

uMFOLOZI LOCAL MUNICIPALITY



DRAFT

SUPPLY CHAIN MANAGEMENT POLICY

February 2018

TABLE OF CONTENTS	PAGE
1. Preamble	5
2. Definitions	6
3. Objectives	9
4. Application	10
 CHAPTER 1: IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY	
5. Supply Chain Management Policy	11
6. Adoption and Amendment of the Supply Chain Management Policy	12
7. Delegation of Supply Chain Management Powers and Duties	12
8. Sub delegations	13
9. Oversight Role of Council of Municipality	14
10. Supply Chain Management Unit	15
11. Training of Supply Chain Management Officials	15
 CHAPTER 2 : FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT POLICIES	
12. Format of Supply Chain Management Systems	16
<i>Part 1: Demand management</i>	
13. System of Demand Management	16
<i>Part 2: Acquisition management</i>	
14. System of Acquisition Management	18
15. Range of Procurement Processes	19
16. General preconditions for consideration of written Quotations or Bids	20
17. Lists of Accredited prospective Providers	21
18. Written or verbal quotations	22

TABLE OF CONTENTS (<i>continued</i>)	PAGE
19. Formal written price quotations	23
20. Procedures for procuring goods or services through written or verbal quotations and formal written price quotations.	24
21. Competitive Bids	25
22. Process for Competitive Bids	25
23. Bid documents for competitive bids	26
24. Public invitation for competitive bids	27
25. Procedure for handling, opening and recording of bids	28
26. Negotiations with preferred bidders	29
27. Two-stage bidding processes	30
28. Committee systems for competitive bids	30
29. Bid specification committee	31
30. Bid evaluation committee	32
31. Bid adjudication committee	33
32. Procurement of banking services	34
33. Procurement of IT related goods or services	35
34. Procurement of goods and services under contracts secured by other organs of state	35
35. Procurement of goods necessitating special safety arrangements	36
36. Proudly SA Campaign	36
37. Appointment of consultants	36
38. Deviation from and ratification of minor breaches of procurement Processes	37
39. Unsolicited bids	38
40. Combating of abuse of the supply chain management system	39
 <i>Part 3: Logistics, Disposal, Risk and Performance Management</i>	
41. Logistics management	41
42. Disposal Management	42
43. Risk management	43
44. Performance management	45

TABLE OF CONTENTS (<i>continued</i>)	PAGE
<i>Part 4: Other Matters</i>	
45. Prohibition on awards to persons whose tax matters are not in order	45
46. Prohibition on awards to persons in the service of the state	46
47. Awards to close family members of persons in the service of the state	46
48. Ethical standards	47
49. Inducements, rewards, gifts and favours to municipalities, officials and other role players	48
50. Sponsorships	49
51. Objections and complaints	49
52. Resolution of disputes, objections, complaints and queries	50
53. Appeals	51
54. Contract Management	51
55. Contracts providing for compensation based on turnover	51
56. Central Supplier Database and Municipal Database	52
57. Calculation of the Preferential Point System	53
58. Approval & Commencement	54

1. Preamble

This policy reflects and represents the context of a specific government policy, that finds expression within the provisions of the Municipal Finance Management Act of 2003 and SCM regulations, read in tandem with other like- legislative prescripts inter alia:-

- The Constitution of the Republic of South Africa Act 108 of 1996.
- The Preferential Procurement Policy Framework Act 5 2000 and its associated regulations.
- The Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003) BBBEEA, and it provides for at least the following :
 - (a) Demand management;
 - (b) Acquisition management (including contract and contract management)
 - (c) Logistics management
 - (d) Disposal management
 - (e) Risk management
 - (f) Performance Management

The Municipal Council of uMfolozi Local Municipality wishes to adopt a Supply Chain Management Policy to provide guidelines and standard procedures to be applied for office bearers, officials and other authorised employees representing the Umfolozi Local Municipality outside the demarcated Municipality area.

Now therefore the Municipal Council of Umfolozi Local Municipality adopts the following Supply Chain Management Policy (SCM).

2. Definitions

In this Supply Chain Management 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-

Accounting Officer means the Municipal Manager appointed in terms of Section 82 of the Local Government: Municipal Structures Act, 1998 (Act no. 117 of 1998) and being the head of administration and Accounting Officer in terms of Section 55 of the Local Government: Municipal Systems Act 2000 (Act no.32 of 2000).

Adjudication points means the points referred to in the Preferential Procurement Regulations, 2001 and the Preferential Procurement section of this policy also referred to as "evaluation points".

Bidder means any person submitting a bid.

Broad-Based Black Economic Empowerment (BBBEE) Act means the Broad-Based Black Economic Empowerment Act, 53 of 2003 and Codes of Good Practice pertaining thereto.

Closing Time means the time and day specified in the bid documents for the receipt of bids.

Competitive Bidding Process means a competitive bidding process referred to in Regulation 12 (1) (d) of the Supply Chain Management Regulations.

Competitive Bid means a bid in terms of a competitive bidding process.

Construction Industry Development Board (CIDB) Act means the Construction Industry Development Board Act, 38 of 2000 and includes the regulations pertaining thereto.

Consultant means a person or entity providing services requiring knowledge based expertise, and includes professional service providers.

Contract means the agreement which is concluded when the Municipality accepts, in writing, a bid or quote submitted by a provider.

Contractor means any person or entity whose bid or quote has been accepted by the Municipality.

Delegated Authority means any person or committee delegated with authority by the Municipality in terms of the provisions of the Municipal Finance Management Act.

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 a written or electronic offer to the Municipality in response to an invitation to submit a quotation.

In the service of the state means:

- (i) a member of any municipal council, any provincial legislature or the National Assembly or the National Council of Provinces;
- (ii) an official of any municipality or municipal entity;
- (iii) 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, 1 of 1999;
- (iv) a member of the board of directors of any municipal entity;
- (v) a member of the accounting authority of any national or provincial public entity; or
- (vi) an employee of Parliament or a provincial legislature

List of accredited prospective providers means the list of accredited prospective providers which a municipality or municipal entity must keep in terms of Regulation 14 of the Supply Chain Management Regulations.

Municipality means uMfolozi Local Municipality.

Municipal Systems Act means the Local Government: Municipal Systems Act 32 of 2000.

Municipal Finance Management Act (MFMA) means the Local Government: Municipal Finance Management Act, 56 of 2003.

Municipal Manager means the Accounting Officer as defined in the Municipal Finance Management Act.

Preferential Procurement Policy Framework Act (PPPFA) means the Preferential Procurement Policy Framework Act, 5 of 2000.

Notice Board means the official notice boards at the municipal offices, libraries and any notice boards at the dedicated directorates.

SARS means the South African Revenue Services.

Supply Chain Management (SCM) Regulation means the Municipal Supply Chain Management Regulations published in Government Gazette 27636 of 30 May 2005.

Tender means 'bid' or 'quotation' in relation to 'Tender Box'

Treasury Guidelines means any guidelines on supply chain management issued by the Minister in terms of section 168 of the MFMA.

The Act means the local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

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

Unsolicited Bid means an offer submitted by any person at its own initiative without having been invited by the Municipality to do so.

Written or verbal quotation means quotations referred to in Section 12(1) (b) of this Policy.

Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include females and words importing persons shall include companies, closed corporations and firms, unless the context clearly indicates otherwise.

All amounts / limits stated in the document shall be deemed to be inclusive of Value Added Tax (VAT).

DRAFT

3. Objectives

The principal objective of the policy is to provide, promote and implement theoretical guidelines, governing processes and procedures within the supply chain management when:

- Procuring goods or services;
- Disposal of goods, assets and immovable property no longer needed;
- Selecting contractors to provide assistance in the provision of municipal services other than that inhere Chapter 8 of the Municipal Systems Act applies; or
- Selecting external mechanism referred to in section 80 (1) (b) of the Municipal System Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.

This in turn provides a framework within which to further and implement the provisions of section 217 of the Constitution and part 1 of Chapter 11 and other applicable provisions of the Act in order to:

- Create and promote consistency with other applicable legislation including PPPFA and BBBEEA.
- Create a common understanding and interpretation of the governments' preferential procurement policy objectives.

4. Application

This policy shall apply to:

- The Mayor.
- The Speaker.
- Executive Committee Members.
- Councillors.
- Municipal Manager.
- Directors.
- Any other official and or representative specifically authorised to represent the Municipality.

DRAFT

CHAPTER 1

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

5. Supply chain management policy

5.1 The uMfolozi Local Municipality resolves in terms of section 111 of the Municipal Finance Management Act, No 56 of 2003, to have and implement a supply chain management policy 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 regulatory framework prescribed in Chapter 2 of 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 SCM 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.

5.2 The municipality may not act otherwise than in accordance with this supply chain management policy when:

- (a) procuring goods and/or services;
- (b) disposing of goods no longer needed;
- (c) selecting 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) in the case of a municipality, selecting external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of

municipal services in circumstances contemplated in section 83 of that Act.

- 5.3 Subparagraphs (1) and (2) of this policy do not apply in the circumstances described in section 110 (2) of the Act except where specifically provided otherwise in this policy.

6. Adoption and Amendment of the SCM Policy

- 6.1 The Accounting Officer must:

- (a) at least annually review the implementation of this policy; and
- (b) when Accounting Officer considers it necessary, submit proposals for the amendment of this policy to the Council.

- 6.2 If the Accounting Officer submits a draft policy or amendment proposal to the council that differs from the model policy, the accounting officer must ensure that such draft policy complies with the Regulations. The accounting officer must report any deviation from the model policy to the National Treasury and the relevant provincial treasury.

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

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

7. Delegation of Supply Chain Management Powers and Duties

- 7.1 The Council hereby delegates such additional powers and duties to the Accounting Officer so as to enable the Accounting Officer:

- (a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of:
 - (i) Chapter 8 or 10 of the Act; and
 - (ii) the supply chain management policy;
- (b) to 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.

7.2. 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) of this policy.

8. Sub-delegations

8.1 An Accounting Officer may in terms of section 79 of the Act sub-delegate any supply chain management powers and duties, including those delegated to the Accounting Officer in terms of regulation but any such sub-delegation must be consistent with Sub-section (2) and section 7.

8.2 The power to make a final award:

- (a) Above R 10 million (VAT inclusive), may not be sub-delegated by an Accounting Officer.
- (b) Above R 2 million (VAT inclusive), but not exceeding R 10 million (VAT inclusive), may be sub-delegated but only to:
 - (i) the Chief Financial Officer
 - (ii) a Senior Manager;
 - (iii) a Bid Adjudication Committee of which the CFO or a Senior Manager is a member.
- (c) Not exceeding R 2 million (VAT inclusive), may be sub-delegated but only to:
 - (i) the Chief Financial Officer
 - (ii) a Senior Manager;
 - (iii) a manager directly accountable to the CFO or Senior Manager; or
 - (iv) a Bid Adjudication Committee.

8.3 An official or Bid Adjudication Committee to which the power to make final awards has been sub-delegated in accordance with sub-regulation(2) must

within five days of the end of each month submit to the Accounting Officer 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;
- (c) The reason why the award was made to that person
- (d) Written report referred to in sub-regulation (3) must be submitted:
 - (i) to the accounting officer, in case of an award by:
 - (aa) the Chief Financial Officer;
 - (ab) a Senior Manager;
 - (ac) a bid adjudication committee of which the Chief Financial Officer or a Senior Manager is a member; or
 - (ii) to the Chief Financial Officer or a Senior Manager responsible for the relevant for the relevant bid, in case of an award by:
 - (aa) a manager referred to in sub-regulation (2) (c) (iii); or
 - (ab) a Bid Adjudication Committee of which the Chief Financial Officer or a Senior Manager is not a member.

8.4 Sub-regulations (3) and (4) do not apply to procurements out of petty cash.

8.5 This regulation may not be interpreted 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 regulation 26.

8.6 No decision-making in terms of any supply chain management powers and duties may be delegated to an advisor or consultant.

9. Oversight role of Council of Municipality

9.1 The Council of the Municipality must maintain oversight over the implementation of its supply chain management policy.

9.2 For the purposes of such oversight the Accounting Officer must:

- (a) 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 to the council of the municipality, and
 - (b) Whenever there are serious and material problems in the implementation of the supply chain management policy, immediately submit a report to the council of the municipality. 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 of the municipality. The reports of a municipality must be made public in accordance with section 21A of the Municipal Systems Act.
- 9.3 The Accounting Officer will, within 60 days of the end of each financial year, submit to the Provincial Treasury any information concerning supply chain management in such format as the National Treasury and Provincial Treasury may determine.

10. Supply Chain Management Unit

- 11.0 The Accounting Officer must establish a Supply Chain Management unit to implement this Policy.
- 10.2 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.

11. Training of Supply Chain Management Officials

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

CHAPTER 2

SUPPLY CHAIN MANAGEMENT SYSTEM

12. Format of Supply Chain Management System

12.1 This Supply Chain Management Policy provides systems for:

- (a) demand management;
- (b) acquisition management;
- (c) logistics management;
- (d) disposal management;
- (e) risk management; and
- (f) performance management.

Part 1: Demand management

13. System of Demand Management

13.1 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.

13.2 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) Undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.
- (e) include the following demand management considerations:
 - (i) understanding of future and current needs;
 - (ii) requirements are linked to the budget;
 - (iii) specifications are determined;
 - (iv) needs form part of the strategic plan and Integrated Development Plan of the Municipality;
 - (v) analysis of past and current expenditure;
 - (vi) optimum methods to satisfy needs;
 - (vii) frequency of requirements are specified;
 - (viii) calculation of economic order quantity; and
 - (ix) conducting of industry and market analysis.

Part 2: Acquisition management

14. System of Acquisition Management

- 14.1 The Accounting Officer must establish, through operational procedures, an effective system of acquisition management in order to ensure:-
- (a) that goods and services are procured by the municipality in accordance with authorized processes only;
 - (b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
 - (c) that the threshold values for the different procurement processes are complied with;
 - (d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and
 - (e) that any Treasury guidelines on acquisition management are properly taken into account.

14.2 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.

15. Range of Procurement Processes

15.1 Goods and services may only be procured by way of:

- (a) One written quotation, for transaction value from R1 to R2 000;
- (b) Three written quotations for procurement transactions of a value over R2 000 up to R30 000 including VAT;
- (c) Transactions of a value over R30 000 up to R200 000; must be advertised for seven days in the municipal notice board and website.
- (d) a competitive bidding process for:
 - (i) procurement transactions with a value above of R200 000; and
 - (ii) the procurement of long term contracts.

15.2. The Accounting Officer may, in writing:

- (a) lower, but not increase, the different threshold values specified in Sub-section (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.

15.3 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.

16. General preconditions for consideration of written quotations or bids

16.1 A written quotation or bid may not be considered unless the provider who submitted the quotation or bid:

- (a) has furnished that providers':
 - (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 verify any of the documentation referred to in Sub-section (a) above; 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 Sub-section (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.
- (d) has indicated the status of the provider's municipal accounts with Mfolozi Local Municipality, where applicable.

17. Lists of accredited prospective providers

17.1 The Accounting Officer must:

- (a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through written 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) ensure that prospective providers meet the following listing criteria:
 - (i) provider not listed on the List of Restricted Suppliers;
 - (ii) provider not listed in the Register of Tender Defaulters
 - (iii) tax matters of provider are in order
- (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.

17.2 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.

17.3 The list must be compiled per commodity and per type of service.

17.4 Once a list has been compiled per commodity and per type of service, price quotations will be invited from the suppliers in a manner that promotes on-going competition, including on a rotation basis.

17.5 The inclusion of any supplier in the database of suppliers does not exempt the supplier from the obligation to respond in the prescribed manner to notices of the municipality's supply chain management requirements.

17.6 Suppliers who wish to be included in the list of accredited suppliers without waiting for the next invitation may approach the Procurement Section for inclusion, provided that they supply the necessary documentation and information for evaluation. Once these requirements have been satisfied, the Procurement Section will ensure that the prospective supplier is evaluated and will provide a response as to approval or not within a reasonable time.

18. Written or verbal quotations

18.1 The conditions for the procurement of goods by means of written quotations for minor items with a value up to R2 000, are as follows:

- (a) verbal quotations must be obtained from at least one prospective supplier or service provider preferably from, but not limited to, suppliers or service 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 Section 17(1) (b), (c) and (d) of this Policy;

- (b) when using the list of accredited prospective providers the Accounting Officer must promote on-going competition amongst providers by inviting providers to submit quotations on a rotation basis if and when possible;
- (c) if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider; and
- (d) no orders may be placed based on verbal price quotations only.

18.2 The conditions for the procurement of goods or services for a value over R2 000 up to R30 000, through written quotations are as follows:

- (a) Written 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 Section 17(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 or his/her appointee/ an official designated must record the names of the potential providers requested to provide such quotations with their quoted prices; and

18.3 Quotations must:

- (a) be signed by a person with the necessary authority to act on behalf of the prospective supplier;
- (b) comply with the specifications set out in the quotation notice;
- (c) be marked for identification in relation to the particular quotation.

18.4 Re-imburements to personnel are subject to emergency situations only, and have to be authorized by the relevant Head of the Department as well as the Chief Financial Officer. (is this not supposed to be addressed through petty cash?)

19. Formal written price quotation

19.1 A supply chain management policy must stipulate the conditions for the procurement of goods or services through formal written price quotations, which must include conditions stating –

- (a) that 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) that quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria in the supply chain management policy required by regulation 14(1)(b) and (c);
- (c) That 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) That the accounting officer must record the names of the potential providers and their written quotations; and a designated official referred to in sub-regulation (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 sub-regulation.

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

20.1 A supply chain management policy must determine the procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations, and must stipulate:

- (a) that 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 regulation 17, be advertised for at least seven days on the website and an official notice board of the of the municipality or municipal entity;
- (b) that 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;
- (c) that the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through written or verbal quotations or formal written price quotations is not abused;
- (d) that 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 quotations accepted by an official acting in terms of a sub-delegation; and

- (e) requirements for proper record keeping.

NB. In terms of government gazette 34350 anything above R30 000 – R50 000 000 the 80:20 formula must be used therefore such requirement must be included here.

- 20.2 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;
- 20.3 offers below R30 000 must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;
- 20.4 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;
- 20.5 requirements for proper record keeping such as:
- (a) filing of documents for audit purposes;
 - (b) ensure the correctness of documents;
 - (c) before awards proper checking of documents must be done.
- 20.6 Notwithstanding the above requirements for consideration, quotations not to specification may not be accepted
- 20.7 Only quotations complying with the specifications will be considered to be accepted, provided that there are sufficient funds within the appropriate budget.
- 20.8 Where no quotation complies with the specification, as determined by the Head of the Department, the SCM Manager may re-invite quotations.

21. Competitive Bids

- 21.1 Goods or services above a transaction value of R200 000 and long term contracts may only be procured through a competitive bidding process, subject to Paragraph 14(2) of this Policy.
- 21.2 The bid documentation will be prepared by the SCM Manager in consultation with the relevant directorate and displayed on notice boards, placed on the

council's website, and advertised in commonly circulated local and/or provincial newspapers with a closing date of at least 14 days after the date that the advertisement first appears.

- 21.3 No requirement for goods or services above an estimated transaction value of R200 000, 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.

22. Competitive Bidding Process

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

- (a) Compilation of bidding documentation as detailed in Section 24;
- (b) Public invitation of bids as detailed in Section 25;
- (c) Site meetings or briefing sessions as detailed in Section 25;
- (d) Handling of bids submitted in response to public invitation as detailed in Section 23;
- (e) Evaluation of bids as detailed in Section 31;
- (f) award of contracts as detailed in Section 32;
- (g) Administration of contracts; after approval of a bid, the Accounting Officer and the bidder must enter into a written agreement.
- (h) Proper record keeping; Original / legal copies of written contract agreements should be kept in a secure place for reference purposes.

23. Bid documentation for competitive bids

23.1 The criteria with which bid documentation for a competitive bidding process must comply, must:

- (a) Take into account:
 - (i) The general conditions of contract and any special conditions of contract, if specified;
 - (ii) Any Treasury guidelines on bid documentation; and

- (iii) The requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
- (b) Include the preference points system to be used, goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;
- (c) Include the compulsory submission of B-BBEE status level verification certificates or certified copies thereof;
- (d) Include evaluation and adjudication criteria, including any criteria required by other applicable legislation
- (e) Include evaluation criteria for measuring of functionality (where applicable)
- (f) Include conditions for sub-contracting according to applicable legislation
- (g) Ensure that a due diligence process is conducted to determine whether the preferred bidders have the capability and ability to execute the contract.
- (h) Compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- (i) If the value of the transaction is expected to exceed R10 million (VAT inclusive), 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;

(What should organisation/companies that are not expected have audited statements submit?)
 - (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 is expected to be transferred out of the Republic; and
- (j) 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;
- (k) A requirement to supply tax references, tax clearance certificates, VAT registration numbers and identification or registration numbers;
- (l) Details of any contracts above R200 000 carried out on behalf of the municipality within the last five years;
- (m) Contract management processes and procedures including provision for the Accounting Officer to cancel the contract on the grounds of unsatisfactory performance;
- (n) Any other matters as required by the MFMA and the Supply Chain Management Regulations.

24. Public invitation for competitive bids

24.1 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, 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 Sub-section (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.

24.2 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.

24.3 Bids submitted must be sealed.

24.4 Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

25. Procedure for handling, opening and recording of bids

25.1 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 Sub-section (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.

25.2 For a bid to be considered it must comply with all the requirements of the bid documentation and be placed in the official tender box located at the SCM section in Kwambonambi - uMfolozi Municipal Offices.

- 25.3 The Municipality charges a non-refundable fee for provision of bid documents. This is subject to annual review. Values of the fees will be determined annually and included in the official lists of tariffs.
- 25.4 Bid documents must be made available on Council's Website for free as far as possible.
- 25.5 The Supply Chain Manager will ensure that tender boxes are sealed until the time of their official opening, and ensure that they are properly secured.
- 25.6 At the advertised time, the tender box will be unlocked by officials from the SCM Unit.
- 25.7 A Supply Chain Management practitioner will open bid documents in the presence of bidders or other interested parties.
- 25.8 The tender box may be opened without any members of public being present provided that the appropriate procedure for advertising the time and venue has been followed.
- 25.9 Unmarked or incorrectly marked tenders will not be opened
- 25.10 The names and total bid amounts will be read out and recorded in the tender register, which will be available for public inspection on request.
- 25.11 A copy of the record must be kept in the office of the SCM Manager and a complete schedule provided as soon as is practical.
- 25.12 Bid results will be published on the municipality's website.

26. Negotiations with preferred bidders

- 26.1 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.
- 26.2 Minutes of such negotiations must be kept for record purposes.

27. Two-stage bidding process

27.1 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.

27.2 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.

27.3 In the second stage final technical proposals and priced bids should be invited.

28. Committee system for competitive bids

28.1 The Accounting Officer is required to establish a committee system for competitive bids of at least a

- (a) a bid specification committee;
- (b) a bid evaluation committee; and
- (c) a Bid Adjudication Committee.

28.2 The Accounting Officer appoints the members of each committee, taking into account Section 117 of the Act.

28.3 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.

28.4 The committee system must be consistent with –

- (a) Section 30, 31 and 32 of this Policy; and
- (b) any other applicable legislation.

28.5 The Accounting Officer may apply the committee system to formal written price quotations.

29. Bid specification committees

29.1 A bid specification committee must compile the specifications for each procurement of goods or services by the municipality.

29.2 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 the South Africa, the International Standards Organisation, or an authority accredited or recognized 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 term of performance required rather than in terms of descriptive characteristics for design;
- (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing, and test methods, packaging, marking or labelling of conformity certification;
- (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the 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 in terms of regulation 22.

29.3 A bid specification committee must be composed of one or more officials of the municipality; preferable the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.

29.4 No person, advisor or Corporate entity involved with the bid specification committee, or directors of such a corporate entity, may bid for any resulting contracts

30. Bid evaluation committees

30.1 The 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 Section 30(2) (f);
- (b) Evaluate each bidder's ability to execute the contract;
- (c) Check in respect of the each bidder whether municipal rates and taxes and municipal service charges are not in arrears,
- (d) Check in respect of each bidder that their tax matters are in order and;
- (e) May use the following remedies where a bidder does not comply to any or certain requirements:
 - (i) disqualify bidders from the bidding process;
 - (ii) recover all costs, losses or damages the municipality has suffered from the bidder's non-compliance;
 - (iii) claim any damages as a result of having to make less favourable arrangements
- (f) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

30.2 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,
- (c) Technical experts, consultants or advisors, provided that these experts can only actively contribute to discussions, and not vote on the items
- (d) The quorum for each meeting of the Bid Evaluation Committee is 50 % of the members plus one, provided that one is a senior supply chain management practitioner.
- (e) Attendance of the relevant project manager is compulsory'
- (f) Members of the bid evaluation committees may not serve on any adjudication committee that adjudicates on any of the items that has been considered at a bid evaluation committee.
- (g) Notwithstanding the above requirements for consideration, bids not according to specification may not be accepted and the evaluation committee may recommend that new tenders be called if necessary.

31. Bid Adjudication Committees

31.1 The Bid Adjudication Committee must:

- (a) consider the report and recommendations of the bid evaluation committee; and
- (b) Either:
 - (i) depending on its delegations, make a final award or a recommendation to the Accounting Officer to make the final award; or
 - (ii) make another recommendation to the Accounting Officer how to proceed with the relevant procurement.

31.2 The 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.

31.3 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.

31.4 The quorum for each meeting of the Bid Adjudication Committee is 50 % of the members plus one.

31.5 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.

31.6 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:

- (a) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears,

- (b) check in respect of the preferred bidder whether the bidder's taxation matters are in order,
- (c) notify the Accounting Officer.

31.7 The Accounting Officer may:

- (a) 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
- (b) if the decision of the Bid Adjudication Committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.

31.8 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.

31.9 The Accounting Officer must comply with Section 114 of the Act within 10 working days.

32. Procurement of banking services

32.1 A contract for banking services

- (a) must be procured through competitive bids;
- (b) must be consistent with Section 7 of the Act; and
- (c) may not be for a period of more than five years at a time.

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

32.3 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 Section 25(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

33. Procurement of IT related goods or services

33.1 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.

- 33.2 Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.
- 33.3 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 inclusive); or
 - (b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT inclusive).
- 33.4 SITA may comment on the procurement needs submitted per Sub-section (3)
- 33.5 If the municipality disagrees with comments made by SITA, the comments and the reasons for rejecting or not following such comments must be submitted to the Council, the National Treasury, the Provincial Treasury and the Auditor-General.

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

- 34.1 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.

35. Procurement of goods necessitating special safety arrangements

- 35.1 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.

35.2 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.

36. Proudly SA Campaign

36.1 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:

- (a) suppliers and businesses within the municipality area or district;
- (b) suppliers and businesses within the relevant province;
- (c) suppliers and businesses within the Republic of South Africa.

37. Appointment of Consultants

37.1 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.

37.2 Consultancy services must be procured through competitive bids if:

- (a) the value of the contract exceeds R200 000; or
- (b) the duration period of the contract exceeds one year.

37.3 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.

37.4 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.

37.5 The appointment of advisors must also follow the same competitive bidding process as set out in this Policy.

37.6 No advisor will take any part in the final decision-making process regarding the award of bids.

37.7 No decision-making authority may be delegated to an advisor.

38. Deviation from, and ratification of minor breaches of, procurement processes

38.1 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 which is considered an unforeseeable and sudden event with materially harmful or potentially materially harmful consequences for the municipality which requires urgent action to address.
 - (ii) where it can be demonstrated that 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.
- (c) may condone any irregular expenditure incurred in contravention of, or that is not in accordance with a requirement of this Policy, provided that such condemnation and the reasons therefore shall be reported to Council at the next ensuing meeting.

38.2 The Accounting Officer must record the reasons for any deviations in terms of Sub-sections (1) (a) and (b) of this policy and report them to the next meeting of Council and include as a note to the annual financial statements.

38.3 Sub-section (2) does not apply to the procurement of goods and services contemplated in Section 14(2) of this policy.

39. Unsolicited Bids

- 39.1 In accordance with Section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.
- 39.2 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.
- 39.3 If the Accounting Officer decides to consider an unsolicited bid that complies with Sub-section (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.
- 39.4 The Accounting Officer must submit all written comments received pursuant to Sub-section (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.
- 39.5 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.
- 39.6 A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- 39.7 When considering the matter, the adjudication committee must take into:
- (a) any comments submitted by the public; and

- (b) any written comments and recommendations of the National Treasury or the Provincial Treasury.

39.8 If any recommendations of the National Treasury or Provincial Treasury are rejected or not followed, the Accounting Officer must submit to the Auditor-General, the Provincial Treasury and the National Treasury the reasons for rejecting or not following those recommendations. 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.

40. Combating of abuse of SCM system

40.1 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 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).
- (h) No person placing a procurement requisition for goods or Services shall knowingly understate the requirements of the estimated value with the intention of avoiding a more stringent procurement process. This includes the deliberate splitting of requirements to reduce individual order values. Procurement is limited to R200 000 per commodity type per month unless a competitive bidding process has been undertaken. The Municipal Manager shall promptly institute disciplinary action against any person infringing this requirement.
- (i) No official shall engage in contact with a prospective supplier in respect of a quotation or tender which the supplier intends to submit except where clarification of requirements is required from either party, or where the Accounting Officer may negotiate with identified preferred bidders. Any such communication must be recorded and appropriately filed with the bid documentation.

40.2 The Accounting Officer must inform the National Treasury and relevant Provincial Treasury in writing of any actions taken in terms of Sub-sections (1) (b) (ii), (e)(f) or 2 of this policy.

Part 3: Logistics, Disposal, Risk and Performance Management

41. Logistics Management

41.1 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.
- (h) monitoring and review of the distribution of items,
- (i) monitoring and review of losses and surpluses.

42. Disposal Management

42.1 The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets will be subject to Sections 14 of the Act, and asset transfer regulations;

42.2 Assets may be disposed of by:

- (a) Transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
- (b) Transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
- (c) Selling the asset; or
- (d) Destroying the asset

42.3 The Accounting Officer must ensure that –

- (a) 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 reviewed annually;
- (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.

43. Risk Management

43.1 The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, must be identified.

43.2 Risk management must include:

- (a) The identification of risks on a case-by-case basis;
- (b) The allocation of risks to the party best suited to 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.

43.3 The Accounting Officer must ensure that risks are identified utilizing the following methods –

- (a) Focus group sessions;
- (b) Personal interviews;
- (c) Questionnaires;
- (d) Audit reports analysis;
- (e) Statistical analysis of related risk data;
- (f) Trend analysis;
- (g) Scenario analysis; and
- (h) Forecasting methodologies.

43.4 The Accounting Officer must ensure that a risk register is implemented consisting of the following–

- (a) Each risks identified with a unique number;
- (b) Description of the risk;
- (c) Assessment of occurrence or likelihood and its impact if it does;
- (d) Grading of risk;
- (e) Responsibility for managing the risk; and
- (f) Proposed mitigation processes.

43.5 The Accounting Officer must ensure that all risks are assessed and indicating the magnitude of the risk as well as the probability of occurrence;

43.6 The Accounting Officer must ensure that a risk strategy is implemented which may include the following:

- (a) avoiding the risk by eliminating the action;

- (b) treating the risk, how the risk can be prevented and if it were to occur how the impact can be minimized;
- (c) transfer or outsource the risk;
- (d) tolerate the risk.

43.7 The Accounting Officer must ensure that all risk related matters are reported and that a communication plan which may consist of the following is implemented:

- (a) responsibility for the communication;
- (b) frequency of communication;
- (c) format of communication;
- (d) record of communication.

44. Performance Management

44.1 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;

44.2 The Accounting Officer must ensure that the following issues are reported on a quarterly basis:

- (a) Achievement of preferential procurement goals and objectives;
- (b) Implementation of the supply chain management policy of the municipality;
- (c) Compliance to SCM norms and standards such as the municipal supply chain management regulations, National Treasury's model policy, standard bid documents and the general conditions of contract;
- (d) Savings generated, amongst others, by arranging contracts for the purpose of developing economies of scale;
- (e) Stores efficiency, (the proper layout of stores through clear bin locations and bin numbering, promptly satisfying the user's requirements, etc.)
- (f) Contract breach either by the municipality or contractors;
- (g) Cost efficiency of the procurement process;
- (h) That the supply chain objectives are consistent with Government's broader policy focus on trade, small business development, anti-corruption measures and the proudly South African.

Part 4: Other matters

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

- 45.1 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.
- 45.2 Before making an award to a person the Accounting Officer must first check with SARS whether that person's tax matters are in order.
- 45.3 If SARS does not respond within seven days such person's tax matters may for purpose of sub regulation (1) be presumed to be in order.

46. Prohibition on awards to persons in the service of the state

- 46.1 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:
 - (i) a member of any municipal council, any provincial legislature or the National Assembly or the National Council of Provinces;
 - (ii) an official of any municipality;
 - (iii) 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);
 - (iv) a member of the board of directors of municipal entity;
 - (v) a member of the accounting authority of any national or provincial public entity;
 - (c) a person who is an advisor or consultant contracted with the municipality.

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

47.1 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.

DRAFT

48. Ethical standards

- 48.1 All officials involved in supply chain management for the municipality must comply with the Code of Conduct prescribed in the Municipal Systems Act, the Supply Chain Management Framework and the Code of Conduct for Supply Chain Management role players as prescribed.
- 48.2 A code of ethical standards is hereby established for officials and other role players in the Supply Chain Management System in order to promote:
- (a) mutual trust and respect; and
 - (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.
- 48.3 An official or other role player involved in the implementation of the Supply Chain Management Policy:
- (a) must treat all providers and potential providers equitably;
 - (d) may not use his or her position for private gain or to improperly benefit another person;
 - (c) may not accept any rewards, gift, favour, hospitality or other benefit directly, including to any close family member, partner or associate of that person, of a value more than R350;
 - (d) notwithstanding Sub-section 48(2)(c), must declare to the Accounting Officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
 - (e) must declare to the Accounting Officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the Municipality;
 - (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
 - (g) must be scrupulous in his or her use of property belonging to the Municipality;
 - (h) must assist the Accounting Officer in combination fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and

- (i) must report to the Accounting Officer any 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 section 49(1) of this Policy; or
 - (iii) any alleged breach of this of this code of ethical standards.
- (j) Declarations in terms of Sub-sections 49 (2) (d) and (e)
 - (i) must be recorded in a register which the Accounting Officer must keep for this purpose;
 - (ii) by the Accounting Officer must be made to the Mayor of the Municipality who must ensure that such declarations are recorded in the register.
- (k) The National Treasury Code of Conduct must also be taken into account by supply chain management practitioners and other role players involved in supply chain management.
- (l) The National Treasury Code of Conduct for Supply Management Practitioners, attached as Annexure A, is adopted by the Municipality and shall apply mutatis mutandis to and be binding on supply chain management of the Municipality.
- (m) A breach of the code of conduct adopted by the Municipality must be dealt with in accordance with Schedule 1 (code of Conduct for Councillors) and Schedule 2 (Code of Conduct for Municipal Staff Members) of the Municipal Systems Act, No 32 of 2000.

49. Inducements, rewards, gifts and favours to municipalities, officials and other role players

49.1 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.

49.2 The Accounting Officer must promptly report any alleged contravention of Sub-section (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.

49.3 Sub-section (1) does not apply to gifts less than R350 in value.

50. Sponsorships

50.1 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.

51. Objections and complaints

51.1 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.

52. Resolution of disputes, objections, complaints and queries

52.1 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 decisions or actions or any matters arising from such contract.

- (c) Suppliers must provide details of the reasons for their appeal including any non-compliance with this Policy, the MFMA and related legislation. The Accounting Officer shall provide written acknowledgement of the receipt of appeals to the appellant;
 - (d) If the appeal is based on a technically complex matter, the Accounting Officer may engage an impartial external advisor, provided that their engagement is compliant with this Policy and sufficient budgetary provision exists. The Accounting Officer is not bound by any opinion provided.
 - (e) The Accounting Officer will decide if an appeal constitutes sufficient grounds for delay of procurement from the approved supplier, and if a delay is practical. If the Accounting Officer determines there are grounds for delay, the approved supplier will be advised in writing of the reasons for the delay.
 - (f) When a ruling on an appeal has been made, the Accounting Officer will advise the appellant in writing of the outcome.
- 52.2 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.
- 52.3 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.
- 52.4 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.
- 52.5 The Provincial Treasury may refer the query to the National Treasury for resolution.
- 52.6 This Policy must not be read as affecting a person's rights to approach a court at any time.

53. Appeals

- 53.1 A person whose rights are affected by a decision taken to award a tender by a municipality in terms of a power or duty delegated or sub-delegated by a delegating authority may appeal against that decision by giving written notice of the appeal and reasons to the Accounting Officer within 21 days of the date of the notification of the decision.
- 53.2 When the appeal is against a decision taken by a staff member or committee other than the Accounting Officer, the Accounting Officer must consider the appeal or refer it to the appeal authority when appropriate;
- 53.3 The Accounting Officer must promptly submit the appeal to the appropriate appeal authority.
- 53.4 The appeal authority must consider the appeal, and confirm, vary or revoke the decision, but no such variation or revocation of a decision may detract from any rights that may have accrued as a result of the decision.
- 53.7 An appeal authority must commence with an appeal within six weeks and decide the appeal within a reasonable period.
- 53.6 This Policy must not be read as affecting a person's rights to approach a court at any time.

54. Contract Management

- 54.1 The Accounting Officer must ensure that all bids and contracts are subject to the General Conditions of Contract and any Special Conditions of Contract, if specified;
- 54.2 All contracts must be based on the General Conditions of Contract, issued by the National Treasury. Any aspect not covered by the General Conditions of Contract must be dealt with in the Special Contract Conditions;
- 54.3 Matters such as attendance of compulsory site meetings, briefing sessions and special delivery conditions must be covered in the Special Conditions of Contract with the proviso that the standard wording of the General Conditions of Contract should not be amended;
- 54.4 The General Conditions of Contract, International Federation of Consulting Engineers (FIDIC) regulations and the Joint Building Contracts Committee (JBCC) guidelines issued by the Construction Industry Development Board are utilized in cases of bids related to the construction industry;

- 54.5 Where the Special Conditions of Contract is in conflict with the General Conditions of Contract, the Special Conditions of Contract will prevail;
- 54.6 These conditions must form an integral part of the bidding documents.
- 54.7 Contracts will be implemented in terms of the requirements of Section 116 of the Act and Council's Contract Management Policy.
- 54.8 Amendments, expansion, variation of contracts are also allowed in terms of Section 116 of the Act and & National Treasury Circular 62.

55. Contracts providing for compensation based on turnover

- 55.1 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.

56. Central Supplier Database and Municipal Database

56.1 The Central Supplier Database (CSD) is a single database that will serve as the source of all supplier information for organs of state.

The Central Supplier Database maintains a database of organisations, institutions and individuals who can provide goods and services to government. Prospective suppliers interested in pursuing opportunities within the South African government are encouraged to self-register on the Central Supplier Database

56.2 All prospective suppliers interested in pursuing opportunities with uMfolozi Municipality must register with municipal database.

57. Calculation of the Preferential Point System

The 80/20 or 90/10 Preference Point System

Preference point systems

(a) The 80/20 preference point system is applicable to bids* with a Rand value equal to, or above R30 000 and up to a Rand value of R50 million (all applicable taxes included). Institutions may apply the 80/20 preference point system to price quotations with a value less than R30 000 if and when appropriate.

(b) The 90/10 preference point system is applicable to bids with a Rand value above R50 million (all applicable taxes included).

Calculation of points for price

The PPPFA prescribes that the lowest acceptable bid will score 80 or 90 points for price. Bidders that quoted higher prices will score lower points for price on a pro-rata basis.

The formulae to be utilised in calculating points scored for price are as follows:

80/20 Preference point system [(for acquisition of services, works or goods up to a Rand value of R50 million) (all applicable taxes included)]

$$Ps = 80(1 - \frac{Pt - Pmin}{Pmax - Pmin})$$

Pmin

Where

Ps = Points scored for comparative price of bid or offer under consideration

Pt = Comparative price of bid or offer under consideration

Pmin = Comparative price of lowest acceptable bid or offer.

Preference point system [(for acquisition of services, works or goods with a Rand value above R50 million) (all applicable taxes included)]

$$Ps = 90(1 - \frac{Pt - Pmin}{Pmax - Pmin})$$

Pmin

Where

Ps = Points scored for comparative price of bid or offer under consideration

Pt = Comparative price of bid or offer under consideration

P_{min} = Comparative price of lowest acceptable bid or offer.

Points scored must be rounded off to the nearest 2 decimal places.

Calculation of points for B-BBEE status level of contributor

Points must be awarded to a bidder for attaining the B-BBEE status level of contribution in accordance with the table below:

B-BBEE Status Level of Contributor	Number of points (80/20 system)	Number of points (90/10 system)
1	20	10
2	18	9
3	14	6
4	12	5
5	8	4
6	6	3
7	4	2
8	2	1
Non-compliant contributor	0	0

A bid must not be disqualified from the bidding process if the bidder does not submit a certificate substantiating the B-BBEE status level of contribution or is a non-compliant contributor. Such a bidder will score zero (0) out of a maximum of 10 or 20 points respectively for B-BBEE.

Calculation of total points scored for price and B-BBEE status level of contribution

The points scored for price must be added to the points scored for B-BBEE status level of contribution to obtain the bidder's total points scored out of 100.

EVALUATION OF BIDS THAT SCORED EQUAL POINTS

In the event that two or more bids have scored equal total points, the successful bid must be the one that scored the highest points for B-BBEE.

If two or more bids have equal points, including equal preference points for

BBBEE, the successful bid must be the one scoring the highest score for functionality, if functionality is part of the evaluation process.

In the event that two or more bids are equal in all respects, the award must be decided by the drawing of lots.

58. Approval and Commencement

This Supply Chain Management Policy applicable at uMfolozi Local Municipality was approved by Council on ___ ____2018 must be reviewed and implemented with effect from 1 July 2018.

This policy was adopted by the Municipal Council on per Resolution Number:

MAYOR

MUNICIPAL MANAGER

