

GOVAN MBEKI MUNICIPALITY

SUPPLY CHAIN MANAGEMENT POLICY



The **Council** resolves in terms of section 111 of the Local Government: Municipal Finance Management Act (No. 56 of 2003) to adopt the following proposal as the Supply Chain Management Policy of the GOVAN MBEKI MUNICIPALITY.

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TABLE OF CONTENTS

Definitions	5
CHAPTER 1	22
IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY	22
Supply chain management policy	22
Adoption & Amendment of the supply chain management policy	23
Delegation of supply chain management powers and duties	23
Sub delegations	24
Oversight role of council	26
Supply chain management unit.....	27
Training of supply chain management officials	27
CHAPTER 2.....	28
Format of supply chain management system	28
System of demand management	28
System of acquisition management	29
Preferential Procurement Policy Framework Act (PPPFA)	29
Range of procurement processes	30
General preconditions for consideration of written quotations or bids.....	31
Lists of accredited prospective providers	32
Petty cash purchases.....	33
Written or verbal quotations	33
Formal written price quotations	34
Procedures for procuring goods or services through written or verbal quotations and formal written price quotations	34

Competitive bids	35
Process for competitive bidding	36
Bid documentation for competitive bids	36
Public invitation for competitive bids	38
Procedure for handling, opening and recording of bids.....	39
Negotiations with preferred bidders	39
Two-stage bidding process	40
Committee system for competitive bids	40
Bid specification committees.....	41
Bid evaluation committees	42
Bid adjudication committees	43
Extension or expansion of contracts	434
Payment of emerging contractors for capital work	45
Construction Contracts	45
Retention	46
Insurance	46
Procurement of banking services.....	47
Procurement of IT related goods or services	47
Procurement of goods and services under contracts secured by other organs of state	47
Procurement of goods necessitating special safety arrangements	48
Development of Local Businesses	49
Appointment of consultants.....	50
Deviation from, and ratification of minor breaches of, procurement processes	51

Unsolicited bids.....	51
Combating of abuse of supply chain management system.....	53
Logistics management.....	55
Disposal management.....	56
Risk management.....	57
Performance management.....	57
Prohibition on awards to persons whose tax matters are not in order.....	57
Prohibition on awards to persons in the service of the state.....	58
Awards to close family members of persons in the service of the state.....	58
Ethical standards.....	58
Inducements, rewards, gifts and favors to officials and other role players.....	59
Sponsorships.....	60
Objections and complaints.....	60
Resolution of disputes, objections, complaints and queries.....	60
Contracts providing for compensation based on turnover.....	61
Commencement.....	61
Code of Conduct for Supply Chain Management Practitioners and Other Role Players.....	Error! Bookmark not defined.
Guidelines for members of the Bid Adjudication Committee ...	Error! Bookmark not defined.
Committees.....	Error! Bookmark not defined.

Definitions

1. In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and –

“A-class accountable items” means items that are not consumables;

“accounting officer” means the Municipal Manager, or acting Municipal Manager of Govan Mbeki Municipality;

”accountability” means the personal responsibility of a person to his senior or higher authority for any act or omission in the execution assigned duties which cannot be delegated;

“Act” means The Municipal Finance Management Act 56 of 2003 as amended and its relevant regulations;

“acquisition management” means the process of procurement of goods, works and services and includes the:

- Identification of preferential policy objectives;
- Determination of a market strategy;
- Application of depreciation rates;
- Application of total cost of ownership principle;
- Compilation of bid documentation including conditions;
- Determination of evaluation criteria;
- Evaluation of bids and tabling of recommendations;
- Compilation and signing of contracts;
- Contract administration;

“asset” means a resource controlled by an entity as a result of past events and from which future economic benefits or service potential is expected to flow to the entity having the following characteristics:

Possesses service potential or future economic benefit that is expected to flow to the entity;

Controlled by an entity

Originate as a result of a past transaction or event;

“authority” means the right or power attached to a rank or appointment permitting the holder thereof to make decisions or take command or demand action by others;

“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 of asset as a part of the competitive bidding process of the Municipality;

“bidder” refers to a company, close corporation, partnership, trust, joint ventures, and individuals who includes shareholders, directors of a company, members of a close corporation and trustees of a trust who has submitted a bid;

“black empowered enterprise” means an enterprise that is at least 21.5% owned by black people and where there is substantial management control;

“black enterprise” means an enterprise where 50.1% is owned by blacks and where there is substantial management control;

“black people” means Africans, Coloured and Indians;

“black women-owned enterprise” means at least 25.1% representation of black women within the black equity and management portion;

“broad based black economic empowerment” means the economic empowerment of all black people including women, workers, youth, people with

disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to:

- (i) Increasing the number of black people that manage, own and control enterprises and productive assets
- (ii) Facilitating ownership and management of enterprises and productive assets by communities, workers cooperatives and other collective enterprises
- (iii) Human resource and skills development
- (iv) Achieving equitable representation in all occupational categories and levels in the workforce
- (v) Preferential procurement
- (vi) Investment in enterprises that are owned or managed by black people;

“buy out” means paying someone to give up ownership;

“Chief Financial Officer” means the person who is appointed by the Council as the Chief Financial Officer for the Municipality including his/her delegates;

“community or broad-based enterprise” means there is an empowerment shareholder who represents a broad base of members such as a local community or where the benefits support a target group for example black women, people living with disabilities, the youth and workers;

“close member family” means close family members including the spouse, child or parent of this member;

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

“competitive bid” means a bid in terms of a competitive bidding process;

“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 work for the municipality;

“council” means the Municipal Council of the Govan Mbeki Municipality, its legal successors in title and its delegates;

“construction industry” means the broad conglomeration of industries and sectors which add value in the creation and maintenance of fixed assets within the built environment;

“construction works” means the provision of a combination of goods and services arranged for the development, extension, installation, repair, maintenance, renewal, removal, renovation, dismantling or demolition of a fixed asset including building and engineering infrastructure;

“current asset (inventory-perishable goods)” means an assets that would, in the normal course of operations that could be consumed or converted to cash within 12 months after the last reporting date;

“customer service” means the process of serving customer in accordance with acceptance, pre-determined standards in such a manner that it increases customer satisfaction and minimizes times and costs;

“delegation” means the issuing of a written authorization by a delegating authority to a delegated body to act in his/her stead, and in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

“delegated authority” means the council, Municipality Manager, Councilor or other employee to whom original powers were assigned in terms of legalization, and in relation to sub-delegation of a power, means that delegated body;

“demand management” means that the demand management ensures that the resources required to support the strategic objectives are delivered at the correct time, at the right price, location, quantity and quality that will satisfy the needs;

“depreciation” means the reduction in the value of assets generally from wear and tear. The consumption of capital is recognized as a cost of production and an allowance for this is made before net profit;

“disposal management” means that the disposal management is responsible to ensures that all unserviceable, redundant or obsolete assets are subjected to a formal process of doing away with moveable assets in a cost-effective, but transparent and responsible manner. It also entails that maintenance of records and documents are prescribed;

“E-class accountable items” means items that are consumable and expandable stores that cannot be repaired when it becomes unusable;

“economic principle” means to obtain the highest possible output for the lowest possible use of resource;

“economy of scale” means the reductions in the average cost of a product in the long run, resulting from an expanded level of output;

“emergency” means a sudden, serious and unexpected event that must be dealt with urgently as its continuity may give rise to:

- (i) Threats to interruptions in the provisions of essential services to customers of the Municipality

- (ii) The threat of major expense to Govan Mbeki Municipality
- (iii) Threats to human life or safety;

“end-user” means the person who plays a role in the procurement process;

“equipment” means A-class accountable stores that are issued and accounted for on an inventory;

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

“formal written price quotation” means quotations referred to in paragraph 12 (1) (c) of this Policy;

“historically disadvantaged individual” means a South African citizen who:

- (i) Had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act no 10 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act no 200 of 1993) (“the Interim Constitution”); and/or
- (ii) Is female and/or
- (iii) Has a disability

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

“immovable assets” means all non-produced, non-financial tangible assets, namely land, subsoil assets, water resources and some fixed tangible assets namely fixed structures (bridges, houses and roads);

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

- (a) a member of –
 - (i) any municipal council;
 - (ii) any provincial legislature; or
 - (iii) the National Assembly or the National Council of Provinces;
- (b) a member of the board of directors of any municipal entity;
- (c) an official of any municipality or municipal entity;
- (d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);
- (e) a member of the accounting authority of any national or provincial public entity; or
- (f) an employee of Parliament or a provincial legislature;

“intangible assets” means trademarks, licenses and/or the legally enforceable rights associate with copyright and patents;

“integrated SCM” means the total cost analysis, which is defined, as minimizing the total cost of SCM elements;

“inventories” means stock and stores (consumable stores, maintenance materials, spare parts, WIP, education/training course materials, client services). Properties/land held for sale. Strategic stocks (fuel supplies, precious stones and metals). Seized or forfeited property;

“inventory (movable assets) management” means it must be possible determine accountability for all A-class-accountable items at all time. Records must therefore be available to describe the full extent of the responsibility of officials for equipment belonging to the institution on personal account or sectional inventories for general usage. Inventory (distribution) ledger accounts must therefore be maintained for all A-class accountable items;

“items” means an individual article or unit;

“lifecycle costing” means a technique developed to identify and quantify all costs, initial and ongoing, associated with a project or installation over a given period. Thus, it is a tool that forecasts the total cost of a purchase throughout its predetermined lifecycle;

“list of accredited prospective providers” means the list of accredited prospective providers which the Govan Mbeki Local Municipality must keep in terms of paragraph 14 of this policy;

“local¹” means an area of jurisdiction of Govan Mbeki Municipality as demarcated by the Demarcation Board from time to time;

“local service provider” means an enterprise registered with the Companies and Intellectual Properties Commission, CIBD, relevant professional bodies and the municipal database for contractors whose head of offices are located in the jurisdiction of the Govan Mbeki Municipality;

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

“measurable objectives” means specific things that the Municipality intends doing or delivering in order to achieve the strategic objectives and ultimately the strategic goals it has set. There must therefore be a direct casual link running from the measurable objective to one or more of the strategic objectives;

“MFMA regulations” means the Municipal Supply Chain Management Regulations in terms of the MFMA (Act No 56 of 2003);

“movable assets” means assets that can be moved (e.g. machinery, equipment, vehicles, etc.). all inventories and valuables and most fixed assets belong to this category;

“municipality” means the Govan Mbeki Municipality;

“municipal functions” means:

- (i) A municipal service
- (ii) Any other activity within the legal competence of a municipality;

“municipal manager” means a person designated as the municipal manager in terms of section 60 of the Act;

“municipal property” means any moveable, immovable or intellectual property, owned by or under the control of;

- (i) A municipality; or
- (ii) A municipality under the sole or shared control of the municipality;

“net present value (NPV)” means the sum that results when the discounted value of the expected costs of an investment is deducted from the discounted value of the expected returns. If the NPV is positive the project in question is potentially worth undertaking;

“obsolete” means no longer produced or used, out of date, to become obsolete by replacing it with something new;

“official” means:

- (i) An employee of a municipality
- (ii) A person seconded to a municipality to work as a member of the staff
- (iii) A person contracted to work as a member of the staff other than as an employee;

“operation and maintenance plan” means to ensure assets remain appropriate to programme requirements, are efficiently utilized, and are maintained in the necessary condition to support programme delivery at the lowest possible long-term cost;

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

- (a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
- (b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and
- (c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);
- (d) other relevant legalization, treasury regulations, circulars, guidelines and practice notes;

“over utilization” means to have adverse effects in terms of deterioration in asset performance and condition, shortening productive life and increasing recurrent operating and maintenance costs;

“practitioner” means a person who practices a profession or art;

“procedures” means a series of actions conducted in a certain order or manner;

“process” means a series of actions or steps towards achieving a particular end;

“project management” means the planning, directing and controlling of an organizations resources over a short term to ensure that specific objectives are successfully met;

“provider” means the private person or institution that provides supplies, services or works to Govan Mbeki Municipality;

“quittance” means the acknowledgement by the recipient of issued stores, reflecting a signature, receipt voucher number and date of receipt;

“redundant” means no longer needed or useful, superfluous (unnecessary);

“regulation” means the Local Government: Municipal Supply Chain Management Regulations;

“renewal” means replacing or restoring (something broken or worn out);

“repairable” means assemblies with detail parts breakdown that are economically repairable, and in the normal course of operation are continually returned to a fully serviceable condition over a period less than the life of the end item to which they are related. These assemblies possess economic value either in a serviceable or unserviceable condition;

“responsibility” means the obligation imposed on an individual to properly exercise the authority vested in him/her. This involves the power to demand section in the proper execution of the relevant duties;

“risk” means the organizations decision about those risks that it will take and those it will not take in the pursuit of its goals and objectives;

“risk management” means the identification , measurements and economic control of risks that threaten the assets and earnings of a business or other enterprise;

“rules” means statements that a specific action must or must not be taken in a given situation;

“salvage” means the act of saving any goods or property in danger of damage or destruction

“Senior Manager” means a manager directly accountable to the municipal manager;

“strategic managers” means managers who plan, direct, co-ordinate and control the activities of Govan Mbeki Municipality

“SMME” means a separate and distinct business entity, including co-operative enterprises and non-governmental organizations, managed by one owner or more, including its branches or subsidiaries, if any is predominantly in any sector or sub-sector of the economy and can be classified as a micro-, a small or a medium enterprise by satisfying the criteria for the smallest relevant size or class;

“sourcing” means where to obtain, an item to procure;

“specification” means terminology generally used to describe the requirement for goods;

“spend analysis” means the analysis of expenditure per provider, per commodity, per service and item for a specific timeframe;

“stores/stock” means all moveable state property/assets that are kept in stock for issue purposes;

“strategic goals” means area of organizational performance that are critical to the achievement of the mission and are statements that describe the strategic direction of the organization;

“strategic objectives” means strategies that are more concrete and specific than strategic goals. It must give a clear indication of what the municipality intends doing or producing in order to achieve the strategic goals it has set for itself. As such strategic objectives would normally describe high-level outputs or “results” of actions that the municipality intends taking;

“supply chain management (SCM)” means the collaborative strategy that integrates the planning, procurement and provisioning processes in order to eliminate non-value adding cost infrastructure, time and activities, seeks to introduce international best practices, whilst at the same time addressing government’s preferential procurement policy objectives and whilst serving the end-users and customers efficiently six phases are distinguished in the SCM processes namely:

- (i) Demand management
- (ii) Acquisition management
- (iii) Logistics management
- (iv) Disposal management
- (v) Risk management
- (vi) Performance management;

“terms of reference” means terms used to describe the requirement for professional services or goods;

“total cost of ownership” means the sum of direct spend, related spend, process spend and opportunity cost associated within a specific commodity and service to the owner;

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

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

“the Municipality” means the Govan Mbeki Local Municipality;

“the Regulations” means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005;

“underutilization” means to increase the unit cost of programme delivery and may not prompt the purchase of new assets when not required;

“unserviceable” means the condition of an item that is no longer suitable for use and cannot be economically repaired;

“value for money” means the best available outcome when all relevant costs and benefits over the procurement cycle are considered;

“written or verbal quotations” means quotations referred to in paragraph 12(1)(b) of this Policy.

ABBREVIATIONS

“AG” Auditor General

“AO” Municipal Manager

“BBBEEE” Broad Based Black Economic Empowerment

“BBBEEE Act” Broad Based Black Economic Empowerment Act

“BEE” Black Economic Empowerment

“CFO” Chief Financial Officer

“CIBD” Construction Industry Development Board

“DTI” Department of Trade and Industry

“GCC” General Conditions of Contract

“IDP” Integrated Development Plan

“IT” Information Technology

“ITC” Information to Consultants

“LCC” Life Cycle Costing

“LOI” Letter of Invitation

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

“MSA” Municipal Systems Act

“MTEF” Medium Term Expenditure Framework

“PCCAA” Prevention and Combating of Corrupt Activities Act.2004

“PFMA” Public Finance Management Act (Act No 1 of 1999, as amended)

“PPP” Public-Private Partnership

“PPPFA” Preferential Procurement Policy Framework Act (Act 5 of 2000)

“QBS” Quality Based Selection

“QCBS” Quality and Cost Based Selection

“RDP” Reconstruction and Development Programme

“RFI” Request for Information

“RFP” Request for Proposal

“RFQ” Request for Quotation

“SAPS” South African Police Service

“SARS” South African Revenue Services

“SCM” Supply Chain Management

“SCM Unit” Supply Chain Management Unit

“SITA” State Information Technology Agency

“SLA” Service Level Agreement

“SMME” Small Medium and Micro Enterprises

“SP” Service Provider

“TCO” Total Cost of Ownership

“TOR” Terms of Reference

“WIP” Work in Process

FINAL POLICY 2018/19

CHAPTER 1

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

Supply chain management policy

2. (1) All officials and other role players in the supply chain management system of the Municipality must implement this Policy in a way that –
- (a) gives effect to –
 - (i) section 217 of the Constitution; and
 - (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
 - (b) is fair, equitable, transparent, competitive and cost effective;
 - (c) complies with –
 - (i) the Regulations; and
 - (ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
 - (d) is consistent with other applicable legislation;
 - (e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
 - (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
- (2) This Policy applies when the Municipality–
- (a) procures goods or services;
 - (b) disposes goods no longer needed;
 - (c) selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
 - (d) selects 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.

- (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.

Adoption and 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 proposals for the amendment of this Policy to the council.

- (2) If the accounting officer submits proposed amendments to the council that differs from the model policy issued by the National Treasury, the accounting officer must –
- (a) ensure that such proposed amendments comply with the Regulations; and
 - (b) 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 and particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

Delegation of supply chain management powers and duties

4. (1) The Council is hereby required to delegates all powers and duties to the accounting officer which are necessary 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) this Policy;
- (b) to maximise administrative and operational efficiency in the implementation of this Policy;
- (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favoritism and unfair and irregular practices in the implementation of this Policy; and
- (d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.

(2) Sections 79 and 106 of the Act apply to the sub delegation of powers and duties delegated to an accounting officer in terms of subparagraph (1).

(3) The accounting officer or Council may not sub delegate any supply chain management powers or duties to a person who is not an official of 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 27 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 (1) 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; or
 - (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 subparagraph (2) must within five days of the end of each month submit to the official referred to in subparagraph (4) 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 subparagraph (3) 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
- (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 subparagraph (2)(c)(iii); or
 - (ii) a bid adjudication committee of which the chief financial officer or a senior manager is not a member.
- (5) Subparagraphs (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 subdelegated, 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 reserves its right to maintain oversight over the implementation of this Policy.
- (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 this Policy and the supply chain management policy of any municipal entity under the sole or shared control of the municipality, to the council of the municipality; and

(ii) whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to council.

(3) The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor.

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

Supply chain management unit

7. (1) A supply chain management unit is hereby established to implement this Policy.

(2) The supply chain management unit operates 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.

Training of supply chain management officials

8. The training of officials involved in implementing this Policy should be in accordance with any Treasury guidelines on supply chain management training.

CHAPTER 2

Format of supply chain management system

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

Part 2: Acquisition management

System of acquisition management

11. (1) The accounting officer must establish and implement the system of acquisition management set out in this Part in order to ensure –

- (a) that goods and services are procured by the Municipality in accordance with authorised 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.

(2) 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 Municipality's supply chain management system, including -

- (a) the kind of goods or services; and
- (b) the name of the supplier.

Preferential Procurement Policy Framework Act (PPPFA)

12 (a) In order to give effect to the objections of this policy, this Council supports measures to make the bid process more accessible to HDI's and small, medium and micro enterprises (SMME's). Consideration must be given to the relaxation of certain criteria. The Accounting Officer will have the right to deviate from this policy in pursuit of implementing the Black Economic Empowerment Act, Act 53 of 2003. Detail thereof will be covered in the implementation manual

(b) In evaluating a tender two preference systems are prescribed that are:

- (i) 80/20 system in respect of procurement with a value between R30 000 and R500 000; and
- (ii) 90/10 system in respect of procurement with a value above R500 000.
- (iii) maximum of 20 or 10 points, depending on the preference point system, may be awarded for specific goals.
- (iv) Over and above price, bids/quotations will be evaluated on the following specific goals:
 - Equity ownership by HDI
 - Local labour
 - Local enterprise
 - Equity ownership by women
 - Equity ownership by disabled
 - SETA accredited training
 - Emerging business/SMME

Range of procurement processes

- 13.** (1) Goods and services may only be procured by way of –
- (a) petty cash purchases, up to a transaction value of R2 000 (VAT included);
 - (b) written or verbal quotations for procurements of a transaction value over R2 000 up to R10 000 (VAT included);
 - (c) formal written price quotations for procurements of a transaction value over R10 000 up to R200 000 (VAT included); and
 - (d) a competitive bidding process for–
 - (i) 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-
- (a) lower, but not increase, the different threshold values specified in subparagraph (1); or
 - (b) direct that –
 - (i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000;
 - (ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or
 - (iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.
- (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.

General preconditions for consideration of written quotations or bids

- 14.** A written quotation or bid may not be considered unless the provider who submitted the quotation or bid –
- (a) has furnished that provider's –
 - (i) full name;
 - (ii) identification number or company or other registration number; and
 - (iii) tax reference number and VAT registration number, if any;
 - (b) has authorised the Municipality to obtain a tax clearance from the South African Revenue Services that the provider's tax matters are in order; and
 - (c) has indicated –
 - (i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
 - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of

the state, or has been in the service of the state in the previous twelve months; or

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

Lists of accredited prospective providers

- 15.** (1) The accounting officer must –
- (a) ensure that all prospective providers are registered on the Central Supplier Database (CSD) as per MFMA circular 81 of National Treasury dated 18 March 2016 for the goods and services that must be used for the procurement requirements through written or verbal 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
 - (d) disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.
- (2) The list must be updated at least quarterly to include any additional prospective providers 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.
 - (4) The prospective providers must at least choose five commodities per family categories
 - (5) The following documentations must be submitted for enlisting:

- 5.1. Valid tax clearance
 - 5.2. Municipal rates and taxes
 - 5.3. Company profile 3 pages maximum
 - 5.4. Certified copies of ID's of Directors
 - 5.5. Verification letter of Bank account
 - 5.6. Certified copy of the BBBEE certificate
 - 5.7 Certified copy of the company registration certificate
- (6) Prospective suppliers interested in pursuing opportunities within the South African government are encouraged to self-register on the Central Supplier Database.

Petty cash purchases

16. The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 13 (1) (a) of this Policy, are as follows –

- (a) R1 – R2,000 - 1 quote is required and approved by the Director / Head of Department; and
- (b) a monthly reconciliation report from each Director / Head of Department must be provided 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.

Written or verbal quotations

17. The conditions for the procurement of goods or services through written or verbal quotations, are as follows:

- (a) Quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the Municipality, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;
- (b) to the extent feasible, providers must be requested to submit such quotations in writing;

- (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;
- (d) the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and
- (e) if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.

Formal written price quotations

18. (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 15(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
- (d) the accounting officer must record the names of the potential providers and their written quotations.

(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 or verbal quotations and formal written price quotations

19. 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 18, 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;
- (e) acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points;

Competitive bids

20. (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 10(2) of this Policy.

(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.

Process for competitive bidding

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

- (a) Compilation of bidding documentation as detailed in paragraph 22;
- (b) Public invitation of bids as detailed in paragraph 23;
- (c) Site meetings or briefing sessions as detailed in paragraph 23;
- (d) Handling of bids submitted in response to public invitation as detailed in paragraph 24;
- (e) Evaluation of bids as detailed in paragraph 29;
- (f) Award of contracts as detailed in paragraph 30;
- (g) Administration of contracts
 - (i) After approval of a bid, the accounting officer and the bidder must enter into a written agreement.
- (h) Proper record keeping
 - (i) Original / legal copies of written contracts agreements should be kept in a secure place for reference purposes.
 - (j) Bid document deposits are as follows, and will be reviewed annually with the consideration of budget tariffs:-
 - Small and medium projects (R70 001 – 1 000 000) = R250
 - Large projects(R1 000 001 and above) = R350,00

Bid documentation for competitive bids

22. The criteria to which bid documentation for a competitive bidding process must comply with to section 14 of this policy and in addition, the bid document 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.

Public invitation for competitive bids

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

(a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the Municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and

(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 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy;
- (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.;

(2) The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can 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) Bids submitted must be sealed.

(4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies, if bids are not sealed the bidder will be disqualified.

Procedure for handling, opening and recording of bids

24. The procedures for the handling, opening and recording of bids, are as follows:

- (a) Bids–
 - (i) must be opened only in public;
 - (ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and
 - (iii) received after the closing time should not be considered and returned unopened immediately.
- (b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out 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 the bid results on the website.

Negotiations with preferred bidders

25. (1) The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –

- (a) does not allow any preferred bidder a second or 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 purposes.

Two-stage bidding process

- 26.** (1) A two-stage bidding process is allowed for –
- (a) large complex projects;
 - (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 bids

27. (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) a bid specification committee;
- (b) a bid evaluation committee; and
- (c) a 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.

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

Bid specification committees

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

- (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 Organisation, or an authority accredited or recognised 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 labeling 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 work, in which case such reference must be accompanied by the word “equivalent”;

- (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2001; and
- (g) must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 23 of this Policy.

(3) A bid specification committee must be composed of one or more officials of the Municipality 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.

Bid evaluation committees

- 29.** (1) A bid evaluation committee must –
- (a) evaluate bids in accordance with –
 - (i) the specifications for a specific procurement; and
 - (ii) the points system set out in terms of paragraph 28(2) (f)).
 - (b) evaluate each bidder's ability to execute the contract;
 - (c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;
 - (d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
- (2) A 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 .

Bid adjudication committees

30. (1) A 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;
or

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

(2) 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, if such an expert exists.

(3) The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.

(4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.

(5) (a) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid –

(i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service 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

31 EXTENSION OR EXPANSION OF CONTRACTS

(a) Any increase in the approved contract sum or contract period (in respect of annual bids) that may become necessary as a result of exceptional circumstances during the contract period, must be approved by the bid adjudication committee.

(b) Where community participation has been a part of the project, the community must be advised of the proposed increase and be invited to provide written comment.

- (c) Any unapproved increase in the contract sum or contract period as a result of exceptional circumstances must be explained in a report to the bid adjudication committee requesting condonation for such unapproved increase.
- (d) The period of extension of contract may not exceed a period of **more than six (6) months.**

Payment of emerging contractors for capital work

32. To enhance economic empowerment of SMME's and HDI's, the following will apply:-

- (a) On a fourteen (14) day basis up to a maximum of R40 000 bi weekly, provided that all documentation are duly completed and authorised;
- (b) No payment to be made to any creditor that is indebted to the municipality for any services fees/rentals; and
- (c) Any outstanding amount must be deducted from the payment due to the creditor.

Construction Contracts

33. (a) Sureties/Guarantees

The municipality will reduce the level of sureties/guarantees as follows on all contracts between R70 001 and R200 000:

Contract Value	Surety / Guarantee
Small (R 70,000 to R 200,000)	6%
Medium (R 200,001 to R 500,000)	7%
Large (R 500,001 and above)	10%

Where in the case of small projects the sureties have been reduced, a cash surety will be allowed which, can be deducted from the first three payment

certificates in equal amounts. In the case of medium and large contracts the surety is required from a bank or insurance company in accordance with the general conditions of contract.

Retention

34. Retention money withheld from a contractor during the construction and defects liability period must be afforded according to risk. The following limits to retention shall be applicable:

Type of Project	Value	Defects Liability Period
Small Projects (R70 000 to R250000)	5%	One year
Medium Projects (R200000 to R500000)	7%	One year
Large Projects (above R500000)	10%	One year

Insurance

35. (a) Every contractor appointed by the municipality should insure all plant and equipment owned leased or hired by him which is brought on the site.
- (b) The contractor shall comply with the Occupational Health and Safety Act and be required to sign an indemnity form as prescribed by municipality's insurers.
- (c) The contractor shall be required to take out public liability insurance cover to the satisfaction of the municipality.
- (d) In the absence of acceptable public liability cover, the municipality will take out the necessary insurance on behalf of the service provider on the following conditions:
- (e) The premium / installment would be payable by the contractor and deducted from the first progress payment of the project; and all excess amounts would be payable by the contractor.

Procurement of banking services

36. (1) A contract for banking services –
- (a) must be procured through competitive bids;
 - (b) must be consistent with section 7 or 85 of the Act; and
 - (c) may not be for a period of more than five years at a time.

(2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.

(3) The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph section 23. 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

37. (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 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 disagrees 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

38. (1) the accounting officer may procure goods or services under a contract secured by another organ of state, but only if –

- (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
- (b) there is no reason to believe that such contract was not validly procured;
- (c) there are demonstrable discounts or benefits to do so; and
- (d) that other organ of state and the provider have consented to such procurement in writing.

(2) Subparagraphs (1)(c) and (d) do not apply if –

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

39. (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.

Development of Local Businesses

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

- Firstly – suppliers and businesses within the Govan Mbeki Municipality ;
- Secondly – suppliers and businesses within the Gert Sibande District Municipality;
- Thirdly – suppliers and businesses within the Mpumalanga Province;
- Fourthly – suppliers and businesses with the Republic of South Africa or from international service providers / suppliers.

(2) The accounting officer must ensure that 70% of tenders awarded by the Municipality be awarded to local businesses, local contractors and local service providers on condition the successful bidder scored above the minimum pre-determined score for functionality, namely:-

- Evaluation of capacity (skills, knowledge, qualifications and expertise ;
- Evaluation of capacity (human resources, equipment, infrastructure).

(3) The accounting officer must ensure that in the event of the appointment of **an external business**, contractor or service provider a service level agreement (SLA) be entered into with the said business, contractor or service provider to provide skills transfer to a local service provider.

(4) The accounting officer must identify projects that on the basis of their specifications cannot be implemented by a local business, local contractor or local service provider due to a lack of capacity.

(5) A business, contractor or service provider may be appointed from outside the jurisdiction of the Municipality but that main business, contractor or service provider where possible, must subcontract to a local business, local contractor or local service provider who has the potential to perform with the aim

of building local capacity and that a report thereon must be tabled to Council with a project progress report.

(6) At the first meeting of the relevant project steering committee, convened by the chairperson (the Ward Councillor) the implementation of skills transfer and the social responsibility programme of the business, contractor or service provider must be discussed and agreed upon. A report must be tabled to Council with a project progress report.

(7) The accounting officer must ensure that the Municipality's Supply Chain Policy must be available to all businesses, contractors and service providers within the jurisdiction of the Municipality.

(8) The accounting officer must report to Council on a quarterly basis on all bids that were awarded.

Appointment of consultants

41 (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

42. (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;
 - (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 and game reserves; 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 by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

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

Unsolicited bids

43. (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 an unsolicited bid, only if –

- (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
- (b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
- (c) the person who made the bid is the sole provider of the product or service; 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 subparagraph (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –

- (a) reasons as to why the bid should not be open to other competitors;
- (b) an explanation of the potential benefits if the unsolicited bid were accepted; and
- (c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.

(4) 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

44. (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 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
 - (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;
- (e) 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;
- (f) cancel a contract awarded and claim any damages to a person if –
 - (i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
 - (ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person
- (111) if the information supplied is found to be incorrect, disqualify the supplier for a particular bid considered for or which had been awarded to the supplier; 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 willfully 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

Logistics management

45. 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.

Disposal management

46. (1) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act, are as follows:

- (2) Assets may be disposed of by –
 - (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; or
 - (iv) destroying the asset.

- (4) The accounting officer must ensure that –
 - (d) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
 - (b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
 - (c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
 - (d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
 - (e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
 - (f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and

- (g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

Risk management

47. 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 manage 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

Performance management

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

Part 4: Other matters

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

49. (1) No award above R15 000 may be made in terms of this Policy 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 person the accounting officer must first check with SARS whether that person's tax matters are in order.

(3) If SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph (1) be presumed to be in order.

(4) The Municipality is not responsible to obtain a tax clearance certificate on behalf of the bidder. It remains the bidder's responsibility to submit a valid and original tax clearance certificate when responding to the Municipality's call for bids.

Prohibition on awards to persons in the service of the state

50. Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –

- (a) who is in the service of the state;
- (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state;
or
- (c) a person who is an advisor or consultant contracted with the Municipality.

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

51. 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

52. (1) A code of ethical standards as set out in Annexure A is hereby established for officials and other role players in the supply chain management system of the Municipality 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 breach of the code of ethics must be dealt with as follows -

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

Inducements, rewards, gifts and favors to officials and other role players

53. (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 this 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.

(3) Subparagraph (1) does not apply to gifts less than R350 in value.

Sponsorships

54. 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

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

Resolution of disputes, objections, complaints and queries

56. (1) The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes –

- (a) to assist in the resolution of disputes between the Municipality and other persons regarding -
 - (i) any decisions or actions taken in the implementation of the supply chain management system; or
 - (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
- (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

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

- (3) The person appointed must –
 - (a) strive to resolve promptly all disputes, objections, complaints or queries received; and

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

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

(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

57. If a service provider acts on behalf of the 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

(d) that such compensation must be performance based.

Commencement

58. This Policy takes effect on 31 May 2018

Signed by the Municipal Manager as per resolution _____

Municipal Manager

Date