

# SUPPLY CHAIN MANAGEMENT POLICY

## Maluti a Phofung Water (Pty) Ltd

### CONTENTS

1. Pre Amble .....	3
<b>CHAPTER 1: IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY .....</b>	<b>7</b>
2. Supply Chain Management Policy.....	7
3. Supply Chain Management Policy Amendment .....	7
4. Delegation of Supply Chain Management Powers and Duties .....	8
5. Sub-Delegations .....	8
6. Oversight Role.....	9
7. Supply Chain Management Unit .....	10
8. Training of Supply Chain Management Officials.....	11
<b>CHAPTER 2: SUPPLY CHAIN MANAGEMENT SYSTEM.....</b>	<b>11</b>
9. Format of supply chain management system.....	11
10. System of Demand Management .....	11
11. System of Acquisition Management .....	11
12. Range of Procurement Processes .....	12
13. General Preconditions for Consideration of Written Quotations or Bids .....	12
14. List of Accredited Prospective Providers: Supplier Database .....	13
15. Petty Cash Purchases .....	13
16. Written Quotations .....	13
17. Formal Written Price Quotations (Proposals).....	14
18. Procedures for Procuring Goods or Services .....	15
19. Competitive Bids .....	15
20. Process for Competitive Bidding .....	15
21. Bid Documentation for Competitive Bids.....	15
22. Public Invitation for Competitive Bids.....	16
23. Procedure for Handling, Opening and Recording of Bids.....	17
24. Negotiations with Preferred Bidders.....	17
25. Two-Stage Bidding Process .....	17
26. Committee System for Competitive Bids .....	18
27. Bid Specification Committees .....	18
28. Bid Evaluation Committees.....	19

29. Bid Adjudication Committees .....	19
30. Procurement of Banking Services .....	20
31. Procurement of IT Related Goods or Services .....	20
32. Procurement of Goods and Services under Contracts Secured by other Organs of State .....	20
33. Procurement of Goods necessitating Special Safety Arrangements .....	21
34. Proudly SA Campaign .....	21
35. Appointment of Consultants .....	21
36. Deviation from, and Ratification of Minor Breaches of, Procurement Processes .....	21
37. Unsolicited Bids .....	22
38. Combating of Abuse of Supply Chain Management System .....	22
39. Logistics Management .....	23
40. Disposal Management .....	24
41. Risk Management .....	24
42. Performance Management .....	25
43. Prohibition on Awards to Persons whose Tax Matters are not in Order .....	25
44. Prohibition on Awards to Persons in the Service of the State .....	25
45. Awards to Close Family Members of Persons in the Service of the State .....	25
46. Ethical Standards .....	25
47. Inducements, Rewards, Gifts and Favours to Municipal Entities, Officials and Other Role Players .....	26
48. Sponsorships .....	27
49. Objections and Complaints .....	27
50. Resolution of Disputes, Objections, Complaints and Queries .....	27
51. Contracts Providing for Compensation Based on Turnover .....	28
52. Commencement .....	28
53. Approval .....	28

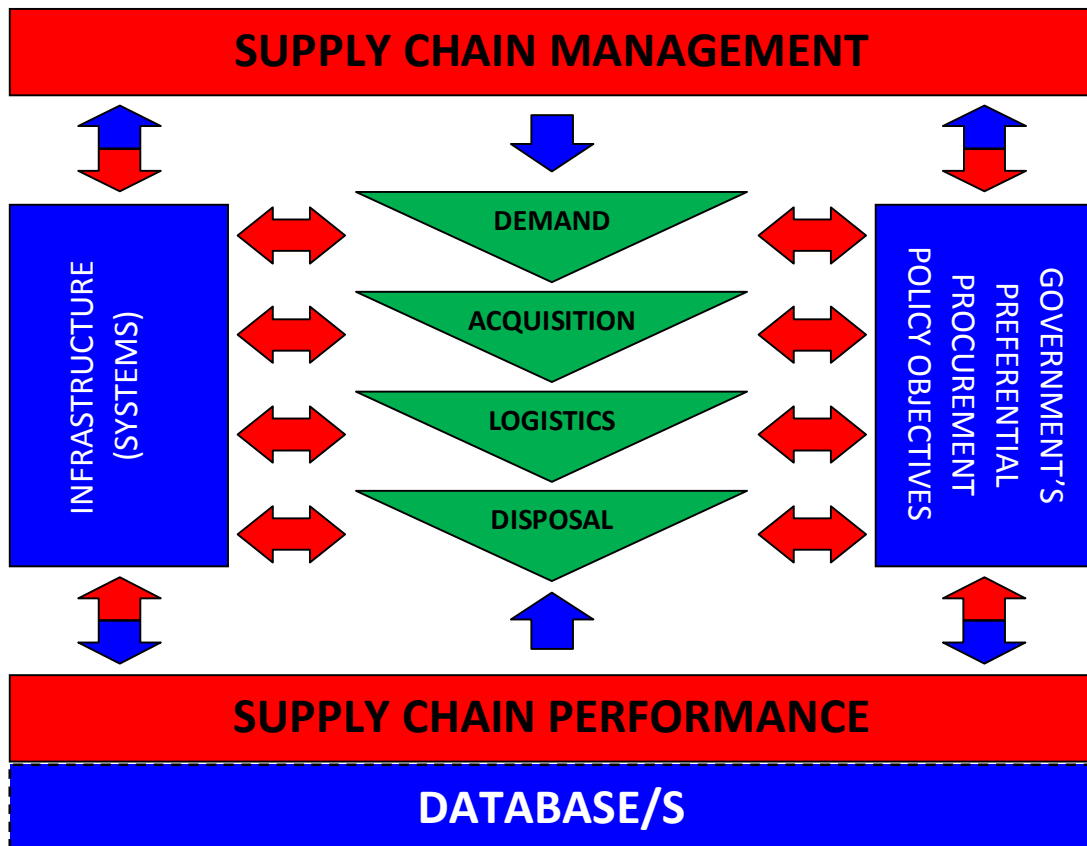
## 1. Pre Amble

1.1 The objectives of this Policy are:

- (a) To give effect to section 217 of the Constitution of the Republic of South Africa.
- (b) To implement a policy that is fair, equitable, transparent, competitive and cost effective.
- (c) To comply with all applicable provisions of the Municipal Finance Management Act, Act 56 of 2003 (MFMA) as amended.
- (d) To ensure consistency with all other applicable legislation, including:
  - i. the Preferential Procurement Policy Framework Act, Act 5 of 2000 (PPPFA)
  - ii. the Broad-Based Black Economic Empowerment Act, Act 53 of 2003 (BBBEEA)
  - iii. the Construction Industry Development Board Act, Act 38 of 2000 (CIDBA)
  - iv. the Local Government : Municipal Systems Act, Act 32 of 2000 (MSA)
  - v. the Promotion of Administrative Justice Act, Act 3 of 2000 (PoAJA)
  - vi. the Preferential Procurement Regulations, 2001 (PPR)
  - vii. the Municipal Supply Chain Management Regulations, 30 May 2005 (MSCMR).
- (e) This policy strives to ensure that the objectives for uniformity in supply chain management systems between organs of state in all spheres, is not undermined and that consistency with national economic policy on the promotion of investments and doing business with the public sector is maintained.

1.2 Supply Chain Management Framework

- (a) **Demand Management** – refer to paragraph 10.
- (b) **Acquisition Management** – refer to paragraphs 11 to 38.
- (c) **Logistics Management** – refer to paragraph 39.
- (d) **Disposal Management** – refer to paragraph 40.



### 1.3 Definitions

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

<b>WORD / EXPRESSION</b>	<b>: MEANING</b>
<b>Accounting Officer</b>	: The chief executive officer of a Municipal Entity appointed in terms of section 93J of the Municipal Systems Act is the Accounting Officer of the entity
<b>BBBEE</b>	: The economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies. Refer to the Broad-Based Black Economic Empowerment Act, Act 53 of 2003 for further classification.
<b>Bid</b>	: A written offer/bid in a prescribed or stipulated form in response to an invitation by an organ of state for the provision of services or goods
<b>Bidder</b>	: Any person submitting a bid
<b>Chief Executive Officer</b>	: A person appointed by MAP water as the Chief Executive Officer for the Municipal Entity
<b>Chief Financial Officer</b>	: A person appointed by MAP water as the Chief Financial Officer for the Municipal Entity
<b>Competitive Bidding Process</b>	: A competitive bidding process referred to in paragraph 20 of this Policy
<b>Competitive Bid</b>	: A bid in terms of a competitive bidding process
<b>Consortium or Joint Venture</b>	: An association of persons for the purpose of combining their expertise, property, capital, efforts, skills and knowledge in an activity for the execution of a contract
<b>Contract</b>	: An agreement that results from the acceptance of a bid by the Municipal Entity and awarded to the successful bidder
<b>Contractor</b>	: A person or body of persons who undertakes to execute and complete constructions works
<b>Day(s)</b>	: calendar days unless the context indicates otherwise
<b>Final Award</b>	: In relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept
<b>Formal Written Price Quotation</b>	: Quotations referred to in paragraph 17 of this Policy
<b>Fruitless and Wasteful Expenditure</b>	: Expenditure that was made in vain and would have been avoided had reasonable care been exercised
<b>In the Service of the State</b>	: To be: (a) a member of: (i) any municipal council (ii) any provincial legislature (iii) the National Assembly or the National Council of Provinces (b) a member of the board of directors of any Municipal Entity (c) an official of any municipality or Municipal Entity (d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999) (e) a member of the accounting authority of any national or provincial public entity (f) an employee of Parliament or a provincial legislature

<b>WORD / EXPRESSION</b>	<b>: MEANING</b>
<b>Irregular Expenditure</b>	: in relation to the Municipal Entity, means: (a) expenditure incurred by the Municipal Entity in contravention of, or that is not in accordance with, a requirement of the MFMA, and which has not been condoned in terms of section 170 thereof (b) expenditure incurred by the Municipal Entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act (c) expenditure incurred by the Municipal Entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the Municipal Entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law
<b>Long Term Contract</b>	: A contract with a duration period exceeding one year
<b>List of Accredited Prospective Providers</b>	: The list of accredited prospective providers which the Municipal Entity must keep in terms of paragraph 14 of this policy
<b>Municipal Council</b>	: Referred to in section 157(1) of the Constitution, 1996, and "council" shall have a corresponding meaning
<b>Municipal Entity</b>	: An entity as defined in the Municipal Systems Act
<b>Organ of State</b>	: As defined in section 239 of the Constitution
<b>Other Applicable Legislation</b>	: any other legislation applicable to municipal supply chain management, including: (a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) (b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003) (c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000)
<b>Petty Cash</b>	: A small amount of cash kept on hand for incidental purchases of low value goods and services (i.e. postage, office suppliers, reimbursement out-of-pocket expenditures), which cannot be accommodated through other purchasing procedures. Petty cash may not be used for payroll payments, inventory, capital goods, entertainment expense, travel expenses and other personal obligations made to the Municipal Entity in response to an invitation to submit a quotation
<b>Quotation or Quote</b>	: A written or electronic offer/bid made to the Municipal Entity in response to an invitation to submit a quotation
<b>Service Providers</b>	: (a) "Professional Service Provider" - Any person or body corporate that is under contract to the Employer for the provision of Professional Services. (b) "General Service Provider" - Any person or body that is under contract to the Employer for the provision of any type of service
<b>Small, Medium and Micro Enterprises (SMMEs)</b>	: A separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or subsector of the economy. Refer to the schedule attached to the National Small Business Act, Act 102 of 1996 for enterprise classification
<b>Sponsorship</b>	: Paying for or contributing towards the cost of an event
<b>The Act</b>	: The Municipal Finance Management Act, Act No. 56 of 2003

<b>WORD / EXPRESSION</b>	<b>: MEANING</b>
<b>The Regulations</b>	: The Municipal Finance Management Act, Act No. 56 of 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005
<b>Tender / Tenderer</b>	: A bid or bidder in the context of construction works procurement
<b>Treasury Guidelines</b>	: any guidelines on supply chain management issued by the Minister in terms of section 168 of the Municipal Finance Management Act, Act No. 56 of 2003
<b>Unsolicited Bid</b>	: An offer/bid submitted by any person on his, her or its own initiative without having been invited by the Municipal Entity to do so
<b>Unauthorised Expenditure</b>	: Any expenditure incurred by a municipality otherwise than in accordance with Section 15 or 11(3) of the Act: (a) overspending of the total amount appropriated in the Municipal Entity's approved budget (b) overspending of the total amount appropriated for a vote in approved budget (c) expenditure from a vote unrelated to the functional area covered by the vote (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose; (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any condition of the allocation (f) a grant by the Municipality otherwise than in accordance with the MFMA
<b>Variation Order</b>	: Unforeseen costs pertaining to uncertain circumstances that are part of infrastructure projects
<b>Written Quotations</b>	: Quotations referred to in paragraph 16 of this Policy
<b>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</b>	
<b>All amounts/limits stated in this document shall be deemed to be inclusive of Value Added Tax (VAT)</b>	

## **CHAPTER 1: IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY**

### **2. Supply Chain Management Policy**

- 2.1 All officials and other role players in the supply chain management system of the Municipal Entity must implement this Policy in a way that:
- (a) Gives effect to:
    - i. section 217 of the Constitution
    - ii. part 1 of Chapter 11 and other applicable provisions of the Act.
  - (b) Is fair, equitable, transparent, competitive and cost effective.
  - (c) Complies with:
    - i. the Regulations
    - ii. any minimum norms and standards that may be prescribed in terms of section 168 of the Act.
  - (d) Is consistent with other applicable legislation.
  - (e) Does not undermine the objective for uniformity in supply chain.
  - (f) Management systems between organs of state in all spheres.
  - (g) Is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
- 2.2 The Municipal Entity must, in addition to complying with subparagraph 2.1, apply this Policy, to the extent determined by the parent municipality, in a way that and that is consistent with the supply chain management policy of the parent municipality.
- 2.3 This Policy applies when the Municipal Entity:
- (a) Procures goods or services.
  - (b) Disposes goods no longer needed.
  - (c) Selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies.
- 2.4 This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including:
- (a) Water from the Department of Water Affairs or a public entity, another municipality or a Municipal Entity.
  - (b) Electricity from Eskom or another public entity, another municipality or a Municipal Entity.

### **3. Supply Chain Management Policy Amendment**

- 3.1 The Accounting Officer must:
- (a) At least annually review the implementation of this Policy.
  - (b) When the Accounting Officer considers it necessary, submit proposals for the amendment of this Policy to the board of directors.
- 3.2 If the Accounting Officer submits proposed amendments to the board of directors that differs from the model policy issued by the National Treasury, the Accounting Officer must:
- (a) Ensure that such proposed amendments comply with the Regulations.
  - (b) Report any deviation from the model policy to the National Treasury and the Free State Provincial Treasury.
- 3.3 When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

#### 4. Delegation of Supply Chain Management Powers and Duties

- 4.1 The board of directors hereby delegates all powers and duties to the Accounting Officer which are necessary to enable the Accounting Officer to:
- (a) Discharge the supply chain management responsibilities conferred on Accounting Officers in terms of:
    - i. chapter 10 of the Act
    - ii. this Policy.
  - (b) Maximise administrative and operational efficiency in the implementation of this Policy.
  - (c) Enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy.
  - (d) Comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.
- 4.2 Section 106 of the Act applies to the sub-delegation of powers and duties delegated to an Accounting Officer in terms of subparagraph 3.1.
- 4.3 The Accounting Officer may not sub-delegate any supply chain management powers or duties to a person who is not an official of Municipal Entity or to a committee which is not exclusively composed of officials of the Municipal Entity.
- 4.4 This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

#### 5. Sub-Delegations

- 5.1 The Accounting Officer may in terms of section 106 of the Act sub-delegate any supply chain management powers and duties, including those delegated to the Accounting Officer in terms of this Policy, but any such sub-delegation must be consistent with paragraph 5.2 and paragraph 4 of this Policy.
- 5.2 The power to make a final award for a quotation / bid:
- (a) With a transaction value **not exceeding R 2 000.00** (VAT inclusive), delegated to:
    - i. the Accountant
- 5.3 The power to make a final award for a quotation / bid:
- (b) With a transaction value **not exceeding R 30 000.00** (VAT inclusive), delegated to:
    - i. the Superintendent: Network Maintenance
    - ii. the Superintendent: Plant Operations
    - iii. the Superintendent: Bulk
  - (c) With a transaction value **not exceeding R 100 000.00** (VAT inclusive), delegated to:
    - i. the Communications Manager
    - ii. the Manager: Operations.
    - iii. the Head: Technical Support
    - iv. the Customer Service Manager
    - v. the Human Resource Manager.
    - vi. the Supply Chain Manager
    - vii. the Finance Manager
    - viii. the Maintenance Manager
  - (d) With a transaction value **not exceeding R 120 000.00** (VAT inclusive), delegated to:
    - i. the Executive Manager: Operations
    - ii. the Executive Manager: Corporate Services
    - iii. the Chief Financial Officer.



- (e) With a transaction value **exceeding R 120 000.00** has not been delegated and remains within the power of the Accounting Officer
  - (f) The above sub-delegations are not to be delegated any further.
- 5.4 An official or bid adjudication committee to which the power to make final awards has been sub-delegated in accordance with paragraph 5.2 must within five days of the end of each month submit to the official referred to in paragraph 5.4 a written report containing particulars of each final award made by such official or committee during that month, including:
- (a) The amount of the award.
  - (b) The name of the provider to whom the award was made.
  - (c) The reason why the award was made to that provider.
- 5.5 A written report referred to in paragraph 5.3 must be submitted:
- (a) To the Chief Financial Officer and, in the case of an award for quotations/bids **not exceeding R 120 000.00** [refer to paragraphs 5.2(a), (b) and (c)] by the respective delegated officials.
  - (b) To the Accounting Officer, in the case of an award for a quotation/bid **above R 100 000.00 not exceeding R 200 000.00** [refer to paragraph 5.2(d)] by:
    - i. the Director Operations
    - ii. the Director Corporate Services
    - iii. the Chief Financial Officer.
- Failure to comply with the above conditions and provisions may result in such powers being revoked with immediate effect.**
- 5.6 The Accounting Officer may confirm, vary or revoke any decision taken by an official in consequence of a delegation but no such variation or revocation of a decision may detract any rights that may have accrued as a result of the decision
- 5.7 No supply chain management decision-making powers may be delegated to an advisor or consultant.
- 5.8 Paragraph 5.2 above may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the system provided for in paragraphs 12 and 26 of this Policy.

## 6. Oversight Role

- 6.1 The **board of directors** reserves its right to:
- (a) Approve this Policy.
  - (b) Maintain oversight over the implementation of this Policy.
  - (c) Ensure that the Accounting Officer executes the Supply Chain Management Policy in terms of the relevant legislative requirements.
  - (d) Review the broad-based black economic empowerment and supply chain management targets, annually.
- 6.2 For the purposes of such oversight the **Accounting Officer** must:
- (a) Ensure compliance by the entire organisation to the SCM policy.
  - (b) Appoint members of the bid committees referred to in paragraph 26.1, below.
  - (c) Approve the inclusion of service providers onto the database on a day-to-day needs requirement including emergencies.
  - (d) Within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy, to the board of directors.
  - (e) Within 20 days of the end of each financial year, submit a report on the implementation of this Policy to the board of directors, who must then submit the report to the Accounting Officer of the parent municipality for submission to the Council.
  - (f) Whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the board of directors, who must then submit the report to the Accounting Officer of the parent municipality for submission to the Council.

(g) Publicise the reports in accordance with section 21A of the Municipal Systems Act.

6.3 For the purposes of such oversight the Entity's **management** must:

- (a) Establish a bid evaluation committee as appointed by the Accounting Officer.
- (b) Act as an advisory forum on SCM related issues to the CEO.
- (c) Implement the SCM Policy and any procedural and other prescripts issued in terms of the policy within its area of responsibility, including any amendments to the policy.
- (d) Ensure compliance with the SCM Policy and any procedural and other prescripts issued in terms of the policy within its area of responsibility.
- (e) Develop or ensure development of, draft specifications for procurements by their sections.
- (f) Ensure proper planning for and, as far as possible, accurately estimating the costs of the provision of services, works or goods for which offers are to be solicited.
- (g) Select the appropriate preference point system to be utilised in the evaluation of offers.

6.4 For the purposes of such oversight the Entity's **Chief Financial Officer** must:

- (a) Be the custodian of the SCM Policy and report on progress regarding this implementation.
- (b) Conduct procurement audits of the entire supply chain management system to identify successes and failures for incorporation into a report for submission to the board of directors.
- (c) Manage the overall quotation and competitive bidding process from solicitation to processing of invoice payments.
- (d) Comply with all relevant legislation.
- (e) Be responsible for managing procurements and disposals to ensure that the supply chain management systems are adhered to.
- (f) Ensure that the procurement and disposal process followed adheres to preference targets without compromising price and service delivery.
- (g) Be responsible for ensuring that all employees involved in the supply chain management process receive the necessary training to facilitate implementation of the SCM Policy.
- (h) Submit reports to the Procurement and Operations Committee (POC) regarding progress and any matters of importance relating to the SCM Policy.

6.5 For the purposes of such oversight the Entity's **Supply Chain Management** must:

- (a) Be responsible and accountable for the day-to-day management of SCM.
- (b) Ensure compliance in all documents pertaining to the procurement of goods or services by means of written price quotations as well as all documents pertaining to procurements by means of competitive bidding process.
- (c) Ensure that all documents pertaining to the disposal of movable and immovable capital assets shall be issued and received, in consultation with the relevant stakeholders, and forwarded to the board of directors where necessary, for approval.
- (d) Ensure the compilation of a schedule for all capital projects by department for each financial year, such schedule will be attached to the Entity's annual budget and shall consist of schedule times and dates for such capital projects.

## 7. Supply Chain Management Unit

7.1 A supply chain management unit is hereby established to implement this Policy.

**Note:**

*The Municipal Entity may establish a joint supply chain management unit, with the parent municipality, to implement their respective supply chain management policies.*

7.2 The supply chain management unit operates under the direct supervision of the Chief Financial Officer to whom this duty has been delegated in terms of section 82 of the Act.

## **8. Training of Supply Chain Management Officials**

- 8.1 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**

### **9. Format of supply chain management system**

- 9.1 This Policy provides systems for:
- (a) Demand management – refer to Part 1 below.
  - (b) Acquisition management – refer to Part 2 below.
  - (c) Logistics management – refer to Part 3 below.
  - (d) Disposal management – refer to Part 3 below.
  - (e) Risk management – refer to Part 3 below.
  - (f) Performance management – refer to Part 3 below.

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

#### **10. System of Demand Management**

10.1 The Accounting Officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the Municipal Entity support its operational commitments and its strategic goals outlined in the Integrated Development Plan.

10.2 The demand management system must:

- (a) Include timely planning and management processes to ensure that all goods and services required by Municipal Entity 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.
- (c) Provide for the compilation of the required specifications to ensure that its needs are met.
- (d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

### ***Part 2: Acquisition Management***

#### **11. System of Acquisition Management**

11.1 The Accounting Officer must implement the system of acquisition management set out in this Part in order to ensure:

- (a) That goods and services are procured by the Municipal Entity in accordance with authorised processes only.
- (b) That expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act.
- (c) That the threshold values for the different procurement processes are complied with.
- (d) That bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation.
- (e) That any Treasury guidelines on acquisition management are properly taken into account.

11.2 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 Municipal Entity's supply chain management system, including:

- (a) The kind of goods or services.

- (b) The name of the supplier.

## **12. Range of Procurement Processes**

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

- (a) Petty cash purchases, up to a transaction value of R 350.00 (VAT included) – refer to paragraph 15.
- (b) One written quotation for procurement of a transaction value over R 500 up to R 2 000 (VAT included) – refer to paragraph 16.1(a).
- (c) Three written quotations for procurement of a transaction value over R 2 000 up to R 30 000 (VAT included) – refer to paragraph 16.1(b).
- (d) A minimum of three written quotations for procurement of a transaction value over R 30 000 up to R 200 000 (VAT included) – refer to paragraph 16.1(c).
- (e) A competitive bidding process for procurement of a transaction value over R200 000 (VAT included) – refer to paragraph 17.

12.2 The Accounting Officer may, in writing:

- (a) Lower, but not increase, the different threshold values specified in paragraph 12.1 above.
- (b) Direct that:
  - i. three written quotations be obtained for any specific procurement of a transaction value lower than R 2 000
  - ii. written price quotations obtained for any specific procurement of a transaction value lower than R 30 000 be presented to the bid adjudication committee for evaluation and recommendation for his/her approval
  - iii. a competitive bidding process be followed for any specific procurement of a transaction value lower than R 200 000.

12.3 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.

## **13. General Preconditions for Consideration of Written Quotations or Bids**

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

- (a) Has furnished that provider's:
  - i. full name
  - ii. identification number or company or other registration number
  - iii. tax reference number and VAT registration number, if any.
- (b) Has authorised the Municipal Entity to obtain a tax clearance from the South African Revenue Services that the provider's tax matters are in order.
- (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
  - iii. whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in paragraph (c)ii. is in the service of the state, or has been in the service of the state in the previous twelve months.
- (d) Has completed the Standard Bidding Document (SBD 4 - Declaration of Interest) as required by paragraph 4.1.2 of the National Treasury Practice Note Number 7 of 2009/2010.

## 14. List of Accredited Prospective Providers: Supplier Database

14.1 The Accounting Officer must:

- (a) Keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through written quotations and formal written price quotations.
- (b) At least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers.
- (c) Specify the listing criteria for accredited prospective providers.
- (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.

14.2 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.

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

## 15. Petty Cash Purchases

15.1 The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 12.1(a) of this Policy, are as follows:

- (a) Petty Cash is kept on hand for incidental purchases of low value goods and services (i.e. postage, office supplies, reimbursement out-of-pocket expenditures), which cannot be accommodated through other purchasing procedures. Petty cash may not be used for payroll payments, inventory, capital goods, entertainment expense, travel expenses and other personal obligations.
- (b) A monthly reconciliation report from each manager must be provided to the Chief Financial Officer, including:
  - i. the total amount of petty cash purchases for that month
  - ii. receipts and appropriate documents for each purchase.

## 16. Written Quotations

16.1 The conditions for the procurement of goods or services through written quotations, *from providers within the appropriate industry*, are as follows:

- (a) **Procurement transaction value over R 500 up to R 2 000**
  - i. three (3) written quotations are required from a supplier on the list of accredited prospective providers
  - ii. providers must be invited to submit quotations on a rotation basis
  - iii. the names of the potential providers requested to provide such quotations with their quoted prices must be recorded and reported the Accounting Officer or his/her designate.
- (b) **Procurement transaction value over R 2 000 up to R 30 000**
  - i. three (3) written quotations to be obtained from different providers preferably from, but not limited to, suppliers whose names appear on the list of accredited prospective providers of the Municipal Entity
  - ii. the procurement transaction to be carried out in terms of the Municipal Entity's SMME development and BBBEE targets for the relevant financial year
  - iii. if quotations are obtained from providers who are not listed, such providers must meet the listing criteria set out in paragraph 14.1(b) and (c) of this Policy. These cases are to be recorded and reported to the Accounting Officer or his/her designate

- iv. if it is not possible to obtain at least three quotations, the reasons must be recorded and reported to the Accounting Officer or his/her designate, within three days of the end of each month
  - v. the names of the potential providers requested to provide such quotations with their quoted prices must be recorded and reported the Accounting Officer or his/her designate.
- (c) **Procurement transaction value over R 30 000 up to R 200 000**
- i. a minimum of three written quotations to be obtained from different providers preferably from, but not limited to, suppliers whose names appear on the list of accredited prospective providers of the Municipal Entity
  - ii. quotations to be presented to the bid adjudication committee for evaluation and recommendation to the Accounting Officer for approval
  - iii. if quotations are obtained from providers who are not listed, such providers must meet the listing criteria set out in paragraph 14.1(b) and (c) of this Policy. These cases are to be recorded and reported to the Accounting Officer or his/her designate
  - iv. if it is not possible to obtain at least three quotations, the reasons must be recorded and reported to the Accounting Officer or his/her designate, within three days of the end of each month
  - v. the names of the potential providers requested to provide such quotations with their quoted prices must be recorded and reported the Accounting Officer or his/her designate.

## 17. Formal Written Price Quotations (Proposals)

17.1 The conditions for the procurement of goods or services through formal written price quotations (proposals), **from providers within the appropriate industry**, are as follows:

- (a) **Procurement transaction value over R 200 000 up to R 1 000 000**
- i. goods and services may only be procured through a competitive bidding process as outlined in paragraphs 19, 20, 21 and 22 below
  - ii. the **80/20 system** (Refer to Standard Bidding Document: SBD 6.1 paragraph 5) for a procurement transaction **value up to R 1 000 000**
  - iii. proposals must be obtained in writing from different providers preferably from, but not limited to, suppliers whose names appear on the list of accredited prospective providers of the Municipal Entity
  - iv. proposals may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14.1(b) and (c) of this Policy
  - v. if it is not possible to obtain at least three proposals, the reasons must be recorded and reported to the Accounting Officer or his/her designate, within three days of the end of each month
  - vi. the names of the potential providers requested to provide such quotations with their quoted prices must be recorded and reported the Accounting Officer or his/her designate.
- (b) **Procurement transaction value over R 1 000 000**
- i. goods and services may only be procured through a competitive bidding process as outlined in paragraphs 19, 20, 21 and 22 below
  - ii. the **90/10 system** (Refer to Standard Bidding Document: SBD 6.1 paragraph 5) for a procurement transaction **value above R 1 000 000**
  - iii. proposals must be obtained in writing from different providers preferably from, but not limited to, suppliers whose names appear on the list of accredited prospective providers of the Municipal Entity
  - iv. proposals may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14.1(b) and (c) of this Policy.
  - v. If it is not possible to obtain at least three proposals, the reasons must be recorded and reported to the Accounting Officer or his/her designate, within three days of the end of each month

- vi. The names of the potential providers requested to provide such quotations with their quoted prices must be recorded and reported the Accounting Officer or his/her designate.

## 18. Procedures for Procuring Goods or Services

18.1 The procedure for the procurement of goods or services through written quotations or formal written price quotations (proposals), is as follows:

- (a) When using the list of accredited prospective providers the Accounting Officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis.
- (b) All procurement transaction values in excess of R 30 000 (VAT included) that are to be procured must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and an official notice board of the Municipal Entity.
- (c) Bids received must be evaluated on a comparative basis taking into account unconditional discounts.
- (d) The Accounting Officer must on a monthly basis be notified in writing of all written quotations and formal written price quotations (proposals) accepted by an official acting in terms of a sub-delegation.
- (e) Quotations with procurement transaction values below R 30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price.
- (f) Acceptable bids, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points.

## 19. Competitive Bids

19.1 Goods or services above a transaction value of R 200 000 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraph 11.2 of this Policy.

19.2 No requirement for goods or services above an estimated transaction value of R 120 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

## 20. Process for Competitive Bidding

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

- (a) Compilation of bidding documentation as detailed in paragraph 21.
- (b) Public invitation of bids as detailed in paragraph 22.
- (c) Site meetings or briefing sessions as detailed in paragraph 22.1(b)iii.
- (d) Handling of bids submitted in response to public invitation as detailed in paragraph 23.
- (e) Evaluation of bids as detailed in paragraph 28.
- (f) Award of contracts as detailed in paragraph 29.
- (g) **Administration of contracts:** 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 contracts agreements should be kept in a secure place for reference and audit purposes.

## 21. Bid Documentation for Competitive Bids

21.1 The criteria to which bid documentation for a competitive bidding process must comply, must:

- (a) Comprise National Treasury's Standard Bidding Document (SDB), as amended from time to time, which must be obtained from the Department of National Treasury, Divisions, Supply Chain Management's Website (<http://www.treasury.gov.za/divisions/sf/sc/default.aspx>).

(b) The National Treasury’s Standard Bidding Document comprise:

1	SBD 1	Invitation to Bid
2	SBD 2	Tax Clearance Certificate Requirements
3	SBD 3.1	Pricing Schedule - Firm Prices Purchases
4	SBD 3.2	Pricing Schedule - Non-Firm Prices Purchases
5	SBD 3.3	Pricing Schedule - Professional Services
6	SBD 4	Declaration of Interest
7	SBD 5	National Industrial Participation Programme
8	SBD 6.1	Preference Points Claim Form - Purchases
9	SBD 6.2	Preference Points Claim Form - Sales
10	SBD 6.3	Preference Points Claim Form - Promotion of Small Businesses
11	SBD 6.4	Preference Points Claim Form - Locally Manufactured Products
12	SBD 6.5	Preference Points Claim Form - Empowerment of the Work Force
13	SBD 6.7	Preference Points Claim Form - Upliftment of Communities
14	SBD 6.8	Preference Points Claim Form - Export Orientated Production to Create Jobs
15	SBD 6.9	Preference Points Claim Form - Promotion of Enterprises Located in a Specific Province
16	SBD 6.10	Promotion of Enterprises Located in a Specific Region
17	SBD 6.11	Promotion of Enterprises Located in a Specific Municipal Area
18	SBD 6.12	Preference Points Claim Form - Promotion of Enterprises Located in Rural Areas
19	SBD 7.1	Contract Form - Purchase of Goods or Works
20	SBD 7.2	Contract Form - Rendering of Services
21	SBD 7.3	Contract Form - Sale of Goods, Works
22	SBD 8	Declaration of Bidder’s Past Supply Chain Management Practices
23	SBD 9	Certificate of Independent Bid Determination

(c) Take into account:

- i. the general conditions of contract and any special conditions of contract, if specified
- ii. any Treasury guidelines on bid documentation
- 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.

(d) 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.

(e) Compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted.

(f) If the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish:

- i. if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements:
  - for the past three years
  - since their establishment if established during the past three years
- ii. a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days
- iii. particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract
- iv. a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the Municipal Entity is expected to be transferred out of the Republic.

(g) 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.

## 22. Public Invitation for Competitive Bids

22.1 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 Municipal



Entity or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin).

- (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 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, subject to paragraph 22.2 of this policy
  - ii. a statement that bids may only be submitted on the bid documentation provided by the Municipal Entity
  - iii. date, time and venue of any proposed site meetings or briefing sessions.

22.2 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.

22.3 Bids submitted must be sealed.

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

### **23. Procedure for Handling, Opening and Recording of Bids**

23.1 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
  - 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 paragraph 23.1(b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award.
- (d) The Accounting Officer must:
  - i. record in a register all bids received in time
  - ii. make the register available for public inspection
  - iii. publish the entries in the register and the bid results on the website.

### **24. Negotiations with Preferred Bidders**

24.1 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.
- (c) Does not lead to a higher price than the bid as submitted.

24.2 Minutes of such negotiations must be kept for record purposes.

### **25. Two-Stage Bidding Process**

25.1 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.

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

25.2 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.

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

## **26. Committee System for Competitive Bids**

26.1 A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the Accounting Officer may determine:

- (a) a bid specification committee
- (b) a bid evaluation committee
- (c) a bid adjudication committee

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

26.3 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.

26.4 The committee system must be consistent with:

- (a) Paragraphs 27, 28 and 29 of this Policy
- (b) Any other applicable legislation.

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

## **27. Bid Specification Committees**

27.1 A bid specification committee must compile the specifications for each procurement of goods or services by the Municipal Entity.

27.2 Specifications:

- (a) Must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services.
- (b) Must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply.
- (c) Must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design.
- (d) May not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification.
- (e) May not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word "equivalent".
- (f) Must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2001.
- (g) Must be approved by the Accounting Officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.

27.3 A bid specification committee must be composed of one or more officials of the Municipal Entity, preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.

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

## **28. Bid Evaluation Committees**

28.1 A bid evaluation committee must:

- (a) Evaluate bids in accordance with:
  - i. the specifications for a specific procurement
  - ii. the points system set out in terms of paragraph 27.2(f).
- (b) Evaluate each bidder's ability to execute the contract.
- (c) Check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears.
- (d) Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

28.2 A bid evaluation committee must as far as possible be composed of:

- (a) Officials from departments requiring the goods or services.
- (b) At least one supply chain management practitioner of the Municipal Entity.

## **29. Bid Adjudication Committees**

29.1 A bid adjudication committee must:

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

29.2 A bid adjudication committee must consist of at least four senior managers of the Municipal Entity 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.
- (b) At least one senior supply chain management practitioner who is an official of the Municipal Entity.
- (c) A technical expert in the relevant field who is an official, if such an expert exists.

29.3 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.

29.4 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.

29.5 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:

- (a) Prior to awarding the bid:
  - i. check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears
  - ii. notify the Accounting Officer.
- (b) The Accounting Officer may:

- i. after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph 29.5(a)
- ii. if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.

29.6 The Accounting Officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.

29.7 The Accounting Officer must comply with section 114 of the Act within 10 working days.

### **30. Procurement of Banking Services**

30.1 A contract for banking services:

- (a) Must be procured through competitive bids.
- (b) Must be consistent with section 7 or 85 of the Act.
- (c) May not be for a period of more than five years at a time.

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

30.3 The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22.1. Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

### **31. Procurement of IT Related Goods or Services**

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

31.2 Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.

31.3 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 R 50 million (VAT included)
- (b) The transaction value of a contract to be procured whether for one or more years exceeds R 50 million (VAT included).

31.4 If SITA comments on the submission and the Municipal Entity disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the board of directors, the National Treasury, the Free State Provincial Treasury and the Auditor General.

### **32. Procurement of Goods and Services under Contracts Secured by other Organs of State**

32.1 The Accounting Officer may procure goods or services under a 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.
- (d) That other organ of state and the provider have consented to such procurement in writing.

32.2 Subparagraphs 32.1(c) and (d) do not apply if:

- (a) The Municipal Entity procures goods or services through a contract secured by its parent municipality.

- (b) The municipality procures goods or services through a contract secured by a Municipal Entity of which it is the parent municipality.

### **33. Procurement of Goods necessitating Special Safety Arrangements**

- 33.1 The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.
- 33.2 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.

### **34. Proudly SA Campaign**

- 34.1 The Municipal Entity supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:
  - (a) Firstly – suppliers and businesses within the municipality or district.
  - (b) Secondly – suppliers and businesses within the relevant province.
  - (c) Thirdly – suppliers and businesses within the Republic.

### **35. Appointment of Consultants**

- 35.1 The Accounting Officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.
- 35.2 Consultancy services must be procured through competitive bids if:
  - (a) The value of the contract exceeds R 200 000 (VAT included).
  - (b) The duration period of the contract exceeds one year.
- 35.3 In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of:
  - (a) All consultancy services provided to an organ of state in the last five years.
  - (b) Any similar consultancy services provided to an organ of state in the last five years.
- 35.4 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 Municipal Entity.

### **36. Deviation from, and Ratification of Minor Breaches of, Procurement Processes**

- 36.1 The Accounting Officer may:
  - (a) Dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only:
    - i. in an emergency
    - ii. if such goods or services are produced or available from a single provider only
    - iii. for the acquisition of special works of art or historical objects where specifications are difficult to compile
    - iv. acquisition of animals for zoos and/or nature and game reserves
    - v. in any other exceptional case where it is impractical or impossible to follow the official procurement processes.
  - (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.

36.2 The Accounting Officer must record the reasons for any deviations in terms of paragraphs 36.1(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.

36.3 Paragraph 36.2 does not apply to the procurement of goods and services contemplated in paragraph 11.2 of this policy.

### **37. Unsolicited Bids**

37.1 In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.

37.2 The Accounting Officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if:

- (a) The product or service offered in terms of the bid is a demonstrably or proven unique innovative concept.
- (b) The product or service will be exceptionally beneficial to, or have exceptional cost advantages.
- (c) The person who made the bid is the sole provider of the product or service.
- (d) The reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer.

37.3 If the Accounting Officer decides to consider an unsolicited bid that complies with paragraph 37.2 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.
- (c) An invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.

37.4 The Accounting Officer must submit all written comments received pursuant to paragraph 37.3, including any responses from the unsolicited bidder, to the National Treasury and the Free State Provincial Treasury for comment.

37.5 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.

37.6 A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.

37.7 When considering the matter, the adjudication committee must take into account:

- (a) Any comments submitted by the public.
- (b) Any written comments and recommendations of the National Treasury or the Free State Provincial Treasury.

37.8 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 Free State Provincial Treasury and the National Treasury the reasons for rejecting or not following those recommendations.

37.9 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 Municipal Entity to the bid may be entered into or signed within 30 days of the submission.

### **38. Combating of Abuse of Supply Chain Management System**

38.1 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
  - 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 Municipal Entity, or to any other municipality or Municipal Entity, are in arrears for more than three months
  - ii. who during the last five years has failed to perform satisfactorily on a previous contract with the Municipal Entity 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
  - 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.
- (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 Municipal Entity or has committed any improper conduct in relation to such system
  - ii. has been convicted for fraud or corruption during the past five years
  - iii. has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years
  - 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).

38.2 The Accounting Officer must inform the National Treasury and Free State Provincial Treasury in writing of any actions taken in terms of paragraphs 38.1(b)ii., (e) or (f) of this policy.

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

#### **39. Logistics Management**

39.1 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.
- (g) Monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

#### **40. Disposal Management**

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

- (a) board of directors to insert criteria.

40.2 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.
- (d) Destroying the asset.

40.3 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 annually reviewed.
- (f) Where assets are traded in for other assets, the highest possible trade-in price is negotiated.
- (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.

#### **41. Risk Management**

41.1 The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, are as follows:

- (a) board of directors to insert criteria.

41.2 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.
- (e) The assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.



## **42. Performance Management**

42.1 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.

## **Part 4: Other Matters**

### **43. Prohibition on Awards to Persons whose Tax Matters are not in Order**

43.1 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.

43.2 Before making an award to a person the Accounting Officer must first check with SARS whether that person's tax matters are in order.

43.3 If SARS does not respond within 7 days such person's tax matters may for purposes of paragraph 43.1 be presumed to be in order.

### **44. Prohibition on Awards to Persons in the Service of the State**

44.1 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 a person in the service of the state.
- (c) A person who is an advisor or consultant contracted with the Municipal Entity.

### **45. Awards to Close Family Members of Persons in the Service of the State**

45.1 The Accounting Officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R 2000 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.
- (c) The amount of the award.

### **46. Ethical Standards**

46.1 A code of ethical standards as set out in [paragraph 46.2 / the "National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management"] is hereby established for officials and other role players in the supply chain management system of the Municipal Entity in order to promote:

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

**Note:**

*It is recommended that the municipality or Municipal Entity adopt the 'National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management'. When adopted, such code of conduct becomes binding on all officials and other role players involved in the implementation of the supply chain management policy of the municipality or Municipal Entity. A copy of the National Treasury code of conduct is available on*

the website [www.treasury.gov.za/mfma](http://www.treasury.gov.za/mfma) located under “legislation”. This code of conduct must be adopted by the board of directors to become binding.

**Important:**

If the board of directors adopts the National Treasury code of conduct, paragraphs 46.2, 46.3 and 46.4 below **are to be deleted** from the policy and renumber paragraph 46.5 to paragraph 46.2. Alternatively, should the National Treasury code not be adopted, paragraphs 46.2, 46.3 and 46.4 must be retained as the minimum code of ethics.

46.2 An official or other role player involved in the implementation of this Policy:

- (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, of a value more than R 350.
- (d) Notwithstanding subparagraph 46.2(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 Municipal Entity.
- (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 Municipal Entity.
- (h) Must assist the Accounting Officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system.
- (i) Must report to the Accounting Officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including:
  - i. any alleged fraud, corruption, favouritism or unfair conduct
  - ii. any alleged contravention of paragraph 47.1 of this Policy
  - iii. any alleged breach of this code of ethical standards.

46.3 Declarations in terms of paragraphs 46.2(d) and (e):

- (a) Must be recorded in a register which the Accounting Officer must keep for this purpose.
- (b) By the Accounting Officer must be made to [the mayor of the board of directors of the Municipal Entity who must ensure that such declarations are recorded in the register.

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

46.5 A breach of the code of ethics must be dealt with as follows :

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

## **47. Inducements, Rewards, Gifts and Favours to Municipal Entities, Officials and Other Role Players**

47.1 No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant:

- (a) Any inducement or reward to the Municipal Entity for or in connection with the award of a contract.

- (b) Any reward, gift, favour or hospitality to:
  - i. any official
  - ii. any other role player involved in the implementation of this Policy.

47.2 The Accounting Officer must promptly report any alleged contravention of paragraph 47.1 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.

47.3 Paragraph 47.1 does not apply to gifts less than R 350 in value.

#### **48. Sponsorships**

48.1 The Accounting Officer must promptly disclose to the National Treasury and the Free State 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.
- (b) A recipient or prospective recipient of goods disposed or to be disposed.

#### **49. Objections and Complaints**

49.1 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.

#### **50. Resolution of Disputes, Objections, Complaints and Queries**

50.1 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 Municipal Entity and other persons regarding:
  - i. any decisions or actions taken in the implementation of the supply chain management system
  - ii. any matter arising from a contract awarded in the course of the supply chain management system.
- (b) To deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

**Note:**

*A parent municipality and a Municipal Entity under its sole or shared control may for purposes of paragraph 50.1 appoint the same person.*

50.2 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.

50.3 The person appointed must:

- (a) Strive to resolve promptly all disputes, objections, complaints or queries received.
- (b) Submit monthly reports to the Accounting Officer on all disputes, objections, complaints or queries received, attended to or resolved.

50.4 A dispute, objection, complaint or query may be referred to the Free State Provincial Treasury if:

- (a) The dispute, objection, complaint or query is not resolved within 60 days.
- (b) No response is forthcoming within 60 days.

50.5 If the Free State Provincial Treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

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

### **51. Contracts Providing for Compensation Based on Turnover**

51.1 If a service provider acts on behalf of a Municipal Entity 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 Municipal Entity must stipulate:

- (a) A cap on the compensation payable to the service provider.
- (b) That such compensation must be performance based.

### **52. Commencement**

52.1 This Policy takes effect on \_\_\_/\_\_\_\_\_/\_\_\_\_\_.

52.2 Responsibility for the implementation of this policy rests with the CFO.

### **53. Approval**

This Policy is approved by the board of directors of the Municipal Entity.

\_\_\_\_\_  
Signature

Date: \_\_\_/\_\_\_\_\_/\_\_\_\_\_.