

MORETELE LOCAL MUNICIPALITY



SUPPLY CHAIN MANAGEMENT POLICY

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1. BACKGROUND

This policy is formulated and is implantable in compliance with and to give effect to the provisions of the following pieces of legislations:-

- a) The Constitution of South Africa, Act 108 of 1998
- b) The preferential Procurement Policy Framework Act, 2000, No.5 of 2000;
- c) Local Government: Municipal Finance Management Act 2003, No. 56 of 2003;
- d) The Broad-Based Black Economic Empowerment Act, 2003 No.53 of 2003; and
- e) National Treasury guidelines.

2. OBJECTIVES

To provide a policy framework to maintain a supply chain management system which is transparent, efficient, equitable, competitive, ensures best value for money for the municipality, applies the highest possible ethical standards, and promotes local economic development, in terms of section 62 (1) (f) (iv) of the Municipal Finance Management Act, Act 56 of 2003.

By adopting this policy the council are delegating supply chain management powers and duties to the accounting officer in order to enable the accounting officer to :

- maximize administrative and operational efficiency in the implementation of the supply chain management policy;
- 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
- comply with his/her responsibilities in terms of section 115 and other applicable provisions of the Act.

Further pledges itself and the municipal administration to the observance of all applicable national legislation, including specifically the:

- Preferential Procurement Policy Framework Act No. 5 of 2000 and its regulations;
- Broad Based Black Economic Empowerment Act No. 53 of 2003 and any applicable code of practice promulgated in terms of that Act;
- Municipal Finance Management Act No. 56 of 2003; including the regulations relating to the prescribed framework for supply chain management.

The municipality shall not act otherwise than in accordance to this policy when:

- Procuring goods or services;
- Disposing of goods no longer needed; and

- Selecting Service Providers to provide assistance in the provision of municipal services.

3. THE ACCOUNTING OFFICER

- 3.1 Council shall delegate powers and duties to the accounting officer so as per chapter 8 and 10 of the Municipal Finance Management Act.
- a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of:-
 - i) chapter 8 or 10 of the Municipal Finance Management Act: and
 - ii) the supply chain management policy of the municipality or municipal entity;
 - b) to maximise administrative and operational efficiency in the implementation of the supply chain management policy
 - c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, 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.
- 3.2 The accounting officer must:-
- a) promptly prepare and submit a draft supply chain management policy complying with treasury regulations to the Council of the municipality, for adoption;
 - b) at least annually review the implementation of the policy; and
 - c) when the accounting officer considers it necessary, submit proposals for the amendment of the policy to the Council.
- 3.3 The accounting officer must in terms of sections 62 (1)(f) (iv) and 99 (2) (h) of the Act, take all reasonable steps to ensure that the municipality and its entities have and implement a supply chain management policy.
- 3.4 The reports of a municipality must be made public in accordance with section 21 A of the Municipal Systems Act. The reports of a municipal entity must be made public in a similar way.

4. SUPPLY CHAIN MANAGEMENT UNIT

- 4.1 The Municipality will establish a supply chain management unit to implement its supply chain management policy.
- 4.2 The supply chain management unit shall be under the direct supervision of the chief financial officer or an official duly delegated to deal with that function.

5. TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS

- 5.1 The training of officials involved in implementing a supply chain management policy shall be in accordance with any Treasury guidelines on supply chain management training.
- 5.2 The Municipality shall provide for such training in its workplace skills plans.

6. RANGE OF PROCUREMENT PROCESSES

- 6.1 The municipality shall use any of the following ways in procuring goods and services:-
- a) Nominal purchases, up to a transaction value of **R 2 000.00** (VAT included);
 - b) Written quotations for procurements of a transaction value over **R 2 000.00** up to **R 10 000.00** (VAT included);
 - c) Formal written price for procurements of a transaction value over **R 10 000.00** up to **R 200 000.00** (VAT included);
 - d) A competitive bidding process for-
 - i) procurements above a transaction value of **R 200 000.00** (VAT included);
 - ii) the procurement of long term contracts.
- 6.2 The accounting officer may lower but not to increase, the different threshold values specified above.
- 6.3 The accounting officer may direct that:
- a) formal written price quotations be obtained for any specific procurement of a transaction value lower than **R 10 000.00**;
 - b) a competitive bidding process be followed for any specific procurement of a transaction value lower than **R 200 000.00**.
- 6.4 Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of this policy.
- 6.5 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.
- 6.6 This supply chain management policy, except where provided otherwise it 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;
 - b) electricity from Eskom or another public entity, another municipality or a municipal entity.
- 6.7 Should the municipality procure goods or services contemplated in section 110(2) of the Act otherwise than through the supply chain management system, it must make public the fact that it procures such goods or services. The public notice should include:-
- a) declare this anomaly and reasons for such action;
 - b) the kind of goods or services; and
 - c) the name of the supplier.

7. GENERAL PRECONDITIONS FOR CONSIDERATION OF WRITTEN QUOTATIONS OR BIDS

The municipality may not consider a written quotation or bid unless the provider who submitted the quotation or bid:

- a) has furnished the municipality with :-
 - i) full namees
 - ii) identification number or company or other registration number; and
 - iii) a valid original tax clearance certificate indicating relevant reference numbers and that the provider's tax matters are in order; and

- b) has indicated:-
 - i) whether he or she is in the service provider 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.

7.1 QUOTATIONS

The Chief Financial Officer shall manage procurement requisitions for amounts estimated not to exceed R120 000,00 (one hundred and twenty thousand rand) excluding VAT by calling for quotations.

a) The following principles shall be followed to commit an expenditure:

LIMITS	AUTHORIZATION
Up to R 10 000,00 (One written quotation)	Recommended by : Departmental Manager or delegated Divisional head; Checked by : Divisional Head Expenditure Approved by : Chief Financial Officer
Between R 10 000,01 and R 30 000,00 (Two written quotations)	Recommended by : Departmental Manager or delegated Divisional head; Checked by : Divisional Head Expenditure Approved by : Chief Financial Officer
Between R 30 000,01 and R 200 000.00 (Three written quotations)	Recommended by : Departmental Manager or delegated Divisional head; Checked by : Div Head Expenditure Approved by : Chief Financial Officer and Municipal Manager

b) For a quotation to be considered, it must:

- i. be in writing,
- ii. be signed by a person with the necessary authority to act on behalf of the prospective supplier,
- iii. if the quantity of quotations cannot be obtained as required above, a written motivation from the head of the department must accompany the order,
- iv. the quotations must be from the list of accredited prospective suppliers,
- v. quotations may be obtained from suppliers that are not listed, only when no suitable provider for the required commodity or type of service are available from the list.
- vi. the departmental manager must certify that the supplier possesses the skills and resources to execute the bid properly.

c) Written quotations

- i) Written quotations shall be used for procurements of a transaction value over **R 2 000.00** up to **R 10 000.00**
- ii) Quotations must be obtained from at least three different service providers preferably from but not limited to, service providers whose names appear on the list of accredited prospective service providers of the municipality, provided that if quotations are obtained from service providers who are not listed, such service providers must meet the listing criteria.
- iii) In all instances where feasible, providers must be requested to submit such quotations in writing.
- iv) 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.
- v) The accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices.
- vi) If a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.

d) Formal written price quotations in an enclosed envelope:

- i) Formal written price quotations shall be required for procurements of a transaction value over **R 10 000.00** up to **R 200 000.00** (VAT included).
- ii) 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.

- iii) In all instances where feasible, providers must be requested to submit such quotations in writing.
- iv) 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.
- v) The accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices.

e) Procedures for procuring goods or services through written quotations and formal written prices quotations:

- i) All requirements in excess of **R 30 000.00** (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements above be advertised for at least seven days on the website and an official notice board of the municipality.
- ii) When using the list of accredited prospective providers the accounting officer must promote ongoing competition amongst providers, including by inviting providers to submit quotations on a rotation basis.
- iii) The accounting officer must take all reasonable steps to ensure that the procurement of goods and services through written quotations or formal written price quotations is not abused;
- iv) The accounting officer or chief financial officer must on a monthly basis be notified in writing of all written quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation.
- v) All transactions pertaining to procedures for procuring goods or services through written quotations and formal written price quotations shall be duly recorded.

f) Specifications of orders:

Orders has to be completed in full detail of which the following are important:

- i. Name and address of supplier;
- ii. The date on which the order was placed;
- iii. The expected date of delivery;
- iv. The expenditure vote number;
- v. A certificate of the Departmental Manager to indicate that sufficient
- vi. provision has been made within the budget;
- vii. The signature of the person requested the order ;
- viii. the person authorized to sign the order on behalf of the Departmental
- ix. Manager and the authorization signature of the officials as indicated
- x. above;
- xi. The date on which the order was authorized;
- xii. Motivation for items to be purchased;
- xiii. The quotations shall be attached to the blue copy of the order.

In the case of expenditure lower than **R 30 000,00** (thirty thousand rand), the lowest quotation substantially to specification shall be accepted, taking into account the municipality's preferential procurement requirements, provided the Chief Financial Officer is satisfied that it offers acceptable value for money for the municipality.

In the case of expenditure higher than **R30 000,00** (thirty thousand rand), each quotation received shall be evaluated in terms of specifications and the preference point scoring system in terms of this policy. For goods and or services with amounts **R30 000.00** and above, quotations must called through the use of local media. The advert must appear 7 days before the the procuring of the goods or service.

Contracts that are **R30 000.00** and above will only be awarded to service providers with SARS clearance certificates. When service providers are submitting a quote they must also submit the SARS clearance certificate.

7.2 TENDERS

The Chief Financial Officer shall manage procurement requisitions for amounts estimated to be in excess of **R 200 000.00** (two hundred thousand rand) excluding VAT by calling for tenders. The request for such tenders shall be prepared by the Expenditure Division, shall prominently be displayed on all of the municipality's notice boards, and shall additionally be advertised in the local newspapers and, or at least in one national newspaper of repute. Notices calling for tenders shall indicate the closing date and time for the submission of tenders, and such closing date shall be at least 30 (thirty) calendar days after the date on which the call for tenders is first displayed or advertised, whichever date is the later. These notices shall be approved by the accounting officer before the publication thereof.

For a tender to be considered it must comply with all the requirements indicated for quotations under part 2.1 above, except that a tender must be placed in the tender box(es) provided for this purpose, the location of which shall be clearly specified in the relevant notice calling for tenders. No tenders, received after the closing time, shall be considered for approval. In addition, tenders, with a total value of 30% below and a 15% above average of all tenders received, shall also not be considered for approval.

The Chief Financial Officer shall ensure that such tender boxes are sealed until the date and time of their official opening, and that they are properly secured at all times.

Where the relevant notice specifies that prospective bidder must complete certain documentation which must be obtained from the municipality, failure to complete such documentation shall render the tender invalid.

A deposit, as determined from time to time by the council, is payable for all tenders with an expected value equal or more than R 300 000,00 (three hundred thousand rand) in order to obtain such documentation. In the case of deposits,

the amount concerned shall be refundable to the bidder within 7 (seven) working days after the tenders have been opened.

From time to time, invitations for forthcoming tenders or quotations may specify initial attendance by prospective suppliers at briefing meetings or site inspections or may require only an initial expression of interest from prospective suppliers indicating their expertise and/or other credentials in respect of the provision of the required goods or services. In such instances, the municipality reserves the right to limit subsequent invitations for the actual tenders or quotations to suppliers who have attended such meetings or inspections or who have provided reasonable evidence of the expertise or credentials required.

Each tender received shall be evaluated in terms of the tender specifications and the preference point scoring system in terms of this policy. Each bidder's track record has to be verified and if it has the ability / capacity to render the service or product as well as to be able to render an after-sale-service. The tender documents for each bidder have to be checked, whether –

- a valid VAT clearance certificate issued by SARS has been submitted (if applicable);
- it is completed and signed;
- it is accompanied by a declaration from the supplier that there are no conflict of interest in the specific transaction and that he / she are committed to the conditions as stipulated in the Supply Chain Management Policy of this council;
- an acknowledgement that disputes be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law, is attached.

Tenders must be submitted to the municipality in a sealed envelope, clearly indicating the purpose of the tender as well as an allocated tender number.

The Accounting Officer can negotiate the final terms of a contract with bidders identified through a tender process as a preferred bidder, provided that such negotiation-

- does not allow any preferred bidder a second or unfair opportunity;
- is not to the detriment of any other bidder, and
- be minuted and kept on record.

The service provider that has been awarded the contract must deliver within 7 working days. Failing this the service provider must make a request in writing explaining the challenges it is facing to the Municipality to deliver at a later date than stipulated in this policy.

Should the bidder who has been awarded the contract not deliver, the Municipality will give the bidder 14 working days to rectify whatever concerns the Municipality has. Failure to rectify these will lead to the cancellation of the contract and the second preferred bidder will be appointed on a temporary basis while the tender process is underway so as to ensure that service delivery still continues while the processes are taking place.

7.3 USE OF DATABASE OF SUPPLIERS

The Expenditure Division shall at least annually, by notice and advertisement as for quotations and tenders under parts 7.1 and 7.2, request prospective suppliers, either generally or for specified ranges of goods and services, to submit their names, profile of the business and other relevant details to the Expenditure Division for inclusion in a database of suppliers. Such details shall include an indication of the goods and services normally provided.

The Expenditure Division shall then, in addition to the communication processes specified under part 7.1 and 7.2, forward – either electronically or by facsimile – copies of any notices of quotations and tenders to the relevant suppliers. However, failure by the procurement section to forward such notices or the non-receipt of such notices by any supplier shall not invalidate the procurement process. The onus remains on the prospective suppliers to apprise themselves of the municipality's requirements as indicated in the prescribed communication processes set out under parts 7.1 and 7.2, and the additional notification by virtue of the supplier's being included in the database of suppliers shall be viewed simply as a courtesy on the part of the municipality.

The inclusion of any supplier in the database of suppliers by no means obviates the need for such supplier to respond in the prescribed manner to notices of the municipality's procurement requirements.

The policy allows for rotation of services to accredited service providers in the database. However, the rotation will still not be at the expense of acquiring services or goods at an efficient price.

The policy will also give preference to local suppliers as long as this does not compromise efficient acquisition of goods and services.

8. PETTY CASH PURCHASES

- 8.1 Petty cash purchases shall be up to a transaction value of **R 500.00** (VAT included)
- 8.2 A manager may delegate responsibility for petty cash to an official reporting to the manager subject to powers of delegations of the municipality.
- 8.3 The maximum amount per month for each Department may not exceed **R 5 000.00**.
- 8.4 A manager utilising petty cash purchases must submit monthly reconciliation reports to the chief financial officer, including:
 - a) the total amount of petty cash purchases for that month; and
 - b) receipts and appropriate documents for each purchase.
- 8.5 Managers to keep their own records for reconciliation purposes.

9. COMPETITIVE BIDS

- 9.1 Goods and Services above a transaction value of **R 200 000.00** (VAT included) and long term contracts may be procured by the municipality only through a competitive bidding process, subject to regulation.
- 9.2 Goods or services above an estimated transaction value of **R 200 000.00** (VAT included), may not deliberately be split into part or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

10. BID DOCUMENTATION FOR COMPETITIVE BIDS

- 10.1 Bid documentation for a competitive bidding process must comply with requirements stated in item 7 above
- 10.2 In addition the bid documentation must take into account:
 - a) the general conditions of contract;
 - b) any Treasury guidelines on bid documentation; and
 - c) the requirements of the Construction Industry Development Board in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure:
- 10.3 Bid documentation must include evaluation and adjudication criteria including any criteria required by other applicable legislation.
- 10.4 Bidders are compelled to declare any conflict of interest they may have in the transaction for which the bid is submitted.

- 10.5 Where the value of the transaction is expected to exceed **R 10 million** (VAT included) bidders are required to furnish:-
 - a) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements for the past three years or since their establishment if established during the past three years;
 - b) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards the municipality or other service provider in respect of which payment is overdue for more than 30 days;
 - c) 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;
 - d) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality is expected to be transferred out of the Republic, and
- 10.6 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.

11. PUBLIC INVITATION FOR COMPETITIVE BIDS

- 11.1 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)
- 11.2 The information a public advertisement must contain, which must include:
 - a) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over **R 10 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.
 - b) a statement that bids may only be submitted on the bid documentation provided by the municipality.
- 11.3 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.
- 11.4 Bids submitted to the municipality must be sealed.
- 11.5 Where bids are requested in an electronic format, such bids must be supplemented by sealed hard copies.

12. PROCEDURE FOR HANDLING, OPENING AND RECORDING OF BIDS

- 12.1 Bids may be opened only in public
- 12.2 Bids must be opened at the same time and as soon as possible after the period for the submission of bids has expired
- 12.3 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.
- 12.4 The accounting officer must:
 - a) record in a register all bids received in time
 - b) make the register available for public inspection; and
 - c) publish the entries in the register and the bid results on the website of the municipality.

13. NEGOTIATIONS WITH PREFERRED BIDDERS

- 13.1 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 negotiations:
 - a) does not allow any preferred bidder a second or unfair opportunity;
 - b) is not to the
- 13.2 Minutes of such negotiations must be kept for record purposes.

14. TWO-STAGE BIDDING PROCESS

- 14.1 The Municipality may utilise a two-stage bidding process 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.
- 14.2 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.
- 14.3 In the second stage final technical proposals and priced bids should be invited.

15. COMMUNITY SYSTEM FOR COMPETITIVE BIDS

- 15.1 The Municipality shall establish the following committees for competitive bids:
 - a) a bid specification committees;
 - b) a bid evaluation committee; and
 - c) a bid adjudication committee;
- 15.2 The accounting officer shall within his delegated powers appoint members of each committee, taking into account section 117 of the MFMA.
- 15.3 The accounting officer may appoint or allow a neutral or independent observer when this is appropriate for ensuring fairness and promoting transparency.
- 15.4 Unless otherwise directed, the committees shall apply to formal written price quotations.

16. BID SPECIFICATION COMMITTEE

- 16.1 A bid specification committee must compile the specifications for each procurement of goods or services by the municipality.
- 16.2 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) 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 sufficient precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words "equivalent";
 - f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the supply chain management policy of the municipality; and
 - g) must be approved by the accounting officer prior to publication of the invitation for bids;

- 16.3 A bid specification committee will be composed by the accounting officer, manager responsible for the function involved and, and may, when appropriate, include external specialist advisors,
- 16.4 No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, any bid for any resulting contracts.

17. BID EVALUATION COMMITTEES

- 17.1 A bid evaluation committee must:
- a) evaluate bids in accordance with-
 - i) the specifications for a specific procurement; and
 - ii) the procurement points system of the municipality.
 - 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 services 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.
- 17.2 A bid evaluation committee will 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, and may, when appropriate, include external specialist advisors.

18. BID ADJUDICATION COMMITTEES

- 18.1 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.
- 18.2 A bid adjudication committee must consist of:
- 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;
 - b) all departmental heads of the municipality
 - c) at least one senior supply chain management practitioner who is an official of the municipality; and
 - d) a technical expert in the relevant field who is an official of the municipality, if the municipality has such an expert.
- 18.3 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.
- 18.4 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.
- 18.5 If a 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 check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal services charges are not in arrears; and notify the accounting officer.

- 18.6 The accounting officer may after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication and if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
- 18.7 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.

19. PROCUREMENT OF BANKING SERVICES

- 19.1 A contract for the provision of banking services to the municipality.
 - a) must be procured through competitive bids;
 - b) must be consistent with sections 7 or 85 of the Act; and
 - c) may not be for a period of more than five years at a time.
- 19.2 The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
- 19.3 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 regulation 22(1). Bids must be restricted to banks registered in terms of the Banks Act 1990 (Act No. 94 of 1990).

20. PROCUREMENT OF IT RELATED GOODS OR SERVICES

- 20.1 The accounting officer may request the State Information Technology Agency (SITA) to assist the municipality with the acquisition of IT related goods or services through a competitive bidding process.
- 20.2 The municipality will enter into a written agreement to regulate the services rendered by, and the payments to be made to SITA.
- 20.3 The accounting officer must notify SITA together with a motivation of the IT needs of the municipality if:
 - a) the transaction value of IT related goods or services required by the municipality in any financial year will exceed 1950 million (VAT included); or
 - b) the transaction value of a contract to be procured by the municipality whether for one or more years exceeds 1950 million (VAT included).
- 20.4 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.

21. PROCUREMENT OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY OTHER ORGANS OF STATE

- 21.1 The accounting officer may procure goods or services for the municipality under a contract secured by another organ of state, but only if:
 - a) scenic organ of stats;
 - b) the municipality has no reason to believe that such contract was not validly procured;

- c) there are demonstrable discounts or benefits for the municipality to do so; and
- d) that other organ of state and the provider have consented to such procurement in writing.

21.2 The above provisions do not apply where the municipality or its entity procures goods or services through a contract secured by its parent municipality.

22. PROCUREMENT OF GOODS NECESSITATING SPECIAL SAFETY ARRANGEMENTS

22.1 The acquisition and storage of goods in bulk (other than water) which necessitate special safety arrangements, including gasses and fuel is restricted.

22.2 Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership and cost advantages for the municipality.

23. PROUDLY SA CAMPAIGN

A supply chain management policy must stipulate to what extent the municipality supports the Proudly SA Campaign.

24. APPOINTMENT OF CONSULTANTS

24.1 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.

24.2 A contract for the provision of consultancy services to the municipality must be procured through competitive bids it:

- a) the value of the contract exceeds **R 200 000.00** (VAT included); or
- b) the duration period of the contract exceeds one year.

24.3 In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish the municipality with 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.

24.4 The municipality 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.

25. DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, PROCUREMENT PROCESSES

25.1 The accounting officer may:

- a) dispense with the official procurement processes established by this policy and procure any required goods or services through any convenient process, which may include direct negotiations, but only:
 - i) in 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; 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.
- 25.2 The accounting officer must record the reasons for any deviations in terms of and report them to the next meeting of the Council, and include such deviations as a note to the annual financial statements.

26. UNSOLICITED BIDS

- 26.1 The municipality is not obliged to consider unsolicited bids received outside a normal bidding process.
- 26.2 Should the municipality consider an unsolicited bid, this may be done 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 advantage for the municipality;
 - c) the person who made the bid is the sole provider of the product or service; and the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.
- 26.3 If a municipality decides to consider an unsolicited bid, the municipality must take its decision public in accordance with section 21A of the Municipal Systems Act, together with:
- a) its reasons as to why the bid should not be open to other competitors;
 - b) an explanation of the potential benefits for the municipality were it to accept the unsolicited bid; and
 - c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- 26.4 Once the municipality has received written comments relating 24.3 above, it must submit such comments, including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment
- 26.5 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.
- 26.6 A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- 26.7 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.
- 26.8 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.

26.9 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 20 days of the submission.

27. COMBATING OF ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM

27.1 The accounting officer must:

- a) take all reasonable steps to prevent such abuse of the supply chain management process;
- b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with the supply chain management policy, and when justified-
 - i) take appropriate steps against such official or other role players;
 - or
 - ii) report any alleged criminal conduct to the South African Police Service;
- c) check the National Treasury 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 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 to a person if-
 - i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
 - ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and
- 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.

27.2 The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of policy.

28. LOGISTICS MANAGEMENT

- 28.1 Inventory levels,
- 28.2 Placing of orders,
- 28.3 Receiving and distribution of goods,
- 28.4 Stores and warehouse management,
- 28.5 Expediting orders,
- 28.6 Transport management,
- 28.7 Vendor performance,
- 28.8 Maintenance and contract administration.

29. DISPOSAL MANAGEMENT

- 29.1 Immovable property may be sold only at market related prices except when the public interest or the plight of the poor demands otherwise.
- 29.2 Movable assets may be sold either by way of written price quotations, a competitive bidding process, auction or market related prices whichever is the most advantageous to the municipality.
- 29.3 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.
- 29.4 In the case of the disposal of firearm, the National Conventional Arms Control Committee has approved any sale or donation of firearms to any person or institution within or outside the Republic;
- 29.5 Immovable property will be let at market related rates except when the public interest or the plight of the poor demands otherwise.
- 29.6 All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property shall be reviewed annually.
- 29.7 Where assets are traded in for other assets, the highest possible trade-in price shall be negotiated.

30. RISK MANAGEMENT

The Municipality shall establish a risk management system which includes:

- a) the identification of risks on a case-by-case basis;
- b) the allocation of risks to the 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 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.

31. MONITORING SUPPLY CHAIN MANAGEMENT

The Municipality shall install an internal monitoring system in order to determine, on the basis of a retrospective analysis whether the authorised supply chain management processes are being followed and whether the desired objectives are being achieved.

32. PROHIBITION ON AWARDS TO PERSONS WHOSE TAX MATTERS ARE NOT IN ORDER

32.1 The Municipality, irrespective of the procurement process followed, may not make any award above **R 15 000.00** to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

32.2 Before making an award to a person, the service provider must submit a valid original tax clearance certificate.

33. PROHIBITION ON AWARDS TO PERSONS IN THE SERVICE OF THE STATE

The Municipality, irrespective of the procurement process followed, may not make any award to a person:

- a) 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
- b) who is an advisor or consultant contracted with the municipality.

34. AWARD TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

The notes to the annual financial statements of the municipality must disclose particulars of any award of more than **R 2 000.00** to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including:

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

35. CODE OF ETHICAL STANDARDS FOR OFFICIALS AND OTHER ROLE PLAYERS IN THE SUPPLY CHAIN MANAGEMENT

35.1 An officials and other role players in the supply chain management must conduct the affairs of the municipality in a manner that will promote:

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

35.2 An official or other role player involved in the implementation of the supply chain management policy of the municipality:

- a) must treat all providers and potential providers equitably;
- b) may not use his or her position for private gain or to improperly benefit another person;

- c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person.
- 35.3 Officials and other role players 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.
- 35.4 Officials and other role players 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;
- 35.5 Officials and other role players 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.
- 35.6 An official or role player must be scrupulous in his or her use of property belonging to the municipality.
- 35.7 An official or role player must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system and 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 treasury regulations; or
 - iii) any alleged breach of the code of ethical standards
- 35.8 All declarations must be recorded in a register which the accounting officer must keep for this purpose.
- 35.9 All declarations by the accounting officer must be made to the mayor of the municipality and ensure that such declarations are recorded in the register.
- 35.10 The municipality shall take appropriate action against any official or other role player who commits a breach of the above ethical standards.
- 35.11 In implementing this code of conduct the municipality will take into account the National Treasury's code of conduct for supply chain management practitioners.

36. INDUCEMENTS REWARDS, GIFTS AND FAVOURS TO MUNICIPALITIES, OFFICIALS AND OTHER ROLE PLAYERS

- 36.1 No person who is a provider or prospective provider of goods or services to a municipality, or a recipient or prospective recipient of goods disposed or to be disposed of by a municipality 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 of the municipality; or
 - ii) any other role player involved in the implementation of the supply chain management policy of the municipality

36.2 The accounting officer of a municipality must promptly report any alleged contravention 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.

37. SPONSORSHIPS

The accounting officer of a municipality must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted to the municipality, whether directly or through a representative or intermediary, by any person who is:

- a) a provider or prospective provider of goods or services to the municipality; or
- b) a recipient or prospective recipient of goods disposed or to be disposed, of by the municipality.

38. OBJECTIONS AND COMPLAINTS

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

39. RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES

39.1 In the case of a dispute the municipality may appoint an accounting officer or an independent and impartial person not directly involved in the supply chain management processes of the municipality:

- a) to assist in the resolution of disputes between the municipality and other persons regarding-
 - i) any decisions or actions taken by the municipality in the implementation of its supply chain management system; or
 - ii) any matter arising from a contract awarded in the course of its 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.
- 39.2 The person appointed must strive to resolve promptly all disputes, objections, complaints or queries received and submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.
- 39.3 The accounting officer or another responsible official designated is responsible for assisting the appointed person to perform his or her duties.
- 39.4 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 received from the municipality within 60 days.

- 39.5 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.
- 39.6 This regulation must not be read as affecting a person's rights to approach a court at any time.

40. CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURNOVER

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

- a) a cap on the compensation payable to the service provider; and
- b) that such compensation must be performance based.