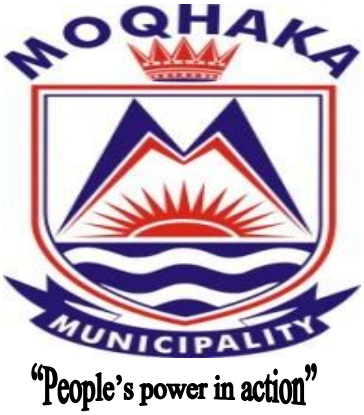

Supply Chain Management POLICY

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1. DEFINITIONS

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

"basic municipal service" means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment**;**

"BBBEE Status Level" means a certificate issued by an Auditor registered with the independent Regulatory Board of Auditors or Accounting Officer as contemplated in Sec60(4) of the Close Corporations Act, 1984, Act No.9 of 1984) or a accredited verification agency registered with South African National Accreditation System.

"bid" means a written offer submitted in a prescribed or stipulated form, in response to an invitation by the Municipality for a procurement or disposal, as part of the competitive bidding process of the Municipality**;**

"capital asset" means the non-consumable movable and immovable property, including land of the Municipality**;**

"CFO" means the person who is appointed by the Council as the Chief Financial Officer for the Municipality and his delegates.

"channel(s)" means the line of communication commencing with the Manager for Supply Chain Management to the chief financial officer to the Municipal Manager and to council;

"Close family members" means a person's spouse, children, parents or brothers and sisters.

"Code of Conduct" means the code of conduct attached to this policy as Annexure A;

"comparative price" means the price after the factors of a non-firm price and all unconditional discounts that can be utilised have been taken into consideration;

"Competitive bidding process" means a competitive bidding process, "Final Award" in relation to bids or quotation submitted for a contract, means the final decision on which bid or quote to accept,

"consortium or joint venture" means an association of persons for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract;

"consultant" means a professional service provider which is a partnership, sole trader or legal entity which provides on a fiduciary basis, labour and knowledge based expertise which is applied with reasonable skill, care and diligence, and adheres to statutory labour practices;

"corrected bid sum" means the bid sum, corrected in terms of the bid documentation, where applicable**;**

"contract" means the written agreement that results from the acceptance of a bid or quotation by the Municipality**;**

"contractor" means any natural or legal person whose bid or quotation has been accepted by the Municipality for the execution of work for the Municipality; (m) "Council" means the Municipal Council of the Moqhaka Local Municipality, its legal successors in title and its delegates;

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"delegating authority", means the Council, Municipal Manager, councillor or other employee to whom original powers were assigned in terms of legislation, and in relation to a sub-delegation of a power, means that delegated body;

"delegation" means the issuing of a written authorisation by a delegating authority to a delegated body to act in his stead, and in relation to a duty, includes an instruction or request to perform or to assist in performing the duty, and 'delegate' and 'sub-delegate' has a corresponding meaning;

"delegated body" in relation to the delegation of a power means the person to whom a power has been delegated by the delegating authority in writing;

"disability" means a permanent impairment of a physical, intellectual, or sensory function, which results in restricted, or lack of ability to perform an activity in the manner or in the range considered normal for a human being;

"disposal" means a process of preparing, negotiating and concluding a written contract which involve the alienation of a capital asset, including a capital asset no longer needed by the Municipality or rights in respect thereof, by means of a sale or a donation, and "dispose" has a similar meaning;

"Employee" means any person other than an independent contractor who:

a) works for another person or for the State and who receives, or is entitled to receive any remuneration; and

b) in any manner assist in carrying on or conducting the business of an employer

"Emergency" means an unforeseeable and sudden event, with material harmful or potential harmful consequences for the municipality that requires immediate action;

"Employer" means the Moqhaka Local Municipality, a municipality established in terms of the provisions of section 12 of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998);

"engineering and construction works" means the provision of a combination of Goods and Services, arranged for the development and provision of an asset, including building and engineering infrastructure, or for the refurbishment of an existing;

"equity ownership" means the percentage of an enterprise or business owned by individuals or, in respect of a private company, the percentage of a company 's shares that are owned by individuals, who are actively involved in the management of the enterprise or business and exercise control over the enterprise or business, commensurate with their degree of ownership at the closing date of the bid;

"exempted small micro enterprises" means enterprises with a turnover as per the table below:

Legislation and/or Charter	**Annual Turnover**
BBBEEA	Less than R5million
Tourism Charter (Tourism Industry)	Less than R2.5 million
Construction Charter (Construction Industry)	Less than R1.5 million

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

“formal written quotation” means a quotation received after and as a result of advertisement for at least 7 (seven) working days together if any other methods of invitation;

"firm price" is the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy, or tax, which, in terms of a law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract;

“functionality” means the suitability of a proposal, design or product for the use for which it is intended;

“goods” means those raw materials or commodities which are available for general sale;

“Head of Department” means a Head of Department directly accountable to the Municipal Manager, appointed in terms of section 57 of the Systems Act, including the Chief Financial Officer;

“in the service of the state” means to be :

(i) a member of : □ any municipal council □ any provincial legislature; or □ the National Assembly or the National Council of Provinces;
(ii) a member of the board of directors of any municipal entity;
(iii) an employee of any municipality or municipal entity;
(iv) any employee of any national or provincial department, national or provincial public entity or constitutional within the meaning of the Public Finance Management act, 1999 (Act No.1 of 1999);
(v) a member of the accounting authority of any national or provincial public entity; or
(vi) an employee of Parliament or a Provincial Legislature.

“list of accredited prospective providers” means the list of accredited prospective providers which the municipality must keep in terms of paragraph 14 of this policy;

“local business” or “local firm” means service providers with active offices in the Municipality, which shall be interpreted on the basis of whether the offices are utilized for the goods or services to be procured, and whether the majority shareholders are local or Free State people;

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

“main contractor” means the legal entity with whom the Municipality will contract (as opposed to sub-contractors, suppliers, manufacturers or service providers who contract with the main contractor);

“management” refers to the membership of any board or similar governing body which is charged with the day-to-day management control of the enterprise / business. This entails the power to determine policies and direction of economic activities and resources;

“MFMA” means the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003);

“Municipality”, means the Moqhaka Local Municipality, and when referred to as –

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"an entity", means a municipality as described in section 2 of the Systems Act; and a. a geographic area, means the municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No 27 of 1998);

"Municipal Manager" means the person who is appointed by the Council as the head of the administration and as accounting officer for the Municipality in accordance with section 82 of the Structures Act and his delegates;

"organ of state" means –

(i) any department of state or administration in the national, provincial or local sphere of government; or
(ii) any other functionary or institution- □ exercising a power or performing a function in terms of the Constitution or a provincial constitution; or □ exercising a public power or performing a public function in terms of any legislation, but does not include a court or a judicial officer;

"other applicable legislation" means any other legislation applicable to municipal supply chain management, including –

(i) Municipal Finance Management Act no. 56 of 2003 and its regulations.
(ii) The Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and its regulations.
(iii) The Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003).
(iv) The Construction Industry Development Board Act, 2000 (Act No.38 of 2000) and Regulations.
(v) the Promotion of administrative Justice Act, (Act No. 3 of 2000);
(vi) the Promotion of access to information Act, (Act No 2 of 2000);
(vii) the Protected Disclosures Act, (Act No 26 of 2000);
(viii) the Competition Act, (Act No 89 0f 1998);
(ix) Constitution of Republic of South Africa Act no. 108 of 1996**.**
(x) Prevention and Combating of Corruption Activities Act 12 of 2004.
(xi) National Small Enterprise Act 102 of 1996.
(xii) State Information Technology Agency (SITA) Act 88 of 1998
(xiii) Practice / Instruction notes issued by National and provincial treasuries.
(xiv) all other applicable By- laws, Policies, Ordinances or legislation impacting on Supply Chain Management**;**

"person" includes reference to juristic person;

"Practice Notes" means all Supply Chain Management Notes issued from time to time by the Manager Supply Chain Management in accordance with paragraph 35 of this Policy;

"Preferential Procurement Legislation" means the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000) and its associated Preferential Procurement Regulations, and the Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003);

"procurement" means a process of preparing, negotiating and concluding a contract, whether in writing or verbally, which involve the acquiring of goods, services and engineering and constructions works or any combination thereof, or the acquiring of capital assets or any rights

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in respect of the above, by means of a purchase, lease or donation; **and** "procuring" has a similar meaning;

"PSP" means Professional Service Provider**;**

"quotation" means a written offer which is not submitted in the form of a bid document prescribed by the Municipality, but is never-the-less subject to a specification, conditions of purchase and any schedules and annexures such as drawings or plans, as applicable;

"rand value" means the total estimated value of a contract in rand denomination which is calculated at the time of quotation and bid invitations and includes all applicable taxes and excise duties**;**

"Register" means the register of accredited prospective service providers established and maintained by the Manager Supply Chain Management in accordance with paragraph 12, to be used for the procurement requirements of the Municipality;

"responsive bid" means a bid which conforms to all the terms, conditions and specifications contained in the bid documentation without material deviation or qualification;

"SCM Policy" means this Supply Chain Management Policy contained in this document;

"SCM Sub-Department" means the Supply Chain Management Sub-Department which is under the management and control of the Chief Financial Officer, and that is responsible for the implementation and management of the SCM Policy;

"services" means the provision of labour and work carried out by hand, or with the assistance of plant and equipment, including the input, as necessary, of knowledge based expertise;

"service provider" means a current or potential supplier, manufacturer, contractor, vendor, agent or consultant;

"SMME's means small, medium and micro enterprises in the supply chain management system of the Municipality**;**

"Structures Act" means the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998);

"sub-contracting" means the primary contractor's assigning or leasing or making out work to, or employing another person to support such primary contractor in the execution of part of a project in terms of the contract;

"Systems Act" means the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000);

"trust" means the arrangement through which the property of one person is made over or bequeathed to a trustee to administer such property for the benefit of another person;

"trustee" means any person, including the founder of a trust, to whom property is bequeathed in order for such property to be administered for the benefit of another person;

"written quotation" means a quotation received after and as a result of requests by the municipality of such quotation from suppliers listed on the supplier database of the municipality.

"other applicable legislation" means any other legislation applicable to municipal supply chain management, including –

(i) Municipal Finance Management Act no. 56 of 2003 and its regulations.
(ii) The Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and its regulations

(iii) The Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003).
(iv) The Construction Industry Development Board Act, 2000 (Act No.38 of 2000) and Regulations
(v) the Promotion of administrative Justice Act, (Act No. 3 of 2000);
(vi) the Promotion of access to information Act, (Act No 2 of 2000);
(vii)the Protected Disclosures Act, (Act No 26 of 2000);
(viii) the Competition Act, (Act No 89 0f 1998);
(ix) Constitution of Republic of South Africa Act no. 108 of 1996**.**
(x) Prevention and Combating of Corruption Activities Act 12 of 2004.
(xi) National Small Enterprise Act 102 of 1996.
(xii)State Information Technology Agency (SITA) Act 88 of 1998
(xiii) Practice / Instruction notes issued by National and provincial treasuries.
(xiv) all other applicable By- laws, Policies, Ordinances or legislation impacting on Supply Chain Management**;**

"person" includes reference to juristic person;

"Practice Notes" means all Supply Chain Management Notes issued from time to time by the Manager Supply Chain Management in accordance with paragraph 35 of this Policy;

"Preferential Procurement Legislation" means the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000) and its associated Preferential Procurement Regulations, and the Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003);

"procurement" means a process of preparing, negotiating and concluding a contract, whether in writing or verbally, which involve the acquiring of goods, services and engineering and constructions works or any combination thereof, or the acquiring of capital assets or any rights in respect of the above, by means of a purchase, lease or donation;

and "procuring" has a similar meaning;

"PSP" means Professional Service Provider**;**

"quotation" means a written offer which is not submitted in the form of a bid document prescribed by the Municipality, but is never-the-less subject to a specification, conditions of purchase and any schedules and annexures such as drawings or plans, as applicable;

"rand value" means the total estimated value of a contract in rand denomination which is calculated at the time of quotation and bid invitations and includes all applicable taxes and excise duties**;**

"Register" means the register of accredited prospective service providers established and maintained by the Manager Supply Chain Management in accordance with paragraph 12, to be used for the procurement requirements of the Municipality;

"responsive bid" means a bid which conforms to all the terms, conditions and specifications contained in the bid documentation without material deviation or qualification;

"SCM Policy" means this Supply Chain Management Policy contained in this document;

"SCM Sub-Department" means the Supply Chain Management Sub-Department which is under the management and control of the Chief Financial Officer, and that is responsible for the implementation and management of the SCM Policy;

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“senior manager” means- (a) in relation to a municipality, means a manager referred to in section 56 of the Municipal Systems Act;

“services” means the provision of labour and work carried out by hand, or with the assistance of plant and equipment, including the input, as necessary, of knowledge based expertise;

“service provider” means a current or potential supplier, manufacturer, contractor, vendor, agent or consultant;

“SMME’s means small, medium and micro enterprises in the supply chain management system of the Municipality**;**

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

"sub-contracting" means the primary contractor's assigning or leasing or making out work to, or employing another person to support such primary contractor in the execution of part of a project in terms of the contract;

“Systems Act” means the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000);

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

“trust” means the arrangement through which the property of one person is made over or bequeathed to a trustee to administer such property for the benefit of another person;

"trustee" means any person, including the founder of a trust, to whom property is bequeathed in order for such property to be administered for the benefit of another person;

“written quotation” means a quotation received after and as a result of requests by the municipality of such quotation from suppliers listed on the supplier database of the municipality.

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ACCRONYMS

AO	Accounting Officer
CFO	Chief Financial Officer or Director Finance
CIDB	Construction Industry Development Board
HDI	Historically Disadvantaged Individuals
IDP	Integrated Development Plan
MBD	Municipal Bidding Document
PPPFA	Preferential Procurement Policy Framework Act
SCM	Supply Chain Management
SDBIP	Service Delivery Budget Implementation Plan
SITA	State Information Technology Agency
BSC	Bid Specification Committee
BEC	Bid Evaluation Committee
BAC	Bid Adjudication Committee
MLM	Moqhaka Local Municipality

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CHAPTER 1: INTRODUCTION AND ORIENTATION

CHAPTER 1

OBJECTIVES AND APPLICABILITY OF SUPPLY CHAIN MANAGEMENT POLICY

2. Supply Chain Management Policy

2.1 Primary Objectives

2.1.1 The primary objectives of the SCM Policy are to:

2.1.1.1 give effect to the provisions of Sec 217 of the Constitution of the Republic of South Africa: is fair, equitable, transparent, competitive and cost effective

2.1.1.2 give effect to the provisions of the Municipal Finance Management Act (MFMA) (Act No.56 of 2003)

2.1.1.3 transform procurement and provisioning practices in the Municipality into an integrated supply chain management function;

2.1.1.4 introduce a systematic approach for the appointment of consultants; create a common understanding and interpretation of the Municipality's preferential procurement policy objectives;

2.1.1.5 make a significant improvement to supply chain management in the broader public sector;

2.1.1.6 promote consistency in respect of the SCM Policy and other related policy initiatives in the Municipality;

2.1.1.7 align with global trends and transformation and ensure that the Municipality adheres to international best practices.

2.2 Secondary objectives

2.2.1 The secondary objectives of the SCM Policy are to:

2.2.1.1 to ensure that all procurements and disposals, as well as the appointment of Professional Service Providers (PSP's), is done in the most effective, efficient and consistent manner;

2.2.1.2 to ensure that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the MFMA;

2.2.1.3 to ensure that any treasury guidelines on procurement management are properly taken into account;

2.2.1.4 to demonstrate the Municipality's commitment towards the achievement of national government's broad based black economic empowerment goals;

2.2.1.5 to facilitate the engagement of the Preferential Procurement Regulations in the supply chain management system;

2.2.1.6 to promote equity, fairness and increased participation of local business in the Municipality's supply chain management system;

2.2.1.7 to outline the processes in the Municipality for dealing with quotations and competitive bidding and the awarding of contracts;

2.2.1.8 to enhance competitiveness;

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2.2.1.9 to facilitate creation of employment and business opportunities for the community with particular reference to the Preferential Procurement Regulations;

2.2.1.10 to increase the Small Business Sector's access to procurement business opportunities created by the Municipality;

2.2.1.11 to promote joint venture partnerships;

2.2.1.12 is consistent with national economic policy concerning the promotion of investments and doing business with the public sector;

2.2.1.13 does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres

2.2.1.14 supports effective and efficient service delivery by acquiring goods and services of optimum value through best purchasing practices.

In addition to the above, this policy features our main aims:

I. **the promotion, development and support of business from previously disadvantaged communities; young people, women and people with disabilities**

II. Prioritising in the promotion of 1. Local 2.Provincial and 3. National Suppliers and agents before considering international suppliers;

III. also seeks to develop and maintain positive, long term relationships based on mutual trust and respect with those suppliers who demonstrate their commitment to the municipality's shared goals. The municipality also commits itself to clarity in its communication of requirements, and to be professional, courteous, fair, factual and responsive in its business dealings.

2.3 Applicability of the SCM Policy

2.3.1 This Policy shall apply to the entire Municipality and must be strictly adhered to when:

2.3.1.1 Procuring goods or services;

2.3.1.2 Disposing of goods no longer needed; and

2.3.1.3 Selecting service providers other than in circumstances where Chapter 8 of the Systems Act applies.

2.3.2 The municipality may not act otherwise than in accordance with its supply chain management policy when – (a) procuring goods or services;

(b) disposal of assets no longer needed;

(c) selecting service providers other than in circumstances where Chapter 8 of the Municipal Systems Act applies; or

(d) selecting external mechanisms referred to in section 80(1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.

2.3.3 This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –

(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

Amendment of the Supply Chain Management Policy

3.(1) the accounting officer must –

(a) at least annually review the implementation of this policy; and

(b) when the accounting officer considers it necessary, submit proposal for the amendment of this policy to the council for Council Approval, such amendments must be in line with the Regulations as compiled by National Treasury, and any National Treasury Guidelines

(2) The accounting officer must report any deviation from the model policy to the National Treasury and the relevant Provincial Treasury.

(3) When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

(4) The accounting officer of a municipality must in terms of section 62(1) (f) (IV) of the Act, take all reasonable steps to ensure that the municipality has and implements this supply chain management policy.

Delegation of Supply Chain Management powers and duties

4. (1) The council hereby delegates all powers and duties to the accounting officer so as to enable the accounting officer–

(a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of –

(i) Chapter 8 or 10 of the Act; and

(ii) the supply chain management policy;

(b) to maximize 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, favouritism and unfair and irregular practices in the implementation of the supply chain management policy; and

(d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.

(2) Section 79 and 106 of the Act apply to the sub-delegation of powers and duties delegated to an accounting officer in terms of sub-paragraph (1) of this policy.

(3) The accounting officer may not delegate or sub-delegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee which is not exclusively composed of officials of the municipality;

(4) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this policy.

Sub-delegations

5. (1) The accounting officer may, in terms of section 79 or 106 of the Act, sub delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this Policy, but any such sub delegation must be consistent with subparagraph (2) of this paragraph and paragraph 4 of this Policy.

(2) The power to make a final award –

(a) above R10 million (VAT included) may not be sub-delegated by the accounting officer;

(b) above R2 million (VAT included), but not exceeding R10 million (VAT included), may be sub-delegated but only to –

(i) the chief financial officer; (ii) a senior manager; or

(iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or

(c) not exceeding R2 million (VAT included) may be sub-delegated but only to -

(i) the chief financial officer;

(ii) a senior manager;

(iii) a manager directly accountable to the chief financial officer or a senior manager;

(iv) a bid adjudication committee.

(3) An official or bid adjudication committee to which the power to make final awards has been sub-delegated in accordance with sub-paragraph (2) of this policy must within five (5) working days of the end of each month submit to the official referred to in sub-paragraph (4) of this policy a written report containing particulars of each final award made by such official or committee during that month, including-

(a) the amount of the award;

(b) the name of the person to whom the award was made; and (c) the reason why the award was made to that person.

(4) A written report referred to in sub-paragraph (3) of this policy must be submitted-

(a) to the accounting officer, in the case of an award by-

(i) the chief financial officer;

(ii) a senior manager; or

(iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or

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(b) to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by-

(i) a manager referred to in sub-paragraph (2)(c)(iii) of this policy; or

(ii) a bid adjudication committee of which the chief financial officer or a senior manager is not a member.

(5) Sub-paragraphs (3) and (4) of this policy do not apply to procurements out of petty cash.

(6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this policy.

(7) No supply chain management decision-making powers may be delegated to an advisor or consultant.

Oversight role of Council

6. (1) The Council has an oversight role as far as the supply chain management system is concerned, to ensure that the Municipal Manager executes the SCM Policy within the ambit of the applicable legislation.

(2) For the purposes of such oversight the accounting officer must –

(a) (i) within 30 days of the end of each financial year, submit a report on the implementation of the supply chain management policy of the municipality

(ii) whenever there are serious and material problems in the implementation of the supply chain management policy, immediately submit a report to the council

(iii) or report on the status of supply chain department to council as and when council deems fit .Explain the word “deems fit” and provide source for future reference

3. The Municipal Manager must, within ten (10) days of the end of each quarter, submit a report to the Executive Mayor on the implementation of the SCM policy. including reports containing particulars of each final award made by the Accounting Officer:

(a) the amount of the award;

(b) the name of the person to whom the award was made;

(c) the BEE status of the person so appointed;

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

Supply Chain Management Unit

7. (1) The accounting officer must establish a supply chain management unit to implement this supply chain management policy for the municipality.

(2) The supply chain management unit must, operate under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

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Training of supply chain management officials

8. The training of officials involved in implementing the supply chain management policy should be in accordance with any Treasury guidelines on supply chain management training and the competency level guidelines.

CHAPTER 2

SUPPLY CHAIN MANAGEMENT SYSTEM

Format of supply chain management system

9. This supply chain management policy provides systems for-

i. Demand management

ii. Acquisition management;

iii. Logistics management;

iv. Disposal management;

v. Risk management; and

vi. Performance management

Part 1: Demand Management

System of demand management

10.(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 the Integrated Development Plan.

(2) The demand management system must –

(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 and quantity at a fair cost;

(b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature; and

(c) provide for the compilation of the required specifications to ensure that its needs are met.

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

Duties of the Directors

10.1. Each Director shall during preparation of his/her directorate's estimates for the budget year:

a) Determine which functions it must perform;

b) Determine products and services and resources required to perform those functions;

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c) Take note of the IDP projects; and

d) Ensure that approved projects on the IDP are implemented

Establishment an Annual Procurement Plan

10.2 The Supply chain management shall after consultation with the SDBIP of the municipality, compile a schedule of capital projects in respect of each financial year. The schedule of capital projects must be for a financial year and be reviewed when the IDP is reviewed. During consultations between SCM and all other departments, all reasonable efforts shall be made to determine:

a) The desired date and time at which a specific project must be awarded;

b) The desired date and time when the implementation or delivery of goods and services must take place;

c) The place where delivery must be effected;

d) The quantity and quality of any goods to be supplied; and

e) And any other relevant matter

Industry and Commodity Analysis

10.3. The demand function must stay abreast with the relevant technologies and products available in the market. It is the function of demand management to make analysis of the market price for goods and services. Demand management must research available products and service in the market to inform the commodity list on the Supplier Database Form and Supply Chain System.

Establishment of a Cross Functional Sourcing Team

10.4. The demand management is a cross functional exercise which necessitates end user involvement in SCM activities. The municipality must establish a cross functional sourcing team. The Cross Functional Sourcing Team will be responsible for the following:

a) Developing a demand management plan;

b) Consider and ensure that projects listed on the schedule of capital projects are listed on the demand management plan; and

c) Advice the Accounting Officer of the best methods to be used to achieve and/or implement projects

1. Members of the Cross Sourcing Functional Team shall consist of the following individuals:

(i) Manager: Supply Chain (Chairperson);

(ii) Manager: Budget and Expenditure;

(iii) Demand Management Officer;

(iv) Representative from the user department;

(v) Representative from IDP unit; and

(vi) Representative from Organizational Performance unit; and (vii) Risk Officer

Members of the Cross Functional Sourcing Teams shall be appointed by the Accounting Officer.

NB: this is SCM policy not procedure manual, highlighted not necessary provide source to support your statement

Part 2: Acquisition Management

System of acquisition management

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

(a) that goods and services are procured by the municipality in accordance with authorized processes only;

(b) that expenditure on goods and services is incurred in terms of an approved budget in terms of Section 15 of the Act;

(c) that the threshold values for the different procurement processes are complied with;

(d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and

(e) that any Treasury guidelines on acquisition management are properly taken into account.

(3) This supply chain management policy, except where provided otherwise in the policy, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –

(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.

(4) When procuring goods or services contemplated in section 110(2) of the Act, the accounting officer must make public the fact that such goods or services are procured otherwise than through the supply chain management system, including (a) the kind of goods or services; and

(b) the name of the supplier.

Range of procurement processes

12. The procurement of goods and services through this policy is provided by way of-

(a) petty cash purchases, up to a transaction value of R2 000 [VAT included];

(b) written quotation for procurements of a transaction value over R2 000 [VAT included] ;

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(c) formal written price quotations for procurements of a transaction value over R2 000 [VAT included] up to R30 000 [VAT included];

(d) formal written price quotations for procurements of a transaction value over R30 000 [VAT included] up to R200 000 [VAT included]; and

(e) a competitive bidding process for-

(i) all procurements above a transaction value of R200 000 [VAT included]; and

(ii) the procurement of long term contracts.

(2) The accounting officer may, in writing:-

Lower, but not increase the different threshold values specified in sub-paragraph (1); or

(a) direct that -

(i) written quotations be obtained for any specific procurement of a transaction value lower than R2 000; or

(ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R30 000; or

(iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000 [VAT included].

(3) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. 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.

(4) The range of procurement processes set out in paragraph 12 above can graphically be set out as follows:

Purchase Value	**Required Process**
Petty Cash Up to R2 000 [VAT included]	1 verbal quotation from the list of suppliers on the municipal data base Approved by the Head of Department
R2001 to R30 000.00 [VAT included]	At least three (3) formal written price quotations (on a rotational basis from the list of suppliers on the municipal data base)
R30 001 to R200 000 [VAT included]Competitive Bidding	At least three (3) formal written price quotations (which will be obtained by the Request For Quotations (RFQ's) seven (7) days advertisements
Over R200 000 [VAT included]	Refer to Section 12(e)(ii)
Negotiations, Sole Supplier and Unsolicited Bids by the Accounting Officer	Any value

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General preconditions for consideration of written price quotations or bids

13. A formal written price quotation or bid may not be considered unless the provider who submitted the quotation or bid -

(a) has furnished the municipality with the service provider's –

(i) full names;

(ii) Identification number in the case of a sole proprietorship, or the case of legal entity, a company/ close corporation or other registration number; and

(iii) tax reference number and VAT registration number, if any;

(iv) tax clearance from the South African Revenue Services that the provider's tax matter are in order; and (b) 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 stakeholders is in the service of the state, or has been 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 sub-paragraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

(iv) A municipal rates clearance certificate issued by the municipality, certifying that the service provider has undisputed commitments for municipal rates and services towards the Municipality, or submission of an appropriate agreement entered into between the Municipality and the relevant service provider for the repayment of all undisputed commitments for municipal rates and services, in respect of which no payment is overdue for more than 90 days (if applicable) or

(v) Appropriate and valid lease agreement entered between the service provider and the landlord, or an affidavit signed by the Commissioner of Oaths.

List of Accredited Service Providers

14. (1) the accounting officer must –

(a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through written quotations and formal written price quotations; and

(b) at least once 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;

(c) specify the listing criteria for accredited prospective providers; and

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(2) disallow the listing of Covered under regulation 43 and 44The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.

(3) The list must be compiled per commodity and per type of service.

Application Details

14.1. The following essential information from each prospective provider must be obtained to allow for an establishment of a supplier's profile:

a) Name of Entity and / or Trading Name;

b) Proof of Company Registration documents on the Central Suppliers Database (CSD) documents

c) Physical and Postal Address of where the business operates from;

d) Entity Type (e.g. Close Corporation, Private Company, Partnership, Corporative, etc.);

e) Company registration documents;

f) Entity's registration number;

g) Contact Details (Telephone number, fax number and/or email address*);*

h) Name(s) of Director(s), member(s), partner(s), owner(s);

i) Annual Turnover of the entity;

j) Shareholding percentage;

k) BBBEE Level Certificate

l) Proof of that entity's tax affairs are in order (Tax Clearance Certificate);

m) Entity's clearance that municipal rates and taxes and utilities account are not in arrears for more than 90 days;

n) List of products/services offered;

o) A list of completed relevant projects with at least 2 contactable references; and

p) Proof of Banking details of the business by means of confirmation from the bank (Cancelled cheque) and not personal banking details;

Accreditation for listing on the Supplier database of MLM

14.2. The Accounting officer or his/her nominee must ensure that accreditation criteria to be used when evaluating responses from prospective providers comply with the following essential requirements to qualify for listing on MLM database of accredited service providers:

a) The accreditation criteria are set out as follows:

(i) Company registration documents;

(ii) Proof that entity's tax affairs are in order (Tax clearance certificate);

(iii) Entity's clearance that municipal rates and taxes account are not in arrears for more than 90 days;

(iv) List of products/services offered; and

(v) Proof of banking details of the entity by means of confirmation from the bank

(Cancelled cheque)

(vi) Proof of Central Suppliers Database registration document

b) All information pertaining to the service providers shall be treated as confidential and maintained as such;

c) The Accounting officer may prevent registration of prospective provider's in following circumstances:

(i) Any service provider whose name appears on the National Treasury's database as prohibited from doing business with public sector;

(ii) Any service provider whose name appear on the Register of Tender Defaulters;

(iii) Any service provider whose tax matters are not in order;

(iv) Any service provider whom any of its director(s), member(s), partner(s), owner(s) is in the service of the state; and

(v) Any service provider whose municipal account is in arrears for more than 90 days.

(vi) Any service provider whose name is not registered on the Central Suppliers Database (CSD)

Successful applicants shall be informed accordingly, and any reasons for non-inclusion in the supplier database shall be furnished to the unsuccessful applicants on request.

14.3. Use of the accredited supplier database

When using the accredited supplier database, the Accounting Officer shall:

a) Ensure that ongoing competition is promoted by using the supplier database on rotational basis;

b) Ensure that at least three suppliers are invited to submit quotations. In an instance where a commodity is used frequently and there are more than hundred suppliers in that commodity, more suppliers may be invited in one instance; and

c) In an instance where no suitable service providers exist on the database, quotations may be obtained from providers who are not listed on the database may be approached, however they must comply with the listing criteria and complete a database form.

14.4. Removal of an accredited service provider on the supplier database

An accredited service provider may be removed from the database list under the following circumstances:

a) On request;

b) Non-compliance with relevant legislations;

c) Proven fraud and corruption;

d) Proven non-delivery on at least three instances; and

e) For any other reason stated in paragraph 14(1)(d) of this policy

f) An entity ceases to exist

g) If on routine checks, it is established that the entity status according to Company Intellectual Property Commission has changed to “Deregistration Final”

Service Providers must be informed in writing once they have been removed from the supplier database. The supplier must be given an opportunity to enquire the reason for removal.

14.5. Prospective Service Provider Status

Each service provider on the database must be allocated a status. The following are the list of statuses that a supplier may be allocated:

a) **Active =** the supplier is an active service provider that is eligible to supply goods and/services to the municipality;

b) **In-Activate =** The supplier is no longer permitted to do business with MLM; and

c) **Awaiting Approval =** the supplier request for listing on the database has been captured on the system, but not yet approved.

d) **Blacklisted =** the company appear on the National Treasury website of restricted suppliers.

All of above should form part of procedure manual; this is the repetition of some part of this policy

Petty Cash Purchase

15. The accounting officer must establish the conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 12 (1) (a) of this policy, which must include conditions –

a) determining the terms on which a manager may delegate responsibility for petty cash to an official reporting to the manager;
b) limiting the number of petty cash purchases or the maximum amounts per month for each manager;
c) excluding any types of expenditure from petty cash purchases, where this is considered necessary; and
d) requiring monthly reconciliation reports from each manager to the chief financial officer, including –
   (i) The total amount of petty cash purchases for that month; and
   (ii) receipts and appropriate documents for each purchase.

Where the value of goods or services requested is estimated to be less than R1000, the following process must apply.

a) It is not a requirement to obtain three quotations or invite price quotations;

b) The acquisition of goods or services may be paid out of petty cash;

c) The supplier selection may not be restricted to the supplier database; and

d) The Accounting Officer may at his/her discretion instruct that three quotations be obtained for purchases less than R2000.

GENERAL PETTY CASH RULES

15.1. The intention of the petty cash is to facilitate the smooth running of the office with the least administration burden

a The departmental Director or his/her delegate that reports directly to him/her must authorize petty cash purchases

b Petty cash may not be utilized under the following conditions

i Items available on contract;

ii Items available from pre-established sources e.g. panels of service providers;

iii Professional services;

iv Petrol, Diesel and lubricants;

v Catering services;

vi Subsistence and Travel Allowance claims;

vii Stationery items; and

viii Items available at stores

c) The number and / or transaction values of petty cash purchases per month may not exceed R2 000 per department

d) Each department will be allocated a petty cash fund facilitated by the office of the Director

e) Petty cash forms must be completed by the requesting official;

f) The following conditions should apply to petty cash

i. The R2000 float limit must be adhered to at all times;

ii. Cash purchases may only be made against available funds;

iii. All transactions must be recorded and documentary evidence must be kept

iv. Proof of payment must be in a form of cash register slip or receipt which indicates the description of items purchased form part of procedure manual

Written or verbal Quotations

16. (1) The conditions for the procurement of goods or services through formal written price quotations, are as follows:

(a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality

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(b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;

(c) if it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the accounting officer or another official designated by the accounting officer; and

(d) The accounting officer must record the names of the potential providers and their written quotations.

(e) That if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.

(2) A designated official referred to in subparagraph (1) (c) 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 in terms of that subparagraph.

16.1. Information on the request for quotations

Request for quotations must be generated from the supply chain system using the accredited supplier database on a rotational basis. The following information must be on the request for quotations:

a) Name and address of the municipality;

b) Contact details of the supply chain official (fax number, telephone number and email address);

c) Clear description of goods or services required;

d) Quantity of items required where applicable; and

e) Date and time by which the quotations must reach the municipality.

Form part of procedure manual

Formal written price quotations

17. (1) The conditions for the procurement of goods or services through formal written price quotations, are as follows:

(a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality;

(b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;

(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, and

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(d) The accounting officer must record the names of the potential providers and their written quotations.

(e) Bidders must be requested to provide a copy of a tax clearance certificate

(2) A designated official referred to in subparagraph (1) (c) 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 in terms of that subparagraph.

Procedures for procuring goods or services through written quotations and formal written price quotations

18. The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations is as follows:

(a) when using the list of accredited prospective providers, the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;

(b) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and an official notice board of the municipality;

(c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;

(d) the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation;

(e) 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;

(f) acceptable offers, which are subject to the preference points system According to paragraph 62, must be awarded to the bidder who scored the highest points;

(2) the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations is not abused;

(3) The chief financial officer must set requirements for proper record keeping of all formal written price quotations accepted on behalf of the municipality.

Information on the request for formal written quotations

18.*1.* The following information must be on the request for formal written quotations:

a) Clear and detailed description of goods and / or services required;

b) Quantity of items required where applicable;

c) Unit of measure where applicable;

d) Date and time by which quotations must reach the municipality;

e) Date, time and venue of the briefing/site inspection where applicable;

f) Evaluation criteria and weighting of the preferential points; and

g) Any other information applicable to the proposal

h) Proof of the company registration documents on Central Suppliers Database

Information to be submitted to the requesting department

18.2. The function or responsibility of sourcing quotations is vested with the supply chain management unit. Upon receipt of the requisition from requesting department, the supply chain unit must furnish the requesting department with the following:

a) Request for quotations sent to service providers with the supporting quotations;

b) Evaluation report whereby preference points are allocated; and

c) Recommendation on which service provider must be awarded to contract.

(1) Bidders must be requested to submit an original tax clearance certificate and proof that the utilities accounts are not in arrears for more than 90 days.

(2) All awards made above R100,000 must be reported to National Treasury two days after a service provider has been notified and accepted the offer Form part of procedure manual

COMPETITIVE BIDDING PROCESS

19.(1) Goods or services above a transaction value of R200 000 [VAT included] and long term contracts may only be procured through a competitive bidding process subject to paragraph 11(2) of this policy; and

(2) No requirement for goods or services above an estimated transaction value of R200 000 [VAT included], may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

(3) An invitation to prospective bidders must be advertised on the following:

(i) printed media circulating both locally and nationally if necessary,

(ii) the municipal notice boards,

(iii) the official municipal website

(4)The municipality may, where deemed necessary, include a pre-qualification process

Process for competitive bidding

20. The procedures for the following stages of a competitive bidding process are as follows:

(a) Compilation of bidding documentation as detailed in paragraph 21;

(b) Public invitation of bids as detailed in paragraph 22;

(c) Site meetings or briefing sessions as detailed in paragraph 22;

(d) Handling of bids submitted in response to public invitation as detailed in paragraph 23;

(e) Evaluation of bids as detailed in paragraph 28;

(f) Award of contracts as detailed in paragraph 29;

(g) Administration of contracts

(h) After approval of a bid, the accounting officer and the bidder must enter into a written agreement.

(i) Proper record keeping

(j)Original / legal copies of written contracts agreements should be kept in a secure place for reference purposes.

Bid documentation for competitive bids

21. (1) The criteria to which bid documentation for a competitive bidding process must comply, must –

(a) take into account –

(i) the general conditions of contract and any special conditions of contract, if specified;

(ii) any Treasury guidelines on bid documentation; and

(iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;

(b) include the preference points system to be used , goals as Contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;

(c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;

(d) if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish–

(i) If the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –

(aa) for the past three years; or

(bb) since their establishment if established during the past three

years;

(ii) 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 payment is overdue for more than 30 days;

(iii) 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;

(iv) 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 or municipal entity is expected to be transferred out of the Republic; and

(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.

Compilation of Bid documentation for competitive bid

21.1. The supply chain department is responsible for compiling all bid documents for any tender issued by the municipality. Bid documents except for construction procurement must consist of the following documents as regulated by Treasury guidelines:

a) Municipal Bidding Document 1 (MBD 1) invitation to bid;
b) Municipal Bidding Document 2 (MBD 2) application for tax clearance certificate;
c) Municipal Bidding Document 3 (MBD 3) Pricing Schedule;
d) Municipal Bidding Document 4 (MBD 4) declaration of interests;
e) Municipal Bidding Document 6 (MBD 6) Allocation of Preferential points;
f) Municipal Bidding Document 7 (MBD 7) Acceptance of offer;
g) Municipal Bidding Document 8 (MBD 8) declaration of past supply chain practice;
h) Municipal Bidding Document 9 (MBD 9) tender collusion;
i) General Condition of Contract (GCC);
j) Detailed specification and/or Terms of reference;
k) Any other information that is relevant to the tender in question

INFORMATION ON EVERY TENDER

21.2. Over and above the municipal bidding documents, the following information or documentation must at all times be included on the bid document:

a) Copy of the advert;
b) Tender number;
c) Closing date and time;
d) Evaluation criteria;

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e) Preferential Point allocation in terms of paragraph 62 of this policy;

f) Contact details of SCM officials and user department;

g) Terms of reference and /or specifications; and

(1) All advert must be approved by the Accounting Officer prior to placing on media

(2) User department must verify the correctness of the advert prior to approval by the Accounting Officer Procedure manual

21.2.1 Issuing of bid documents

(1) Bid documents and any subsequent notices shall only be issued by the SCM Sub Department.

(2) A non-refundable bid charge, as required in the bid notice, may be raised by the Municipality for bid documents.

(3) Details of all prospective bidders who have been issued with bid documents shall be recorded by the SCM Sub-Department. Such details shall include:

(a) the legal and full name of the person/company/closed corporation/firm drawing documents;

(b) a contact person;

(c) a contact telephone number;

(d) a contact fax number; and

(e) email address where applicable

(4) Details recorded as required above shall remain confidential for the duration of the bid period.

21.2.2 Validity periods

(1) The period for which bids are to remain valid and binding shall be indicated in the bid documents. The period is calculated from the closing time and bids shall remain in force and binding until the end of the final day of the period.

(2) This period of validity may be extended by mutual consent in writing between the Municipality and the bidder, provided that the original validity period has not expired, and that all bidders shall have an opportunity to extend such period.

(3) In the event that the municipality failed to extend bid validity period before its expiry date, such extension may be requested and granted by the Municipal manager by mutual consent in writing between the Municipality and the bidder,

(4) If, in exceptional circumstances, it becomes necessary to extend the bid period, a notice shall be published in the press at least one week prior to the original bid closing date. This notice shall also be posted on the notice boards at designated Municipal offices, and a notice to all bidders of bids received at that stage to this effect shall be issued.

(5) In the event that validity period is not indicated in the bid document or advert validity period shall remain 120 days.

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21.2.3 Bid Prices and Price Adjustments

(1) When a bid is invited, provision must be made for the possibility of price adjustments.

(2) The price adjustment formulas as set out in the bidding documents shall apply for all contract periods exceeding one (1) year in duration.

(3) In general, where contract periods do not exceed 1 (one) year in duration, the bid shall be a fixed price bid (not subject to contract price adjustment). However, if as a result of any extension of time granted, the duration of a fixed price contract exceeds 1 (one) year, the contract will automatically be subject to contract price adjustment acceptable to both parties for that period by which the extended contract period exceeds such one year. The contract price adjustment formula as set out in die bidding documents shall apply.

(4) When bids are evaluated, it must be scrutinized thoroughly in cases where non-firm prices are quoted. If prices are subject to variation in the rate of exchange, the bidder must indicate the rate of exchange on which the bid price is based, as well as the amount to be remitted overseas.

(5) Price adjustments will not be considered on firm price contracts. However, if the increased price was as a result of unforeseen circumstances beyond the control of the contractor and which could lead to his/her downfall, such application may be considered.

(6) When prices are subject to adjustment as a result of escalation in the price of escalation in the prices of labour and material, the bidder must indicate the various elements/factors of the bid price that will escalate (e.g. labour, transport, fuel, protective clothing, etc.) the base date and the relevant index and index numbers which were used in calculating the bid price.

(7) When prices are based on a supplier's price list, a copy of the original price list on which the bid prices were based, must be enclosed with the bid document.

(8) All applications for price adjustments must be thoroughly checked in order to ensure that it is in accordance with the terms and conditions of the contract, that all required documentary evidence is submitted and that the calculations are correct.

Price adjustment of non-firm prices subject to escalation

(9) To ensure fair price adjustment, the bidder must give a breakdown of the price offered as well as the Consumer Price Index (CPI) indicators for each of the price factors that make up the price offered. Where it is not possible to obtain the index figures linked to a specific factor, the average CPI index for that month must be used.

(10) Price adjustments will only be allowed based on 85% of the original bid price that were offered. The remainder of the original bid price (15%) is seen as fixed costs and will therefore not be subject to price adjustments (MBD 3.2)

21.2.4 Price adjustment of non-firm prices subject to exchange variations

(1) Exchange rate adjustments must either be done;

(a) where a specific item is procured from overseas; or (b) when a contract is signed over a specific period and it is agreed that exchange rate adjustments will be done throughout the contract period at specific dates.

(2) In the case where specific item/goods are procured from overseas, and the price is linked with an exchange rate, it will be essential for the supplier to furnish the following particulars as part of their financial proposal in the MBD 3.2 form:

(a) the financial institution they are banking with;

(b) the portion of the price that is subject to the rate of exchange;

(c) the amounts that will be remitted abroad; and

(d) the exchange rate valid when the bid price offered was calculated.

(3) The bidder must give proof of payment that were made to the overseas supplier and what the exchange rate were when the payment was made and will form the basis of future adjustments.

21.2.5 Price adjustment not subject to an escalation formula

(1) In cases where a contract is signed over a specific period and it is agreed that price adjustments will be done annually on the anniversary of the contract, the average Consumer Price Index (CPI) for the preceding 12 (twelve) months shall apply.

(2) The following conditions shall apply for all price adjustment:

(a) shall only be allowed at the periods and times as stipulated in the bidding documents and/or contract documents;

(b) shall not exceed the formulas as stipulated above;

(c) May not be implemented prior to the approval of the Municipal Manager.

(d) The Department concerned must have the available funds.

(3) In the event that the increase is more than stipulated in the provisions given above, then the matter should be referred back to the Bid Adjudication Committee (BAC) through BEC for consideration.

21.2.6 Variation Orders

(1) Variation orders shall be approved by the delegated authority who signed the contract.

(2) Variation orders must be properly controlled to avoid extending projects beyond the original intent.

(3) Variation orders should be restricted to the absolute minimum through proper planning when inviting bids or quotations.

(4) For construction related goods, services and or infrastructure projects may be expanded or varied by not more than 20% of the original value of the contract

(5) For all other goods and services may be expanded or varied by not more than 15% of the original value of the contract

21.2.7 Increase in Scope of Work

(1) The Municipality has the right to increase the original scope of work by extending or modifying such scope of work after the conclusion of a contract without re-tendering, if:

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(a) Due to unforeseen circumstances, additional work becomes necessary in order to complete the project based on the original objective set out in the original bid document.

(b) For construction related goods, services and or infrastructure projects may be expanded or varied by not more than 20% of the original value of the contract

(c) For all other goods and services may be expanded or varied by not more than 15% of the original value of the contract

(d) Bid / contract scope of work shall only be recommended by the Bid evaluation committee for approval by the Bid Adjudication committee provided that such bid / contract was initially considered by these committees.

(e) the work is spread over a period that is more than 1 (one) financial year. After the initial bidding during the first year, the renewal of the contract for subsequent years will ensure that the Municipality expedites the implementation of projects without repeating the tendering process for a repetition of similar work forming part of a basic project for which an initial contract was awarded using the bidding process. The Municipality shall indicate in the initial bid document that further contracts may be awarded through negotiation with a service provider appointed for the initial contract.

21.2.8 Samples

(1) When samples are called for in the bid documents, samples (marked with the bid and item number as well as the bidder's name and address) shall be delivered to the addressee mentioned in the bid documents by no later than the closing time of the bid. Bids shall not be included in parcels containing samples.

(2) If samples are not submitted as requested, the bid concerned may be declared non responsive.

(3) Samples shall be supplied by a bidder at his own expense and risk. The Municipality shall not be obliged to pay for such samples or compensate for the loss thereof, unless otherwise specified in the bid documents, and shall reserve the right not to return such samples and to dispose of them at its own discretion.

(4) Where a bid is accepted for the supply of goods according to a sample submitted by the bidder, such sample shall become the contract sample. All goods/materials supplied shall comply in all respects to the contract sample.

(5) In the event that the service provider is unable to provide the goods/materials as per the contract sample, then the services provider must provide reasons and evidence to substantiate the difference, and the contract price shall be re-negotiated: The continued procurement shall be at the sole discretion of the Municipality.

Public invitation for competitive bids

22. (1) The procedure for the invitation of competitive bids, are as follows:

(a) Any invitation to prospective providers to submit bids 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

(b) the information contained in a public advertisement, must include -

i. 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 may not be less than 14 days in any other case, from the date on which the advertisement is placed in a newspaper,

ii. a statement that bids may only be submitted on the bid documentation provided by the municipality; and

iii. date, time and venue of any proposed site meetings or briefing sessions where applicable.

(2) The accounting officer shall 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 be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process,

(3) All correspondence in regard to bid documents shall be addressed to the Supply Chain Manager

(4) Bid documentation shall be available for collection by prospective bidders during normal office hours, until the closing date of bids

(5) Compulsory or non-compulsory site inspections and tender briefing sessions may be required

(6) Any notice issued prior to the closing of bids, shall be issued in accordance with the prescribed procedures.

(7) Unless otherwise indicated in the bid documents, the Municipality shall not be liable for any expenses incurred in the preparation and submission of a bid

(8) Bids submitted must be sealed.

(9) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies

The Municipality must, prior to making an invitation for tenders:

(a) properly plan for, and, as far as possible, accurately estimate the costs of, the provision of services or goods for which an invitation for tenders is to be made;

(b) determine the appropriate preference point system to be utilized in the evaluation of the tenders;

(c) Determine the deliverables or performance indicators in terms of which a person awarded a contract will be assessed as contained in the Preferential Procurement Legislation.

Procedure for handling, opening and recording of bids

23 (1) The procedures for the handling, opening and recording of bids, are as follows:

(a) At the specified closing time on the closing date, at least two representatives of the SCM Sub-Department, a representative from Internal Audit Sub Department and a

representative from Risk Management Sub Department will be present and responsible for the process of receiving and recording the bids. The applicable bid box shall be closed by them

Bids –

(i) must be opened only in public; and

(ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired;

(iii) As soon as a bid has been opened, the bid document shall be stamped with the official stamps

(b) Any bidder or member of the public has the right to request for the names of the bidders who submitted bids in time must be readout and, if practical, also each bidder's total bidding price;

(c) No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and

(d) The accounting officer must –

(i) record in a register all bids received in time;

(ii) make the register available for public inspection; and

(iii) publish the entries in the register and bid results on the website.

(2) **Opening of formal written quotations**

(a) All quotations i.e. responses received in terms of procurement mechanisms below the value of R200 000,00 [VAT included], are excluded from public bid openings. When such quotations are opened, the names of contenders who responded are therefore not to be read out.

but will be registered in a register and available for inspection at the Supply Chain Management Unit.

(b) All formal written quotations, addressed to the Municipality, shall be opened by the Manager Supply Chain or his/her nominee and the user department. Provide source for future reference

(3) **Stamping of bids and reading out of names**

(a) As each bid is opened the name of the bidder and the amount shall be read out. Bids and quotations shall be numbered in the sequence in which they have been opened. repetition of regulation 23

(4) **Late Bids**

(a) Bids or quotations arriving after the specified closing time shall not be considered and where practicable and cost effective shall be returned to the bidder unopened with a letter explaining the circumstances. Repetition of the regulation

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(5) Amendments before the closing date

The Municipality is entitled to amend any bid condition, validity period, specification or plan, or extend the closing date of such a bid or quotation before the closing date, provided that such amendments or extensions are advertised and/or that all bidders to whom bid documents have been issued, are advised in writing per registered post or by fax or email of such amendments or of the extension clearly reflecting the new closing date and time. The Supply Chain department bids shall keep a record of the names, addresses and contact numbers of the persons or enterprises to whom bid documents have been issued. Provide source for future reference

(6) Dealing with bids and quotations if the closing date thereof has been extended

Where the closing date of a bid or quotation is extended, the notice which makes known such extensions shall also mention the bids or quotations already received, will be retained unopened in the bidding box and be duly considered after the expiry of the extended period, unless the bidder requests that such bid or quotation to be returned to the bidder or unless the bidder cancels it by submitting a later dated bid or quotation before the extended closing date. Provide source for future reference

(7) **Amendments after the closing date**

The Municipality reserves the right to amend any bid condition, validity period, specification or plan after the closing date of the bid. Should the municipality decide to amend any conditions of the bid, bidders who submitted proposals shall be invited on a closed tender basis?

Provide source for future reference

Negotiations with preferred bidders

24. (1) The accounting officer may negotiate the final terms of a contract and the pricing thereof with bidder(s) identified through a competitive bidding process as preferred bidder (s), provided that such negotiation –

(a) does not allow any preferred bidder an unfair opportunity;

(b) is not to the detriment of any other bidder; and

(c) does not lead to a higher price than the bid as submitted.

(2) Minutes of such negotiations must be kept for record purpose.

(3) The Municipality shall not be obliged to accept the lowest or any bid. For goods and services bids, the Municipality shall have the right to accept the whole bid or part of a bid or any item or part of an item or accept more than one bid, in the event of a number of items being tendered for.

(4) Bidding documents must provide for the rejection of all bids if and when deemed necessary. This is justified when there is lack of effective competition or bids are not substantially responsive, provided that lack of competition should not be determined solely on the basis of the number of bidders. If all bids were rejected, the Municipality must review the causes justifying the rejection and consider making revisions to the specific conditions of contract, design and specifications, scope of the contract, or a combination of these, before inviting new bids.

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(5) the Municipality may negotiate with the identified preferred bidder(s) to try to obtain a satisfactory contract through a reduction in the scope and/or a reallocation of risk and responsibility that can be reflected in a reduction of the contract price, provided that a substantial reduction in the scope or modification to the contract documents may require re-bidding. The Municipal Manager's prior approval must be obtained before rejecting all bids, soliciting new bids, or entering into negotiations with the identified preferred bidder. This approval should be recorded for auditing purposes

(6) If rejection is due to lack of competition, wider advertising should be considered. If the rejection was due to most or all of the bids being non responsive, new bids may be invited from the initially pre-qualified bidders, or with the agreement of the Municipal Manager, from only those that submitted bids in the first instance. All bids should not be rejected solely for the purpose of obtaining lower prices. If the lowest evaluated responsive bid exceeds the Municipality's pre-bid cost estimates by a substantial margin, the Municipality must investigate the causes for the excessive cost and consider requesting new bids as described above.

Contradict regulation 24, only Accounting Officer who can negotiate with preferred supplier

Two-stage bidding process

25. (1) A two-stage bidding process is allowed for –

(a) large complex projects with an estimated value above R10 million (vat inclusive);

(b) projects where it may be undesirable to prepare complete detailed technical specifications; or

(c) long term projects with a duration period exceeding three years.

(2) 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.

(3) In the second stage final technical proposals and priced bids should be invited.

Committee system for competitive bidding

26. (1) A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the accounting officer may determine:

(a) bid specification committees;

(b) bid evaluation committee; and

(c) bid adjudication committee;

(2) The accounting officer appoints the members of each committee, taking into account section 117 of the Act; and

(3) A neutral or independent observer, appointed by the accounting officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency. (4) The committee system must be consistent with –

(a) paragraph 27, 28 and 29 of this Policy; and (b) any other applicable legislation.

(4) The accounting officer may apply the committee system to formal written price quotations.

Bid specification committees

27. (1) A bid specification committee must compile the specifications for each procurement of goods or services

(2) Specifications –

(a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;

(b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards organization, or an authority accredited or recognized by the South African National Accreditation System with which the equipment or material or workmanship should comply:

(c) must where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;

(d) 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;

(e) 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 word, in which case such reference must be accompanied by the word “equivalent”;

(f) must indicate that preferential points are to be allocated according to paragraph 62 of this policy must indicate if the proposals will be evaluated on functionality and must comply with Sec 28.2 of this policy;

(g) must Indicate the criteria to be used when evaluating compliance with the terms of reference and/or specification

(h) must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 22 of this policy.

(3) The bid specification committee must be composed of one or more officials of the municipality or municipal entity, preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.

(4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

(1) A bid specification committee must be composed of two or more officials of the municipality and may when appropriate, include external specialist advisors.

(2) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

(3) Each member of the Bid Specification Committee must take note and adhere to the "Roles and Responsibility of the Bid Specification Committee" document attached as Annexure "A" of this Policy. Each member of the Bid Specification Committee must sign the "Roles and Responsibility of the Bid Specification

Committee" document and the "Code of Conduct for Supply Chain Practitioners"

Provide source for future reference

Bid evaluation committees

28. (1) The bid evaluation committee must evaluate bid in accordance with-

a. the specifications as approved by the BSC; and

b. the points system set out in terms of paragraph 27(2)(f).

2) bidder's ability to execute the contract;

3) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears;

4) Evaluate functionality in terms of paragraph 28.2 below

5) Check if every bidder's tax matters are in order

a. Check if every bidder has declared any interest

b. Check if every bidder is not in the service of the state or is not an organ of state

c. Check if bidders have completed and signed MBD 4, MBD 8 and MBD 9, and clearance certificate for water and lights

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

7) The bid evaluation committee must as far as possible be composed of –

(a)Officials from departments requiring the goods or services; and
(b)At least one supply chain management practitioner of the municipality

Evaluation on Functionality

28.1. Procurement of professional services must be evaluated on functionality. Evaluation on functionality may be used on procurement of goods and other services where it is deemed fit. When proposals are to be measured on functionality, the following must be applied:

a) Evaluation criteria for measuring functionality must be to evaluate the bidder's capability, capacity, experience, track record, etc. other criteria may be added to allow the BEC to evaluate the bidder's ability to execute the contract;

b) Each criterion must be allocated a weighting and the weights must add up to one hundred (100);

c) Minimum qualifying score for functionality must be stipulated on the bid document and bidders that score less than the minimum qualifying score must be disqualified; and

d) Only bidders have a scored equal to or above the minimum qualifying score must be allocated the preferential points

Evaluation of bids/proposals/quotations scoring equal points

28.2. In an event that bidders score equal points, the following must be applied:

a) The awarded bidder must be the one scoring the highest points on BBBEE

b) If two or more bids have equal points, including equal preference points for BBBEE, the awarded bidder must be the one scoring the highest points on functionality

c) If two or more bidders scores equal points in all aspects, the awarding must be decided by the drawing of lots

Not necessary; Covered by Preferential Procurement Regulation 2017

Bid adjudication committees

29. (1) The bid adjudication committee must –

(a) consider the report and recommendations of the bid evaluation committee; and

(b) either –

(i) depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award;

(ii) make another recommendation to the accounting officer how to proceed with the relevant procurement

(2) (a) If the bid adjudication committee decides or recommend an award of a bid to the bidder other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding or recommendation the bid –

(i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal services charges are not in arrears, and;

(ii) notify the accounting officer. (b) The Accounting Officer may –

(i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a); and

(ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.

(6) The accounting officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.

(7) The accounting officer must comply with section 114 of the Act within 10 working days.

Composition of the Bid Adjudication Committee

29.1 A bid adjudication committee must consist of at least four senior managers of the municipality which must include –

(a) the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and

(b) at least one senior supply chain management practitioner who is an official of the municipality; and

(c) a technical expert in the relevant field who is an official of the municipality, if the municipality has such an expert.

(1) The Accounting Officer must appoint Chairperson and members of the Bid

Adjudication Committee. If the chairperson is absent from a meeting, the members of the BAC who are present must elect one of them to preside the meeting.

Repetition and discretion of the accounting officer. Neither a member of a BEC, nor an advisor or person assisting the BEC, may be a member of BAC.

Procurement of banking services

30. 1) A contract for the provision of banking services to a municipality –

a) Must be procured through competitive bids;

b) Must be consistent with sections 7 or 85 of the Act; and

c) Must not be for a period of more than five years at a time.

(2) The process for procuring a contract for banking services

a. must commence at least nine months before the end of an existing contract

b. The closure date for the submission of bids may not be less than sixty [60] days from the date on which the advertisement is placed in a newspaper; and

c. Bids must be restricted to banks registered in terms of the Banks Act, 1990 [Act No. 94 of 1990].

Procurement of IT related goods or services

31. (1) the accounting officer may 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 (MLM and SITA) 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 –

(a) the transaction value of IT related goods or services required in any financial year will exceed R50 million [VAT included]; or

(b) 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 relevant provincial treasury and the Auditor-General.

Procurement of goods and services under contracts secured by other organs of state

32. (1) The accounting officer may procure goods or services under a contracts secured by another organ of state, but only if:

(a) the contract has been secured by that 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 the other organ of state and the provider have consented to such procurement in writing

(e) Subparagraph (1)(c) and (d) do not apply if –

(f) a municipal entity procures goods or services through a contract secured by its parent municipality; or

(g) a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

Procurement of goods necessitating special safety arrangements

33. (1) The acquisition and storage of goods in bulk [other than water], which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever 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 South African Campaign

34. (1) The municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring goods and services from:

(a) Firstly – suppliers and businesses within the MLM area of jurisdiction;

(b) Secondly – suppliers and business based in FDD area of jurisdiction;

(c) Thirdly – suppliers and businesses within the Free State province; and

(d) Fourthly – suppliers and businesses within the Republic of South Africa.

Appointment of consultants

35. (1) The accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.

(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; and

(b) any similar consultancy services provided to an organ of state in the last five years.

(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

36. (1) The accounting officer may –

(a) Dispense with the official procurement processes established by this policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –

(i) in an emergency as outlined in paragraph (3) below;

(ii) if such goods or services are produced or available from a single provider only;

(iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;

(iv) acquisition of animals for zoos and/or nature game reserve; or

(v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

(b) Ratify any minor breaches of the procurement processes or delegate to a senior official in finance department.

(2) The accounting officer must record the reasons for any deviations in terms of subparagraph 1(a) and (b) of this policy and report them to the next meeting of the council and include them as a note to the annual financial statements.

(3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy

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Emergency

(3) The conditions warranting emergency dispensation should include existence of one of the following:

a) the possibility of human injury or death; the prevalence of human suffering or deprivation of human rights;

b) the possibility of damage to property, or suffering and death of livestock or animals;

c) the interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the municipality as a whole;

d) the possibility of serious damage occurring to the natural environment;

e) the possibility that failure to take necessary action may result in the municipality not being able to render an essential community service; and

f) the possibility that the security of the state could be compromised.

(3.1.) Emergency dispensation shall not be granted in respect of circumstances other than those contemplated in paragraph (3) above.

Provide source to support your statement and for future reference

Unsolicited bids

37. (1) In accordance with section 113 of the Act, there is no obligation to consider unsolicited bids received outside a normal bidding process.

(2) The accounting officer may decide in terms of section 113(2) of the Act to

consider 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; and

(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 sub regulation (2), 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) And 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.

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(4) The Accounting Officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.

(5) The adjudication committee must consider the unsolicited bid and may award the bid or make a 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 relevant provincial treasury.

(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 relevant 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

38. The following measures are established to combat the abuse of the supply chain management system:

(1) The accounting officer must –

(a) take all reasonable steps to prevent abuse of the supply chain management system;

(b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this 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;

(c) 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;

(d) 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 to any other municipality or municipal entity, are in arrears for more than three months; or

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(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; 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;

(e) cancel a contract awarded to a person if -

(i) the person committed any corrupt of fraudulent act during the bidding process of the execution of the contract; or

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

(g) reject the bid of any bidder if that bidder or any of its directors -

(i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;

(ii) has been convicted for fraud or corruption during the past five years;

(iii) has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or

(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 and Performance management

39. Logistics Management: The accounting officer must establish and implement an effective system of logistics management, which must include -

(a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;

(b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;

(c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;

(d) before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the

order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;

(e) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;

(f) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and

(g) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

STORES / WAREHOUSE MANAGEMENT

39.1. GENERAL M ANAGEMENT OF THE STORES / WAREHOUSE

The role of the store in the logistics system is:

a) Take delivery of goods from transit;

b) Ensure safe keeping of all items in stores;

c) Issue stock items to different departments;

d) Record all receipts and issue of stock items on the financial system in use; and

e) Capture and issue purchase orders for procurement of goods and services.

PURPOSE FOR HOLDING INVENTORY

39.2. Inventory in stores shall be held for the following reasons:

a) Bulk buying that affords MLM to receive discount i.e. economies of scale;

b) Avoids delivery delays;

c) Provide for protection from uncertainties in demand and order cycle; and

d) Acts as a buffer between critical interfaces within the channel of distribution

SETTING OF INVENORY LEVELS

39.3. Inventory levels must be set to avoid any interruptions in the supply of items. In setting inventory levels, the following must be determined:

a) Minimum stock level based on the consumption of the items;

b) Maximum stock level based on the consumption of the items;

c) Re-order point, taking consideration the lead time; and

d) Safety inventory for unforeseen circumstances

REPORTING RECORDING OF INVENTORY ITEMS

39.4. (a) All items entering the stores must be recorded in the financial system in use;

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(b) All inventory issued by the stores must be recorded on the financial system in Use;

(c) All store items on hand at the end of the financial year must be reflected in the financial statement as well as their values;

(d) The recording of inventory must be in compliance with Generally Recognized Accounting Practices for inventory (GRAP 12)

INVENTORY CATEGORISATION

39.5. All stores items must be accounted for and correctly recorded. Each store item must be allocated a unique number. Each number must start with a category code. The following are the category codes for to be utilized:

a) Category A – stationery;

b) Category B – spare parts;

c) Category C - maintenance material;

d) Category D – Petrol, diesel and lubricants; and

e) Category E- other items

REPLENISHMENT

39.6. Replenishment of all stocks must be triggered by the IT or any manual system that is in place.

a) Every effort should be made to replenish product groups obtainable from similar suppliers, rather than individual items. This will optimize the materials planning, purchasing and stores efforts.

RECEIVING OF STORE ITEMS

39.7. Stores officials must ensure that the quantity delivered matched the quantity recorded on the good receiving note and the quality of the items is as per the purchase order.

a) Any variances must be communicated with the service provider before an invoice is certified for payment.

b) Items must be properly marked prior to shelving and bin cards must be amended accordingly

c) Inventory items that may not be marked must be referred to the Manager: Supply Chain for decision

ISSUING OF ITEMS FROM STORES

39.8. (1) When user departments require items from stores, a requisition must be completed and submitted to the stores department with the following information:

a) Item description;

b) Quantity of items required;

c) Unit of measure;

d) Vote number; and

e) Signature of an authorized official

(2) Items must be issued only if there are enough funds available on the vote number. All issued items must be recorded on the system and reconciled monthly. Stock items must be issued on a first-in-first-out (FIFO) basis.

ACCESS CONTROL

39.9. a) Access to any specific storage facility is limited to authorised stores staff and

Controlled by the person in charge of such storage facility;

b) Where temporary access is granted to non-stores personnel for whatever reason, they must be accompanied by authorized stores personnel; and

c) The storage facility may be separated into zones, with access limited to the stores personnel responsible for each zone.

AUTHORISATION

39.10. a) No inventory or non-stock items should be moved into, or out of, any storage facility without the correct documentation, and the processing of the relevant receiving, transfers or issue transactions.

(1) The above mentioned transactions should be processed within 1 (one) working day after the transaction has been completed. The relevant budgeting authorities shall approve all issues from inventory.

SAFETY AND HOUSEKEEPING

39.11. a) Standards of housekeeping, safety and loss control shall be maintained, as required by MLM procedures, the OHSA and any other relevant legislation;

b) This includes the maintenance of special facilities for flammable, corrosive, poisonous and other dangerous items and for environmentally unsafe materials.

c) Storage facilities and equipment shall be selected and maintained so as to avoid safety risks.

INVENTORY MAINTENANCE AND PRESERVATION

39.12. a) Inventory items that need maintenance during storage shall be identified by the User department (maintenance or projects/engineering).

(b) Such maintenance should be scheduled and performed by the User in cooperation with the stores function.

(c) Items shall be stored in their protective packaging and wrapping. Where such protective packaging has to be removed to inspect the item, it shall be replaced

properly to ensure proper maintenance of item quality.

(d) Items that need special storage conditions with respect to temperature or humidity control should be identified by the User, and such special conditions must be provided and maintained by stores management.

TRAINING AND DEVELOPMENT

39.13. a) Personnel should be given appropriate training and education to enable them to full-fill their functions effectively.

b) Access to computer system functions shall be limited to personnel who have passed competence assessments. This also applies to the use of stores equipment such as cranes, forklift trucks and other vehicles.

STORES ADMINISTRATION

39.14. a) The value of the stockholding shall be balanced on a daily and monthly basis with the receipts of the previous day or month, issues and adjustments.

b) Records of all transactions shall be retained for the required retention periods.

STOCK TAKING

39.15. (a) Stock taking is performed to determine if the quantities of the physical stores items correspond with the balances as indicated in the financial system in use;

(b) Stock taking must be carried out quarterly and annually; and

(c) Reports on the findings and requests for approval of any variances and any write offs must be reported and approved by the Accounting Officer or his / her delegate

FUNCTIONS OF STOCK TAKING

39.16. The following are functions of stock taking:

a) Determine the stock take programme;

b) Ensure that all accounting transactions have been finalized at year end;

c) Provide a list of all ledger accounts to be verified;

d) Perform the physical stock count of all items in the stores;

e) Compare totals of physical stock with ledger balances;

f) Complete stock take report; and

g) Obtain authority for adjustments of any variances;

ORGANISATION OF STOCKTAKING

39.17. (1) The Accounting Officer must appoint a stock taking champion to facilitate the stock taking process. The functions of the stock take champion should include but not limited to the following:

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a) Develop a stock take programme;

b) Ensure that all accounting transaction have been finalized;

c) Appoint stock take teams;

d) Coordinate stock take activities at storerooms and inventories at all levels within the municipality; and

e) Compile and submit the stock taking report

STOCK TAKE TEAMS

39.18. (1) The Accounting Officer must establish stock take teams to perform the stock count. The stock takes team(s) must perform the following;

a) Execute the stock take programme;

b) Ensure that all accounting transactions have been finalized;

c) Obtain lists of all ledger accounts to be verified;

d) Perform the stock count;

e) Compare the totals of the physical stock count with ledger balances;

f) Deal with any discrepancies by investigating the cause; and

g) Complete the stock take report for submission and approval

ORDERING

39.19. (a) Orders shall be placed under one or all of the following conditions:

(i) when a pre-determined inventory level is for stores item is reached;

(ii) or when a request from user department is received for ad hoc items not kept in stores

(b) An order administration process begins with a receipt of a direct purchase order requisition approved by authorized officials and ends with delivery of the required goods or service at the right time, place, price, quality and quantity

ORDER PROCESSING

39.20. An order will be processed upon receipt of documentation duly authorized by the delegated official

a) The order must be captured on the financial system in use and duly authorized taking into consideration segregation of duties

b) The order must be printed in duplicate, the original copy must be sent to the service provider and the copy be kept by the store for record keeping. Form part of procedure manual

Disposal management

40.(1) The accounting officer must establish an effective system of disposal management for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act, which must stipulate the following:

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(2) Assets must be dispose by -

(a) one of the following methods –

(i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;

(ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;

(iii) selling the asset by means of a public auction; or

(iv) destroying the asset;

(b) provided that -

(i) immovable property may be sold only at market related prices except when the public interest of the plight of the poor demands otherwise;

(ii) 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;

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

(iv) 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;

(c) furthermore ensure that -

(i) immovable property is let at market related rates except when the public interest of the plight of the poor demands otherwise; and

(ii) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed; and

(d) ensure that where assets are traded in for other assets, the highest possible trade-in price is negotiated.

(4) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to section 14 of the Act are as follows:

(a) Movable assets:

(i) the asset is uneconomical to repair;

(ii) the asset is irreparable;

(iii) the relevant department has no further use for the asset; and

(iv) no other department requires the asset.

(b) Immovable assets:

(i) the relevant department has no further use for the asset;

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(ii) no other department requires the asset; and

(iii) a member of the public wishing to acquire the asset can utilize the asset to the advantage of the community.

(5) The disposal of immovable assets is subject to the following principles:

(a) Payment of the purchase price and costs:

(i) A 20% deposit shall be payable upon the date of signature of the proposed Deed of Sale, with deposit shall not be refundable should the purchaser decide not to proceed with the registration of the transfer for whatsoever reason, unless adverse soil conditions can be proven.

(ii) A bank guarantee for the outstanding balance of the purchase price shall be submitted to the Corporate and Legal Services Department within 30 (thirty) days of the date of signing the Deed of Sale, which shall be payable upon registration of transfer of the property.

(iii) All costs (advertising, rezoning, obtaining of a valuation, etc.) pertaining to the transaction shall be borne by the applicant/successful bidder. The applicant/successful bidder will deposit an amount equal to an estimate of the total cost to secure his obligations in this regard and undertake to pay any unforeseen excess costs. The municipality will be liable to refund the balance of the unexpended costs, should be alienation not be finalized within a reasonable time or within the time limit referred to in the bidder document or deed of sale, or should be actual deposit be less than the expenditure occurred, the applicant/successful bidder shall pay the outstanding costs;

(b) Standard Conditions

(i) The purchaser shall commence with the development of the property within 6 (six) months after the date of transfer and shall complete the development within the time frame specified by council.

(ii) Should the purchaser fall to commence with or complete the development as stipulated in (ii) above, the property shall revert to the municipality and be transferred back to the municipality at the discretion of the accounting officer.

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(iii) Should the property revert to the municipality, the municipality shall refund to the purchaser an amount equal to the amount paid by the purchaser in respect of the purchaser price, less all costs attached to the transfer of the property into the name of the municipality, which costs shall be for the account of the purchaser. The municipality will only compensate the purchaser for any improvements erected on the property after the property has been resold to another purchaser and the purchaser has been paid by said purchaser.

(iv) In order to comply with the requirements of the Deeds Office as set out in Circular No. 152 dated 1997.07.03 by the Register of Deeds, the above conditions imposed shall not be embodied in the Title Deed to be issued to the purchaser, but instead the following conditions shall be inserted in such deed "The property shall not be transferred without the written approval of the Moqhaka Local Municipality."

(v) The use of all immovable assets disposed of terms of this Policy shall be in accordance with the requirements of the Spatial Development Framework as adopted by Council by ensuring that the conditions of sale include compliance by purchasers within the principles of the said Framework.

(vi) All immovable assets sales will be done subject to the necessary environmental legislation being complied with by the purchaser in respect of the intended use of the property.

(vii) Any sale of immovable assets by the municipality which is to utilized for purposes of housing to be funded and/or subsidized from National and/or Provincial Housing funds shall be done incompliance with the principles, policies and procedures as contained in National and Provincial Housing legislation and any Housing code and/or Land Procurement Procedures prescribed under such legislation.

(viii) The extent to which the intended disposal of the immovable property will promote the principles of integration, densification, regeneration and compact development, shall be considered in deciding whether to dispose of the property. Provide source for future reference

Risk management

41. (1) The accounting officer must establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the supply chain management system.

(2) risk management must include –

(a) the identification of risks on a case-by-case basis;

(b) the allocation of risks to the party best suited to mange such risks;

(c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;

(d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and

(e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

(3) The criteria for the identification, consideration and avoidance of potential risks in the supply chain management systems, are as follows –

(a) non compliance by the supplier to deliver within the agreed timeframes;

(b) supply of inferior goods or services by the supplier;

(c) inability of the supplier to provide goods or services as ordered;

(d) non adherence to the municipality policy with regards to utilization of preferred suppliers; and

(e) procurement of goods or services at prices or of a quality not in the best interest of the municipality. Provide source for future reference

Performance management

42.(1) The accounting officer must establish an effective 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 desired objectives were achieved.

(a) whether the authorized supply chain management processes were followed and whether the objectives of this Policy were achieved, and .

(b) whether the measurable performance objectives linked to and approved with the budget and the service delivery and budget implementation plan were achieved.

(2) A departmental Service Delivery Budget Implementation Plan must be developed for the supply chain department.

(3) The implementation plan must emanate from goals and projects outlined on the municipality's IDP.

(4) The performance of the supply chain department must be monitored

a) monthly by the Chief Financial Officer;

b) quarterly by the Accounting Officer; and

c) The performance monitoring for the department must include the following:

(i) Developmental programmes for SMME's; and (ii) Promotion of job creation

(3) The reporting outlined in paragraph 73(2) of this policy must form part of the reporting to the council on the implementation of supply chain policy.

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Part 4: Other matters

Prohibition on awards to persons whose tax matter are not in order

43. (1) The accounting officer must ensure that, irrespective of the procurement process followed, no award above R15 000 [VAT included] is given to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

(2) Before making an award to a provider, a tax clearance certificate from SARS

must first be provided or the accounting officer must check with SARS whether the person's tax matters are in order

(3) if SARS does not respond within 7 days, such person's tax matters may for the purpose of subparagraph (1) be presumed to be in order

Prohibition on awards to persons in the service of the state

44. The accounting officer must ensure that irrespective of the procurement process followed, no award may be given to a person -

(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)who is an advisor or consultant contracted with the municipality?

Awards to close family members of persons in the services of the state

45. The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2 000 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

46. (1) A code of ethical standards is hereby established complying with sub regulation (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) A municipal code of ethical standards must stipulate that 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;

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(b) may not use his or her position for private gain or to improperly benefit another person;

(c) may not accept any reward, gift, favours, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person;

(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 to 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 in 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,

favouritism and unfair and irregular practices in the supply chain management system; and

(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 –

(i) any alleged fraud, corruption, favouritism or unfair conduct;

(ii) any alleged contravention of paragraph 47(1) of this policy; or

(iii) any alleged breach of this code of ethical standards.

(3) (a) Declarations in terms of subparagraphs (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 mayor of the municipality who must ensure that such declaration is recorded in the register.

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

(5)All supply chain management practitioners must read and sign the code of conduct for supply chain management practitioners

(6)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

MLM 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 municipalities, officials and other role players

47. (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may 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 considering 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.

Sponsorships

48. The accounting officer must promptly disclose to the National Treasury and the relevant 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 or services; or

(b) a recipient or prospective recipient of goods disposed or to be disposed.

Objections and complaints

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

Resolution of disputes, objections, complaints and queries

50. (1) The accounting officer must appoint an independent and impartial team, 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 policy; or

(ii) any matter arising from a contract awarded in the course of the supply chain management policy; or

(b) to deal with objections, complaints or queries regarding any such decisions of actions or any matter arising from such contract.

(2) The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed team to perform his or her functions effectively.

(3) The team appointed must –

(a) strive to resolve promptly all disputes, objections, complaints or queries received; and

(b) submit monthly reports to the accounting officer on all disputes, objectives, complaints or queries received, attended to or resolved.

(4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –

(a) the dispute, objection, complaint or query is not resolved within 60 days; or

(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.

(6) This paragraph must not be read as affecting a person's rights to approach a court at any time.

Contracts providing for compensation based on turnover

51. 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 -

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

(b) that such compensation must be performance based.

Commencement

This Policy takes effect on insert the date.

(1) Appointment of service provider to provide the service must be in line this policy

Turnkey Projects

52. **Turnkey process** is allowed for –

(a) large complex projects estimated to exceed R20 million;

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(b) projects where it may be undesirable to prepare complete detailed technical specifications; or

(c) long term projects with a duration period exceeding three years.

Construction Procurement

53. All construction procurement must be done in compliance with the CIDB Regulations.

Repetition of regulation 18

Procurement of Construction works with estimated cost above R30,000

53.1 When procuring construction goods or services above R30,000, the Accounting Officer must:

a) Advertise the request for proposals or expression of interest on the CIDB website;

b) Indicate the construction grading and the applicable class of work as per Schedule 1 of this policy;

c) Comply with Standard for Uniformity in Construction Procurement; and

d) Indicate that only proposals from contractors registered with CIDB in the applicable grading and class of work will be considered

53.1.1. The Accounting Officer must before awarding a construction works Contract, satisfy him/herself that the contractor concerned:

a) Is registered in terms of the CIDB regulations;

b) Is not prohibited in terms of any legislation from submitting tender offers or expression of interest to an organ of state; and

c) Has demonstrated that:

(i) He/she has the resources, capacity and capability to successfully execute and complete the contract concerned

(ii) His/her capacity to perform the construction works concerned will not be unduly compromised on the award of the contract concerned **53.1.2.** Any tender offer received from a contractor that does not satisfy CIDB requirement or any requirement stipulated by the municipality must be rejected.

Registration by the Municipality

54. The Accounting Officer must

(a) register with the CIDB Board as an employer

(b) appoint a representative to access the register of projects and register of contractors on behalf of the municipality; and

(c) ensure that the representative complies with all the requirements of the CIDB Regulations.

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CONTRACTOR GRADINGS

55. Every invitation soliciting responses from contractors must specify the correct class of work and the grading thereof. The contractor grading designation to be specified on the advert must be based on the identification of an estimated tender value range as outlined below:

Contractor grading designation	Range of tender Values	
	Greater than	Less or equal to
1(Class of Construction works)	R 0	R200 000
2 (Class of Construction works)	R 200 000	R 500 000
3 (Class of Construction works)	R 500 000	R 1500 000
4 (Class of Construction works)	R 1500 000	R 3 000 000
5 (Class of Construction works)	R 3000 000	R 5000 000
6 (Class of Construction works)	R 5000 000	R 10 000 000
7 (Class of Construction works)	R 10 000 000	R 30 000 000
8 (Class of Construction works)	R 30 000 000	R 100 000 000
9 (Class of Construction works)	R 100 000 000	No Limit

JOINT VENTURES

56. Joint Ventures are eligible to submit tender offers or expression of interest only if:

a) Every member of the joint venture is a registered contractor in terms of CIDB Regulations;

b) Tax matters of each member must be in order

c) The municipal accounts for each member may not be in arrears for more than 90 days

d) The lead partner has a contractor grading designation in the class of works under consideration; and

e) The category of registration of the joint venture, is equal to or higher than the grading and class of works indicated on the tender advert

(1). The municipality must only use the CIDB website to calculate the contractor grading of a joint venture

Registration of Construction Projects

57. The Accounting Officer must within 21 working days from the date on which a contractor has accepted the offer to perform the construction work in writing apply on the approved form to the CIDB Board for registration of a project. The municipality must indicate in the application whether:

a) The project being registered relates to a projects that consist of a series of contracts; or

b) The project relates to a public-private partnership; and

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c) The municipality act on behalf of the contractor

NON-RESPONSIVE BIDS

58. Construction Bids will be deemed as non-responsive when the bidder:

a) is not registered and accredited by the CIDB Board;

b) is not registered in the class of works as indicated on the tender advert;

c) grading is lower than the grading indicated in the tender advert;

d) failed to sign the bid document; and

e) does not comply with any terms and condition of the advert and the tender

CLASSES OF WORKS

59. The classes of works that contractors must be accredited with according to the CIDB Board are outlined as “Schedule 1” of this policy

Payment of sub-contractors or joint venture partners

60. The Accounting Officer or an official designated by the chief financial officer may consent to the direct payment of sub-contractors or joint venture partners by way of:

(a) an approved cession; or

(b) an agreement for direct payment.

Extending or varying a contract

61. (1) Subject to subsection (2), the municipality on its own initiative, may resolve to extend or vary a contract if-

(b) with due regard to administrative efficiency and effectiveness, the accounting officer deems it appropriate.

(2) The municipality may not extend or vary a contract: -

(a) more than once;

(b) for a period exceeding the duration of the original agreement; or

(c) for an amount exceeding fifteen percent (15%) of the original bid value.

(3) The responsibility of the accounting officer in terms of this section may not be assigned nor delegated.

PREFERENTIAL POINT ALLOCATION

62. When procuring goods and / or service by any method other than petty cash, the Accounting Officer must allocate preferential points as follows:

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Criteria	Below R1000,000	Above R1000,000
Criteria	Points	Points
Price	80	90
BBBEE Status Level of contributor		
1	20	10
2	18	9
3	16	8
4	12	5
5	8	4
6	6	3
7	4	2
8	2	1
Non-compliant contributor	0	0

(a) Companies with an annual turnover of R5million or less qualify as Exempted Small Micro Enterprises

(b) Companies other than Exempted Micro Enterprises must submit their original and valid BBBEE status level certificate or a certified copy thereof, substantiating their BBBEE Rating

(c) Exempted Small Micro Enterprises are deemed to have a BBBEE status level of

"four" (4). In instances where the Exempted Small Micro Enterprise is more than 50% black owned, such enterprise qualify for BBBEE status of "level three (3) contributors

(d) The BBBEE status level attained by the company must be used to determine the number of points to be allocated

(e) Companies who do not submit a valid BBBEE status level certificate must not be disqualified, but must not be allocated any BBBEE points

(f) As a minimum requirement, all valid B-BBEE Status Level Verification Certificates should have the following information detailed on the face of the certificate:

1. The name and the physical location of the measured entity;
2. The registration number and, where applicable, the VAT number of the measured entity;
3. The date of issue and date of expiry;
4. The certificate number for identification and reference;
5. The scorecard that was used (for example EME, QSE or Generic);
6. The name and / or logo of the Verification Agency;
7. The SANAS logo;

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8. The certificate must be signed by the authorized person from the Verification Agency; and
9. The B-BBEE Status Level of Contribution obtained by the measured entity. 10. Confirm the validity of the verification agency with SANS website

Cancellation and re-invitation of Tenders

62.1. The Accounting Officer may cancel a tender under the following conditions:

a) In the application of the 80/20 preference point system, if **all** bids received exceed R1 000 000, the bid must be cancelled.

b) If one or more of the acceptable bid(s) received are within the R1 000 000 threshold, all bids received must be evaluated on the 80/20 preference point system.

c) In the application of the 90/10 preference point system, if **all** bids received are equal to or below R1 million, the bid must be cancelled.

d) If one or more of the acceptable bid(s) received are above the R1 million threshold, all bids received must be evaluated on the 90/10 preference point system.

e) If a bid was cancelled as indicated above, the correct preference point system must be stipulated in the bid documents of the re-invited bid. 1) The Accounting Officer may, prior to the award of a bid, cancel the bid if:

a) Due to changed circumstances, there is no longer a need for the services, works or goods requested. Accounting Officer must ensure that only goods, services or works that are required to fulfil the needs of the institution are procured; or

b) Funds are no longer available to cover the total envisaged expenditure. Accounting Officer must ensure that the budgetary provisions exist prior to inviting bids; or

c) No acceptable bids are received. If all bids received are rejected, the institution must review the reasons justifying the rejection and consider making revisions to the specific conditions of contract, design and specifications, scope of the contract, or a combination of these, before inviting new bids.

Contract management

63. Any contract or agreement for supply and delivery of goods and/or services must be in accordance with this policy

(a) a contract or agreement procured through the supply chain process must:

(i) be in writing;

(ii) stipulate the terms and conditions of contract in terms of non-performance or under-performance, payment terms, dispute resolution;

(b) The Accounting Officer must take all reasonable steps to ensure that a contract is properly enforced. Any amendments to the contract must be in accordance with Sec 116(3) of the Act.

Short title and commencement

64. This policy is called the Moqhaka Local Municipality Supply Chain Management Policy and takes effect from date of approval by Council.

ATTACHMENTS TO THE POLICY

Schedule 1 CIDB Classes of Works

Annexure A Code of conduct for SCM Practitioners
Annexure B Roles and responsibilities for BSC Members

Annexure C Roles and responsibilities for BEC Members

Annexure D Roles and responsibilities for BAC Members

Annexure E Preferential Procurement Regulations, 2017

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