the Head: Supply Chain Management Unit.

(d) **Warehouse Management**

(i) **Receiving of stock items**

Stock items received should be verified with the purchase order and inspected for proper quantities to ensure receipt of what was ordered. The delivery note is then signed indicating acceptance of goods received.

**(ii) Issuing of stock items**

Stock items should be issued only on the authority of a properly approved, pre-numbered requisition, signed by the relevant Business Unit's Manager, which should give the following information:

- 1 ☐ Source and date of the requisition;
- 2 ☐ Account(s) to be charged;
- 3 ☐ On each item: Quantity, Unit stock number, description, unit price, and total rand value.

Processing should be done online in all the times prior to the issuing of any stock item.

**(iii) Shelving**

Stores personnel should categorise and organise storage areas for efficient, logical, and safe storage of all supplies.

**(iv) Purchase requisitions for stock items**

All purchase requisitions for stock items must be original and to have the signature of the Head: Supply Chain Management Unit, prior to acquisitions.

**(v) Expediting of orders**

Unless the delivery period is specified on the approved quotation; the general delivery date is 14 day. If the delivery conditions reflected on the purchase order form are not complied with, it should be followed up with the supplier immediately.

Order must be issued within two day of receiving requisition or earlier unless there are reasons why the order is issued late.

(vi) **Damaged Goods**

Damaged goods from suppliers must be returned to the supplier for credit or replacement.

(e) **Stock Reviews**

In order to manage the stores operations effectively, all departments should continually review their stock holding based on information such as number of issues, levels of service achieved, total value of stock held and stock turnover.

Redundant and obsolete stock should be identified and cleared regularly by the relevant departments

(f) **Stock Levels**

The following should be determined to maintain the optimum stock levels:

- 1□ Minimum, maximum and re-order levels;

Slow moving or obsolete stock.

(g) **Annual Stock taking Procedures**

- (i) Monthly random stock check, counts and investigations to be conducted and evidence be available.
- (ii) Mid year provisional stock takes to be conducted.
- (iii) The last working days in May the Stores closes for year-end inventory. No requisitions are filled, and no stock items are received four (04) days before the stock count date.
- (vi) Invite the provincial auditor general for observation.
- (iii) After the computer system has been updated, a queue batch is run providing Stores with updated printouts for actual inventory. A separate sheet is provided for each stores section. The sheet will contain stock number – complete description, quantity on hand and a column for actual count and a column for any discrepancy.
- (vi) The person conducting the inventory counts all items and makes appropriate notations on the inventory sheet. At the conclusion of each section, the person dates and signs the inventory sheet.
- (v) At the conclusion of all inventory sections, all discrepancies will be double-checked. The Head: Expenditure and together with The Head: SCM Unit will make appropriate adjustments and the Chief Financial Officer will approve all such adjustments to correct inventory records to actual count.



- (iv) All printouts, original documents, work papers, adjustments, and corrected inventory printouts are placed on file in Stores Office.

### **Disposal Management**

- 31. (1) The Municipal Council will dispose assets using the following ways –
  - 1(a) Transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
  - 2
  - 3(b) Transferring the asset to another organ of state at market related value or, when appropriate, free of charge
  - 4(c) Selling the asset at market related price or auction
  - 5
  - 6(d) Destroying the asset if obsolete
  - 7
- (2) A municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal service

(3) A municipality may transfer ownership or otherwise dispose of a capital asset other than one contemplated in subsection 7.2 but only after the municipal council, in a meeting open to the public

1(a) Has decided on a reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services

(4) A decision by a municipal council that a specific capital asset is not needed to provide the minimum level of basic municipal service, may not be reversed by the municipality after that asset has been sold, transferred or otherwise disposed of.

(5) Any transfer of ownership of a capital asset in terms of subsection 7.2 must be fair, equitable, transparent, and competitive.

1(6) Section 7.1 to 7.4 above does not apply to the transfer of a capital asset to another municipality or to a municipal entity or to a national or provincial organ of state in circumstances and in respect of categories of assets approved by the National Treasury, provided that such transfers are in accordance with the prescribed framework.

2

3(7) Following are conditions under which the capital assets may be sold

- (a) Immovable property may be sold only at market related prices except when the public interest or the plight of the poor demands otherwise.
- (b) Only the executive committee or executive mayor will recommend to Council

Decision to expropriate immovable property or rights in or to immovable property.

- (c) Movable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous to the municipality

- 1(d) In the case of the free disposal of computer equipment, the local department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment; and

2

- 3(e) In the case of the disposal of firearms, the National Conventional Arms Control Committee has approved any sale or donation of firearms to any person or institution within or outside the Republic.

- 1(8) Immovable property will be let under the following conditions:

2

- (a) Market related rates should be used except when the public interest or the plight of the poor demands otherwise
  - (b) All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property must be annually reviewed
- (9) Where assets are traded in for other assets, the highest possible trade-in price should be negotiated.
- (10) The 80/20 or 90/10 point system will apply to competitive bidding, which relate to the sale or letting of assets respectively, depending on the value of the asset .

### **Risk Management**

- 32. (1) Accounting officer should in the implementation of this policy develop a risk Management plan in order to address the following factors:
  - (i) Risk Identification: Identify risks associated with the project on a case-by-case basis
  - (ii) Risk Assessment: The likelihood and magnitude of the risks.
  - (iii) Risk Mitigation: Strategies for pre-empting and treating the occurrence of risk.
  - (iv) Risk Allocation: detailing responsibility for managing a risk to the party best suited to manage such risks.
  - (v) Acceptance of the cost of the risk: Acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it

(vi) Management of risks: In a pro-active manner and the provision of adequate cover for residual risks

(vii) Monitor and Control: Identify new risks as they emerge

1(2) In order to reduce the risk on contract, the accounting officer must include the provision of sureties for the due performance on a contract and retention of a portion of moneys due to a contract.

2

3(3) The following sureties, guarantees, insurance, retention and penalties are applicable:

CATEGORY	VALUE	SURETY	CONSTRUCTION GUARANTEE	ALL RISK INSURANCE	RETENTION & PERIOD	PENALTIES PER DAY
MICRO PROJECTS	200 000-500 000	5%	FIRST 3 CERTIFICATES OR BANK GUARANTEE	CONTRACTOR	5% REDUCED TO 2,5% FOR 12 MONTHS	0,2%
SMALL PROJECTS	500 001-2 000 000	10%	FIRST 3 CERTIFICATES OR BANK GUARANTEE	CONTRACTOR	10% REDUCED TO 5% FOR 12 MONTHS	0,04%
MEDIUM PROJECTS	2 000 001 - 10 000 000.00	10%	FIRST 3 CERTIFICATES OR BANK GUARANTEE	CONTRACTOR	10% REDUCED TO 5% FOR 12 MONTHS	0,06%
LARGE PROJECTS	ABOVE 10 000 000.00	10%	FIRST 5 CERTIFICATES OR BANK GUARANTEE	CONTRACTOR	10% REDUCED TO 5% FOR 12 MONTHS	0,1%

(4) Service providers should be subject to disqualification if there is sufficient evidence of consistent failure to meet the standards specified by the Municipality.

- (5) Service providers should be evaluated based on contract adherence and performance. Upon reasonable notice in writing to the service provider involved, and after a reasonable opportunity for response, a service provider should be disqualified for a period not exceeding five years from participation in a solicitation for goods and services. Service provider should be disqualified if:
  - (i) Serious breach of contract indicating unwillingness to perform a contract in accordance with the terms and conditions.
  - (ii) An indication of lack of business integrity or honesty which directly and serious effects the responsibility of the contractor.

### **Performance Management**

- 33. The Accounting Officer must establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved.

### **Contract Management**

- 34. (1) **Service Level Agreements**

Contracts concluded for the procurement of goods and services should be made subject to the conclusion of a Service Level Agreements.

- (2) **Extension/Expansion of Contracts**

2.1 It is recognized that, in exceptional cases, an accounting officer may deem it necessary to expand or vary order against the original contract.

2.2 Contract(s) may be expanded or varied by not more than 20% or R20 million (including all applicable taxes) for construction related goods, works and/or services of the original value of the contract, whichever is the lower amount.

2.3 any deviation in excess of these thresholds will only be allowed subject to prior approval of relevant treasury. Whilst provision is made for deviations, it is imperative to note that requests for such deviations may only be submitted to the relevant treasury where good reasons exist.

(3) **Orders**

Supplies should be delivered and services rendered only upon a written official order from the Municipality, and accounts should be rendered as indicated on the official order or in the contract, as the case may be.

(4) **Guarantees**

Unless the contract stipulates otherwise, the contractor should guarantee for a period of twelve months that no faulty material or workmanship was used in the manufacture of goods or in the execution of services and that the finish product is not defective. Should the guarantee not be compiled with, the Municipality must, without prejudice to any other rights it may have, demand that the supplies are replaced and the services repaired without cost to the Municipality.

(5) **Payment for Supplies and Services**

- (1) Subject to any instructions issued with a contract or order, a contractor should be paid for supplies delivered and services rendered in accordance with the under-mentioned provisions:
  - (a) On the basis of delivery into store or to another nominated destination, only after receipt of a detailed account and after delivery has been effected.
  - (b) On the basis of delivered and erected, installed, etc., only after receipt of a detailed account supported by a certificate of satisfactory execution issued by a Municipality agent.
  - (c) Payment should normally be effected within 30 days of receipt of all the required documentation, which should be correct in every respect. Should a contractor indicate a special discount on his/her account provided payment is made within a certain time, every effort should be made to take advantage of such discount.
  - (d) As a rule, payment is made to the contractor only. When payment is claimed by another party the latter must produce a written transfer, power of attorney or authorisation and, before payment is made, the contractor must confirm that the transfer, power of attorney or authorisation has been given by him/her and that payment may be claimed in terms thereof.
- (6) Remedies in case of death, sequestration, liquidation or judicial management .
  - (a) In the event of the death of a contractor or the provision or final sequestration of his/her estate or



of his/her cession or transfer of a contract without the approval of the Council or of the surrender of his/her estate or of his/her reaching a compromise with his/her creditors or of the provisional or final liquidation of a contractor's company or the placing of its affairs under judicial management, the Council must, without prejudice to any other rights it may have, exercise any of the following:

- (b) Cancel the contract and accept any of the bids, which were submitted originally with that of the contractor or any offer subsequently received to complete the contract. In such a case the estate of the contractor shall not be relieved from liability for any claim which has risen or may arise against the contractor in respect of supplies not delivered or work not carried out by him/her under the contract, and the Council shall have the right to hold and retain all or any of the securities and retention moneys held by it at the date of the aforesaid occurrences until such claim has been satisfied; or
- (c) Allow the executor, trustee, liquidator or judicial manager, as the case may be, for and on behalf of and at the cost and expenses of the estate of the contractor to carry on with and complete the contract.

**(7) Contractor's Liability**

- (a) In the event of the contract being cancelled by the Council in the exercise of its rights in terms of these conditions, the contractor should be liable to pay to

Council any losses sustained and/or additional costs or expenditure incurred as a result of such cancellation and Council should have the right to recover such losses, damages or additional costs by means of set-off from moneys due or which may become due in terms of the contract or any other contract, or from a guarantee provided for the due fulfillment of the contract and, until such time as the amount of such losses, damages or additional costs have been determined, to retain such moneys or guarantee or any deposit as security for any loss which the Council may suffer or have suffered.

The contractor must be held responsible for any consequential damages and loss sustained which may be caused by any defect, latent or otherwise, in the supply or service rendered or if the supply or service as a result of such defect, latent, otherwise, does not conform to any condition or requirement of the contract.

(8) Transfer of Contracts

The contractor must not abandon, transfer, assign or sublet a contract or part thereof without the written permission of the Council.

**Part 4: Other Matters**

**Preference Point System**

35. (1) The 90/10 or 80/20 preference point system for the acquisition of goods and/or services with a rand value above R1 000 000.

- (a) The following formula must be used to calculate the points for price in respect of bids with a Rand value above R1 000 000:

$$Ps = 90 \left\{ 1 - \frac{Pt - Pmin}{Pmin} \right\} \text{ or } Ps = 80 \left\{ 1 - \frac{Pt - Pmin}{Pmin} \right\}$$

Where

Ps = Points scored for comparative price of bid under consideration

Pt = Comparative price of bid under consideration

Pmin = Comparative price of lowest acceptable bid.

- 1(b) A maximum of 10 or 20 points may be awarded to a bidder for achieving Government's procurement related socio-economic objectives in terms of the preferential procurement policy framework 5 of 2005 and regulations 2011.

- 2(c) The points scored by a bidder in respect of the objectives contemplated in sub-regulation (b) must be added to the points scored for price. Only the bid with the highest number of points scored may be selected.

- (2) Sale and letting of assets

The Preferential Procurement Policy Regulations, 2011 is not applicable to the sale and letting of assets.

In instances where assets are sold or leased by means of a bidding process, the bid must be awarded to the bid with the highest price.

### **Principles if HDI ownership changes after the closing date**

36. (1) In the event that the percentage of HDI ownership changes after the closing date of a quotation or bid, the bidder must notify the Municipality of the changes. The bidder will, if the percentage on HDI ownership increases not be eligible for any additional preference points. Should the percentage on HDI ownership decrease, the preference points for equity ownership shall be reduced accordingly.
- (2) Equity claims for a Trust may only be allowed in respect of those persons who are both trustees and beneficiaries and who are actively involved in the management of the Trust.
- (3) A consortium or joint venture shall be entitled to preference claims, based on the percentage profit for a particular contract value, shared by black-owned and black-empowered enterprises in the consortium or joint venture for the particular contract.
- b. A person awarded a contract as a result of preference for HDI equity may not sub-contract more than 25% of the value of the contract to a person who does not qualify for such preference.
- c. Valid BBBEE certificate (certified copy) issued will accredited verification agencies or audit firms(for exempted businesses) will be considered for claims for preference.

No points will be awarded to bidders who did not attach the valid certified copy.

## **Declarations**

37. (1) a bidder must, in the stipulated manner, declare that
- (a) The information regarding any claim from preference points provided is true and correct;
  - (b) The signatory to the bid document is duly authorised; and
  - (c) Documentary proof regarding any bidding issue will, when required, be submitted to the satisfaction of the Municipality.

## **Penalties**

38. (1) where a contract has been awarded on the strength of preference information furnished by the contractor, which, after the conclusion of the relevant contract, is proved to have been incorrect, the Municipality may, in addition to any other legal remedy it may have to –
- (a) Recover from the contractor all costs, losses or damages incurred or sustained by the Municipality as a result of the award of the contract; and/or
  - (b) Cancel the contract and claim damages which the Municipality may suffer as a result of having to make less favourable arrangements; and/or
  - (c) Impose on the contractor a penalty not exceeding five per cent of the value of the contract.
- (2) Where an award has been made and a contractor fails to make arrangement with the municipality and further delays

or fails to deliver the services; the following will be applicable:

- (a) The order will be cancelled and where time allows a re-evaluation will be made,
- (b) The provider will be listed in the municipality's book of defaulters and will be restricted to do business with the municipality for six (06) months.

#### **Prohibition on awards to persons whose tax matters are not in order**

39. (1) The Municipality should not award a contract above to a person whose tax matters has not been declared by the South African Revenue Services to be in order.
- (2) No contract should be awarded to a person who failed to submit an original tax clearance certificate from the South African Revenue Services (SARS) certifying that the taxes of that person is in order or that suitable arrangements have been made with SARS.

#### **Prohibition on awards to persons in the service of the State**

40. (1) No award must be given to a person irrespective of the procurement process followed in terms of this Policy-
- (a) Who is in the service of the state; or
  - (b) If that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
  - (c) A person who is an advisor or consultant contracted with the Municipality

#### **Awards to close family members of persons in the service of the State**

41. The notes to the annual financial statements must disclose particulars of any award of more than R2000.00 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

- (a) The name of that person;
- (b) The capacity in which that person is in the service of the state; and
- (c) The amount of the award

### **Ethical Standards**

42. (1) A code of ethical standards is hereby established, in accordance with subparagraph (2), for officials and other role players in the supply chain management system in order to promote –

- (a) Mutual trust and respect; and
- (b) An environment where business can be conducted with integrity and in a fair and reasonable manner.

(2) An official or other role player involved in the implementation of the supply chain management policy –

- (a) Must treat all providers and potential providers equitably;
- (b) Must not use his/her position for private gain or to improperly benefit another person;
- (c) May not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any

close family member, partner or associate of that person, of a value more than R350.00;

- (d) Notwithstanding subparagraph (2)(c), must declare to the Accounting Officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or any close family member, partner or associate of that person;
- (e) Must declare to the Accounting Officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or any award of a contract by the Municipality;
- (f) Must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
- (g) Must be scrupulous in his or her use of property belonging to the Municipality;
- (h) Must assist the Accounting Officer in combating fraud, corruption, unfair and irregular practices in the supply chain management system;
- (i) Must report to the Accounting Officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –



- (ii) Any alleged fraud, corruption, unfair conduct;
- (ii) Any alleged contravention of paragraph (5)(1) of this policy; or
- (iii) Any alleged breach of this code of ethical standards.

(3) Declarations in terms of subparagraph (2)(d) and (e) –

- (a) Must be recorded in a register, which the Accounting Officer must keep for this purpose;
- (b) By the Accounting Officer must be made to the Executive Mayor of the Municipality who must ensure that such declarations are recorded in the register.

(4) The National Treasury's code of conduct must be adopted and also be taken into account by supply chain management practitioners and other role players involved in supply chain management.

(5) A breach of the code of ethics must be dealt with as follows –

- (a) In the case of an employee, in terms of the disciplinary procedures of the municipality envisaged in section 67 (1) (h) of the Municipal Systems Act;
- (b) In the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
- (c) In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.

Inducements, rewards, gifts and favours to municipality, officials and other role players

43. (1) No person who is a provider or prospective provider of goods or services, or a recipient of goods disposed or to be disposed of must either directly or through a representative or intermediary promise, offer or grant –
- (a) Any inducement or reward to the Municipality for or in connection with the award of a contract; or
  - (b) Any reward, gift, favour or hospitality to -
    - (i) Any official; or
    - (ii) Any other role player involved in the implementation of the supply chain management policy.
- (2) The Accounting Officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for consideration whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.
- (3) Subparagraph (1) does not apply to gifts less than R350.00 in value.
- (4) All gifts to SCM officials must be declared in the gift register available in supply chain management unit.

### **Sponsorships**

44. The Accounting Officer must promptly disclose to the National Treasury and the Provincial Treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –

- (a) A provider or prospective provider of goods and services; or
- (b) A recipient or prospective recipient of goods disposed or to be disposed.

### **Objections and complaints**

45. Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

### **Resolution of disputes, objection, complaints and queries**

46. (1) the accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes-
- (a) To assist in the resolution of disputes between the municipality and other Persons regarding –
    - (i) Any decisions or actions taken in the implementation of the supply chain management systems; or
    - (ii) Any matter arising from a contract awarded in the course of the supply chain Management system; or
  - (b) To deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

- (2) The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed must -
  - 1(a) Strive to resolve promptly all disputes, objections, complaints or queries received; and
  - 2(b) Submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.
- (4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if:
  - 1(a) The dispute, objection, complaint or query is not resolved within 60 days; or
  - 2
  - 3(b) No response is forthcoming within 60 days,
- (5) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.
- (5) This paragraph must not be read as affecting a person's rights to approach a court at any time.

**47. Contracts providing for compensation based on turnover**

If a service provider acts on behalf of a municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the

contract between the service provider and the municipality must stipulate

–

1(a) A cap on the compensation payable to the service provider; and

2

3(b) That such compensation must be performance based.

#### **48. Empowerment for youth, women, HDI's and local business**

Preference points in municipal tenders will be appropriated according to the Preferential Policy Framework 2011 wherein points will be given in accordance with the level of BBBEE compliant contribution as per certificates issued by accredited verification agencies or firms of auditors for exempted micro enterprises.

Where required, advancement of youth, women, and/or local enterprises can be included in the functionality criteria with a points allocated for the advancement of the local economy, job creation and reducing high rate of employment.

#### **49. Records keeping and reporting**

(1) Record of all goods and services procured must be kept.

(2) SCM will be held responsible for the recording of the following

Information / documents:

- a) List of bids received per bids number,
- b) Formal written quotation and their status,
- c) Formal complaints register
- d) All cases of fraud or corruption reported
- e) Gifts register for SCM
- f) Stock take reports

(3) (a) All formal quotations / bids awarded above R100 000.00(Vat incl)

must be reported to National treasury on monthly basis.

- (b) All deviations with supporting approved memo should be reported quarterly to the accounting officer.
- (4) Clear reporting templates should be used and correctly populated with accurate data to be a true reflection of the content of awards.

**Policy reviewed for 2016/17 financial year**